1. About this Integrated Report

1.1 Introduction

Co-operative Bank of Kenya 2024 Integrated Report presents a unified view of our financial, sustainability, and governance performance, replacing our previous separate reports.

In this report, we demonstrate how we embed sustainability into our core strategy to create long-term value for all stakeholders. This report highlights our approach to key risks, stakeholder expectations, and regulatory developments, with a particular focus on governance, digital innovation, financial inclusion, and climate action aligned with Sustainable Development Goals.

1.2 Reporting Frameworks and Principles

This report has been guided by internationally recognized financial and sustainability reporting frameworks, including IFRS S1/S2, GRI Standards (2021), the Capital Markets Authority (CMA) Code of Corporate Governance, the Kenya Bankers Association Sustainable Finance Principles, and the Nairobi Securities Exchange (NSE) ESG Disclosures Guidance Manual.

We are currently in the process of transitioning to the IFRS Sustainability Disclosure Standards (S1 and S2) as part of our broader commitment to enhancing sustainability reporting.

1.3 How to Navigate This Report

This integrated report is structured into 16 chapters. The table below provides an overview of the main chapters and a brief description of the content within each section.

Chapter		Key Contents
1.	About this integrated report	Introduction, reporting frameworks, scope, review process, contact information, and board approval.
2.	Organizational Overview	Vision, mission, heritage, ownership, shareholder profile, geographic presence, financial & non-financial highlights, and business model.
3.	Our Leadership	Chairman statement, GMD & CEO statement, Board of Directors, and top management profiles.
4.	Material Topic	Materiality definition, assessment process, key topics for 2024, and linkage to financial statements.
5.	Corporate Governance	Governance framework, board composition and committees, performance evaluations, ethics, risk management, and disclosure practices.
6.	Operating Context	Global and domestic economic trends, competitive and regulatory environment, climate and policy drivers, and outlook.
7.	Strategic Priorities and Performance	Strategic review, performance metrics, awards, lessons learnt, and the new Good to Great Corporate Strategic Plan. (2025-2029).
8.	Climate-Related Risks & Opportunities	Climate transition plan, risk assessment enhancements, time horizons, risk/opportunity framework, and key climate risks/opportunities.
9.	SDG Alignment & Performance	Mapping of initiatives to relevant SDGs with performance metrics and impact data.
10.	Risk Management	Enterprise Risk Management framework, risk identification and mitigation, governance, risk culture, and GHG emissions metrics.
11.	Human Capital	Workforce breakdown, new hires/turnover, leave policies, diversity, employee welfare, and training details.
12.	Stakeholder Relations	Stakeholder engagement approach, key groups, communication channels, and feedback mechanisms.
13.	Community Engagements	Community programs, social impact initiatives, transformation stories.
14.	Financial & Operational Highlights	Financial performance highlights, key achievements and challenges, economic value distribution, and tax governance.
15.	GRI Content Index	Mapping of disclosures to GRI Standards for economic, environmental, & social topics.
16.	Annual Report & Financial Statements	Audited financial statements.

1.4 Reporting Scope and Boundaries

This report covers Co-operative Bank of Kenya's operations, primarily within Kenya. Where relevant, disclosures related to our South Sudan subsidiary or other Group entities are clearly identified.

1.5 Independent and Internal Review

This report has undergone a rigorous internal review process involving relevant departments and senior management to ensure the accuracy and completeness of the information presented.

The Group's consolidated financial statements included in this report were independently audited by Ernst & Young (EY) in accordance with International Standards on Auditing (ISA), providing assurance on the financial information.

At present, the non-financial disclosures (including sustainability data) have not been externally assured but are subject to internal checks and validations. We continue to strengthen our internal control and data governance processes in preparation for future external assurance of sustainability-related disclosures.

1.6 Forward-Looking Statements Disclaimer

This report contains forward-looking statements based on current expectations and assumptions. Actual results may differ materially due to various factors, including macroeconomic changes, regulatory developments, competition, and climate-related risks. Readers should not place undue reliance on these statements, which speak only as of the report's date. The Bank undertakes no obligation to update them.

1.7 Contact Us

Company Name:	Co-operative Bank of Kenya Ltd
Headquarters:	Co-operative House, Haile Selassie Avenue, Nairobi, Kenya
Reach Us:	investorrelations@co-opbank.co.ke
Contact Centre:	020 277 6000, 0703027000 WhatsApp +254736690101

To download a copy of this report, please visit the Co-operative Bank website at https://www.co-opbank.co.ke/investor-relations/integrated-reports/

Sustainability reports from previous years can be found at https://www.co-opbank.co.ke/sustainability/

We encourage our stakeholders to share their views on these reports through esg@co-opbank.co.ke

1.8 Board Approval and Sign-Off

Statement of Responsibility

The Board of Directors of Co-operative Bank of Kenya approves the 2024 Integrated Report. The report accurately reflects the Bank's financial performance, sustainability initiatives, and governance practices. We remain committed to ongoing improvement in our emissions reporting, and other ESG related topics.

Mr. John Murugu, OGW
Chairman

Dr. Gideon Muriuki, CBS, MBS
Group Managing Director & CEO

2. Organizational Overview

2.1 Vision, Mission & Values

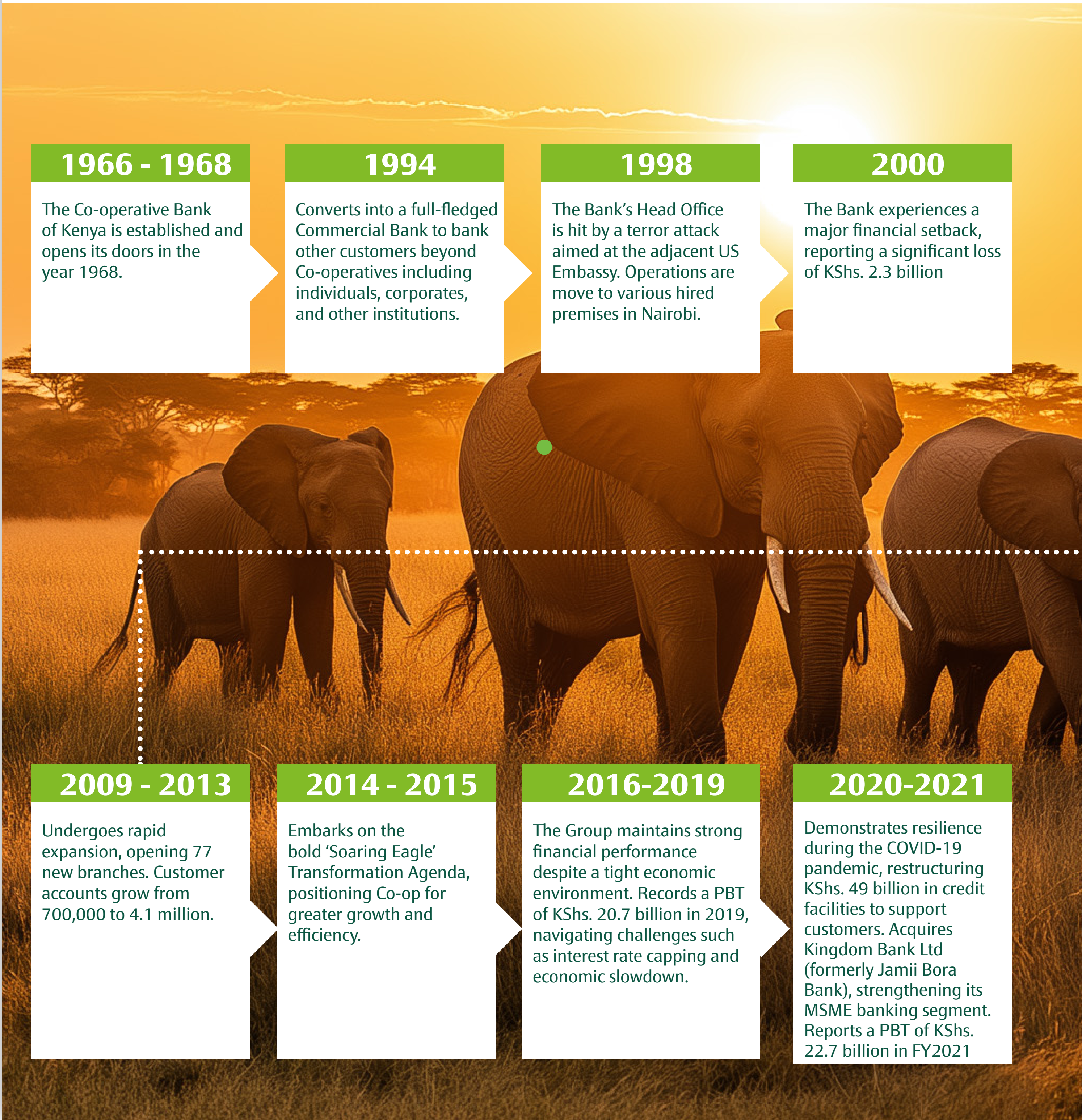
Purpose: A financial institution predominantly owned by the Kenyan Co-operative movement, Transforming lives

Vision: To be the dominant bank in Kenya and the region, riding on the unique Co-operative Model providing innovative financial solutions for distinctive customer experience.

Mission: To offer a wide range of innovative financial solutions leveraging on our heavy investment in multi-channels, national and regional presence and with a focus on excellent customer experience by a highly motivated and talented team.

2.2 Our Heritage

A legacy of transforming lives.



1966 - 1968

The Co-operative Bank of Kenya is established and opens its doors in the year 1968.

1994

Converts into a full-fledged Commercial Bank to bank other customers beyond Co-operatives including individuals, corporates, and other institutions.

1998

The Bank's Head Office is hit by a terror attack aimed at the adjacent US Embassy. Operations are move to various hired premises in Nairobi.

2000

The Bank experiences a major financial setback, reporting a significant loss of KShs. 2.3 billion

2009 - 2013

Undergoes rapid expansion, opening 77 new branches. Customer accounts grow from 700,000 to 4.1 million.

2014 - 2015

Embarks on the bold 'Soaring Eagle' Transformation Agenda, positioning Co-op for greater growth and efficiency.

2016-2019

The Group maintains strong financial performance despite a tight economic environment. Records a PBT of KShs. 20.7 billion in 2019, navigating challenges such as interest rate capping and economic slowdown.

2020-2021

Demonstrates resilience during the COVID-19 pandemic, restructuring KShs. 49 billion in credit facilities to support customers. Acquires Kingdom Bank Ltd (formerly Jamii Bora Bank), strengthening its MSME banking segment. Reports a PBT of KShs. 22.7 billion in FY2021

Our Values

We are Trustworthy

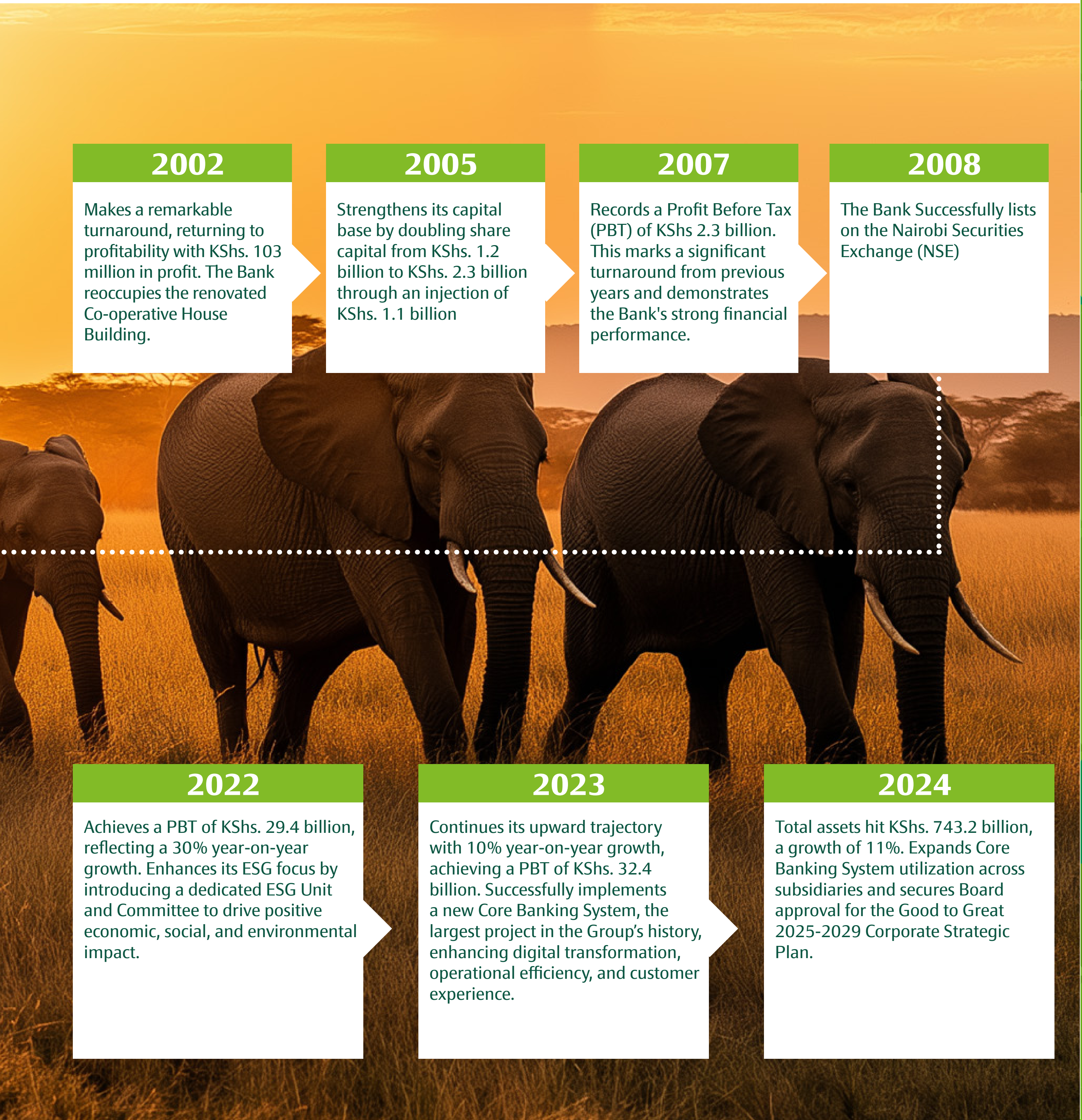
We are Innovative & Agile

We have Passion for Excellence

We value our Customers/People

We Share and Collaborate

We are Bold & Courageous



2002

Makes a remarkable turnaround, returning to profitability with KShs. 103 million in profit. The Bank reoccupies the renovated Co-operative House Building.

2005

Strengthens its capital base by doubling share capital from KShs. 1.2 billion to KShs. 2.3 billion through an injection of KShs. 1.1 billion

2007

Records a Profit Before Tax (PBT) of KShs 2.3 billion. This marks a significant turnaround from previous years and demonstrates the Bank's strong financial performance.

2008

The Bank Successfully lists on the Nairobi Securities Exchange (NSE)

2022

Achieves a PBT of KShs. 29.4 billion, reflecting a 30% year-on-year growth. Enhances its ESG focus by introducing a dedicated ESG Unit and Committee to drive positive economic, social, and environmental impact.

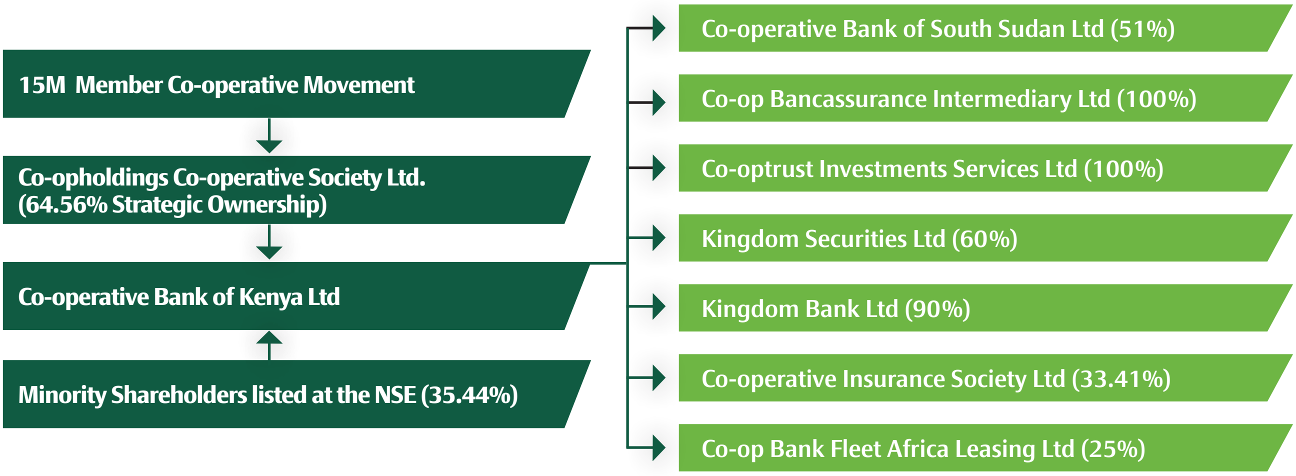
2023

Continues its upward trajectory with 10% year-on-year growth, achieving a PBT of KShs. 32.4 billion. Successfully implements a new Core Banking System, the largest project in the Group’s history, enhancing digital transformation, operational efficiency, and customer experience.

2024

Total assets hit KShs. 743.2 billion, a growth of 11%. Expands Core Banking System utilization across subsidiaries and secures Board approval for the Good to Great 2025-2029 Corporate Strategic Plan.

2.3 Ownership Structure



2.4 Shareholding Structure

Companies 17.2%
Individuals 18.2%
Co-opholding Co-operative Society Ltd 64.6%

	Shares Held	Percentage
Co-opholdings Co-operative Society Limited	3,787,715,404	64.56%
Minority Shareholders	2,079,464,699	35.44%
	5,867,180,103	**100.00%**

Ownership by Category	Shares Held	Percentage
Individual shareholders	1,066,297,235	18.2%
Corporates & Co-operatives	4,800,882,868	81.8%
	5,867,180,103	**100.0%**

Shareholder Distribution

Shareholding	No. of Shareholders	Shares Held	Percentage
1-500	18,084	3,341,102	0.06%
501-5,000	37,357	75,493,531	1.29%
5,001-10,000	30,500	246,962,591	4.21%
10,001-100,000	14,922	339,708,303	5.79%
100,001-1,000,000	863	243,023,235	4.14%
above 1,000,000	210	4,958,651,341	84.51%
TOTAL	**101,936**	**5,867,180,103**	**100.00%**

Top Ten Shareholders

	Shareholders	Shares Held	Percentage
1.	Co-opholdings Co-operative Society Limited	3,787,715,404	64.56%
2.	Dr. Gideon Maina Muriuki, CBS, MBS	117,528,400	2.00%
3.	Patel, Baloobhai; Patel, Amarjeet Baloobhai	95,703,199	1.63%
4.	Standard Chartered Nominees Resd A/C Ke11443	63,661,370	1.09%
5.	NIC Custodial Services A/C 077	54,966,543	0.94%
6.	Kenya Commercial Bank Nominees Limited A/C 915b	46,564,339	0.79%
7.	Stanbic Nominees Limited R6631578	27,908,042	0.48%
8.	ICEA Lion Life Assurance Company Limited-pooled	22,604,643	0.39%
9.	Westlands Triangle Properties Limited	21,118,800	0.36%
10.	NCBA Custodial Service A/C 325	21,040,100	0.36%
	SUBTOTAL	4,258,810,840	72.59%
	OTHER SHAREHOLDERS	**1,608,369,263**	**27.41%**
	TOTAL	**5,867,180,103**	**100.00%**

Co-opholdings Co-operative Society - Top Ten Shareholders

	Shareholders	Shares Held	% Held
1.	Harambee Co-operative Savings & Credit Society Ltd	144,929,400	3.83%
2.	Kenya National Police Deposit Taking Sacco Society Ltd	129,885,226	3.43%
3.	H&M Co-operative Savings & Credit Society Ltd	125,247,471	3.31%
4.	Afya Co-operative Savings & Credit Society Ltd	111,395,592	2.94%
5.	Kipsigis Teachers Co-op Savings & Credit Society Ltd	101,495,520	2.68%
6.	Co-operative Bank Co-op Savings & Credit Society Ltd	96,103,831	2.54%
7.	K-unity Savings and Credit Co-operative Society Limited	91,162,633	2.41%
8.	Kwetu Savings & Credit Co-operative Society Ltd	87,029,775	2.30%
9.	Telepost Co-operative Savings & Credit Society Limited	71,432,771	1.89%
10.	Nawiri Savings and Credit co-operative Society Ltd	69,453,216	1.83%
	Top 10 Co-opholdings Shareholders	1,028,135,435	27.14%
	Other Co-opholdings Shareholders	2,759,579,969	72.86%
	Total	**3,787,715,404**	**100.00%**

2.5 Regional Presence

16,308
Diaspora Banking Customers

210
branches across Kenya

4,875
Merchants

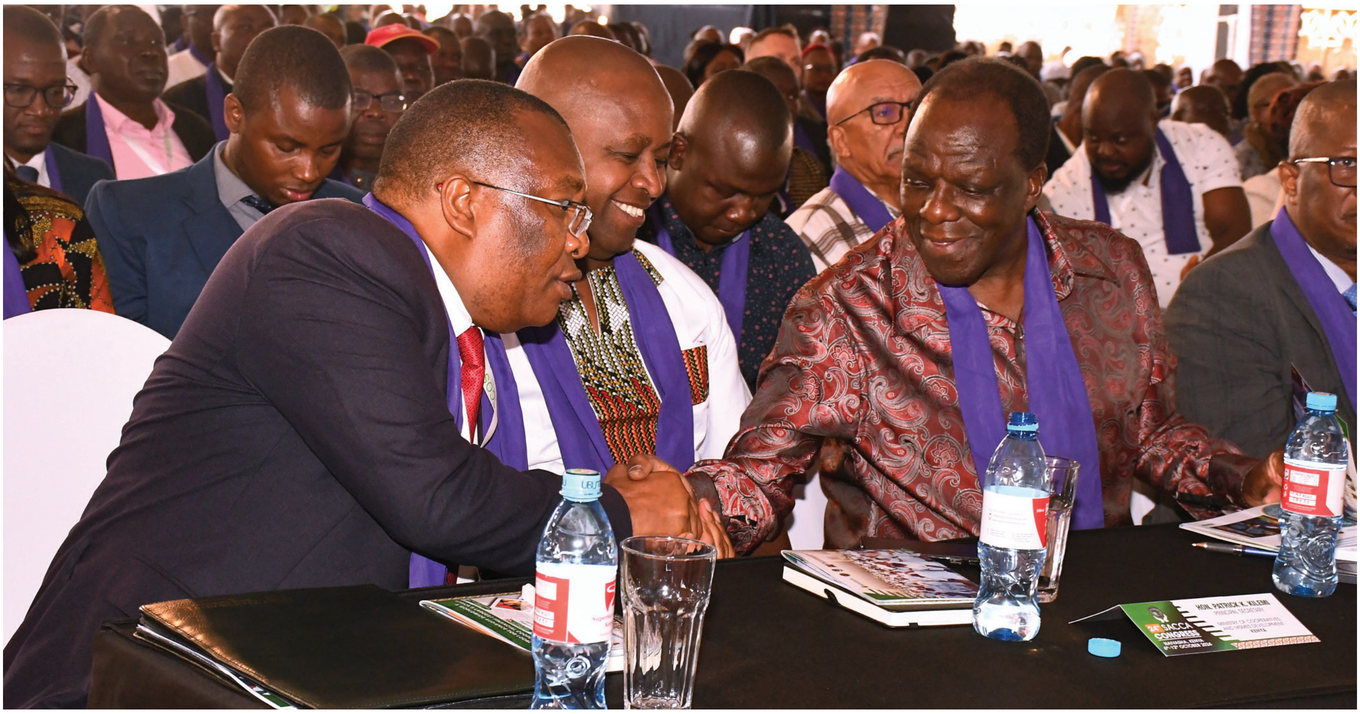
9.4 Million
Account Holders

619
Sacco Front Offices Branch Network

16,110
Co-op Kwa Jirani agents

5,863
Staff

617
ATMs & Cash Deposit Machines



Cabinet Secretary for Co-operatives and Micro, Small and Medium Enterprises Development, Hon. Dr. Wycliffe Oparanya, EGH, together with Principal Secretary for the State Department for Co-operatives Mr. Patrick Kilemi, CBS, engage Co-operative Bank Group Managing Director & CEO, Dr. Gideon Muriuki CBS, MBS during the African Confederation of Co-operatives Savings and Credit Association (ACCOSCA) organized SACCA Congress in Naivasha, Kenya.

2.6 Financial & Non-Financial Highlights

Financial Indicators	2022	2023	2024
Profit Before Tax (KShs.)	29.4B	32.4B	34.8B
Total Assets (KShs.)	607.2B	672.5B	743.2B
Loans & Advances (KShs.)	339.4B	374.2B	373.7B
Customer Deposits (KShs.)	423.8B	451.6B	506.1B
Non-Performing Loans % (Group)	13.6%	16.7%	16.8%
Non-Performing Loans % (Bank)	13.0%	15.7%	16.6%
Industry NPL Ratio	13.3%	14.8%	16.4%
Dividend per Share (KShs.)	1.5	1.5	1.5
Market Capitalization (KShs.)	73B	66.3B	96.5B
Average ROA (%)	3.71%	3.63%	3.60%
Average ROE (%)	21.20%	21.00%	19.70%
Cost to Income (%)	47.10%	47.00%	47.20%
Other Indicators			
Staff Numbers	4,864	5,400	5,863
Training Spend (KShs.)	73M	57.3M	91.3M
Wages & Benefits (KShs.)	14.8B	16.7B	18.3B
Digital Channel Transactions (%)	92%	91%	92%
Branch Presence	184	194	210
Co-op Foundation Students	9,553	10,984	11639
Water Cost (KShs.)	33.0M	45.1M	41.4M
Electricity Cost (KShs.)	213.7M	271.5M	279.4M
Generator Fuel Cost (KShs.)	16M	28.5M	26.2M
Debt to Equity	44.67%	59.29%	38.11%

2.7 Our Business Model and Value Creation -

Universal Banking Model & Sustainability

Our Universal Banking Model is entrenched in the Corporate Strategic Plan (Chapter 7) and provides a comprehensive range of financial solutions across all core business segments, meeting the diverse needs of our customers and driving sustainable growth. We offer innovative products and services tailored to different market segments, positioning us as a one-stop financial provider.

We aim to build long-term stakeholder relationships and consistently invest in community and environmental initiatives. We continuously reinvest in process improvements, technology, talent development, and product innovation.

Impact of Sustainability Risks and Opportunities

- **Wide physical / digital Footprint and an array of financial solutions:** our extensive branch network and digital banking investment, helps us reach the 15-million- member Co-operative Movement through their co-operative societies and 9.4 million customers directly including MSME, Youth, Women and underserved communities. This addresses both a social need (reducing disparities/ inequalities in income, wealth, and opportunities between different socioeconomic groups) and a business opportunity for growth, aligning with our "Financial Inclusion & Accessibility" material topic.
- **Green Finance:** To address the global challenge on climate emanating primarily from pollution, the Bank has financed various green projects.
- **Regulatory Changes:** We proactively adapt to evolving regulations related to sustainability reporting (e.g., IFRS S1/S2), responsible lending, and corporate governance. This ensures compliance and enhances transparency. This impacts most of our material topics. The Bank has a comprehensive enterprise risk management framework.

Key Business Segments and Solutions

Key Business Segment	Providing Solutions To	What We Deliver
Retail & Business Banking Divisions	Individual Customers, Micro, Small and Medium Enterprises	Deposit/Instant Access • Savings Accounts Current Accounts • Fixed/Call Deposit Accounts • Forex Products • Payment Solutions • Funds Transfer • Funds access across all our channels -•M-Wallet Loans • Trade Finance • MSME Loans - Personal/Consumer Loans • Working Capital Loans • Asset Finance -•Insurance Premium Financing • Mortgage Finance • Bancassurance • Consultancy and capacity building • Investment services • Custodial and share services • Stock Brokerage • Leasing
Corporate & Institutional Banking Division	Corporates, Institutions, Government, Parastatals, Non-Governmental Institutions, International Financial Institutions	Same offerings as above, tailored to larger clients.
Co-operatives Banking Division	Large, Medium and Small Saccos, Housing Saccos, Agricultural and other Co-operatives, Public Service vehicles (PSV)/Transport Saccos, Investment Saccos	Same offerings as above, tailored to co-operatives.
Kingdom Bank Ltd	Niche MSMEs	Similar offerings to above with a focus on smaller MSMEs.
Co-optrust Investment Services Ltd	Fund Management Services to pension schemes, unit trust holders, and high net worth clients	Fund Management Services
Co-op Bancassurance Intermediary Ltd	Bancassurance Services, Consultancy and capacity building services to Co-operative Societies	Bancassurance Consultancy
Kingdom Securities Ltd	Stock Brokerage Services	Stock Brokerage
Co-opbank Fleet Africa Leasing Limited	Leasing Solutions to Retail, MSMEs, Corporates, PSVs, Government, and Non-Government entities	Leasing Solutions

2.71 Financial Capital: A Strong and Sustainable Foundation for Growth

Funding Sources and Balance Sheet Growth

Co-operative Bank's financial strength is built upon a diverse funding base of customer deposits, shareholder equity, and borrowed funds. By the end of 2024, our total assets reached KShs. 743.2 billion, reflecting consistent balance sheet growth.

Shareholder Value and Capital Position

We are committed to delivering strong returns to our shareholders while maintaining a prudent capital position. Over the past five years, our average dividend payout ratio has been 40%, balancing investor returns with re-investment for long-term growth. Shareholders' funds stood at KShs. 145.4 billion at year-end 2024.

Funding Mix

Customer deposits constitute 90% of our funding whereas Borrowed funds account for 10%, providing additional flexibility for strategic investments.

Capital and Liquidity Management

We maintain capital and liquidity management frameworks that exceed regulatory requirements. Our Internal Capital Adequacy Assessment Process (ICAAP) ensures that all investments undergo rigorous risk assessment, aligned with the Board's risk appetite.

Cost Efficiency

We continue to focus on cost optimization to enhance efficiency and profitability. Our cost-to-income ratio was 47.2% in 2024, compared to 47% in 2023.

Our strong financial capital base provides the foundation for executing our strategic priorities, including expanding digital banking, growing our loan portfolio, and supporting sustainable initiatives.

	Input (FY23)	Output (FY24)
Total Assets	Kshs. 672.5 Billion	Kshs. 743.2 Billion
Total Capital	Kshs. 132.2 Billion	Kshs. 141.9 Billion
Total capital/total risk weighted assets	22.5%	21.2%
Minimum Statutory Ratio	*14.5%*	*14.5%*
Excess	*8.0%*	*6.7%*
Liquidity	52.0%	59.9%
Minimum Statutory Ratio	*20.0%*	*20.0%*
Excess	*32.0%*	*39.9%*
Rating	B3 (Negative)	Caa1 (Positive)
Total Operating Income	Kshs. 71.7 Billion	Kshs. 80.6 Billion

2.7.2 Human Capital: The Heart of our Success

At Co-operative Bank, our employees are central to our success. We focus on attracting, developing, and retaining a skilled and diverse workforce capable of driving innovation and delivering exceptional customer service.

Our Human Capital strategy is built upon the following key pillars:

- Formal performance management system.
- Diversity and Inclusion: Fostering an inclusive culture that values diverse backgrounds and perspectives.
- Employee Well-being: Ensuring fair remuneration, benefits, and work-life balance.
- Talent Acquisition and Retention: Providing competitive career opportunities and engagement programs.
- Skills Development: Offering structured training, leadership, coaching, and mentorship.
- Labor Standards Compliance: Upholding ethical labor practices and complying with all applicable laws.
- Health, Safety, and Wellness: Prioritizing employee well-being through comprehensive programs.
- HR Policy Framework: Maintaining a transparent, fair, and compliant policy structure.

Key performance indicators are tracked and reported in detail in Chapter 11 “Human Capital”.

Our leadership team, with diverse expertise at the Board and senior management levels, is instrumental in driving this strategy (see Chapter 4 "Our Leadership)".

2.7.3 Manufactured Capital: Expanding Reach, Enhancing Access, and Driving Digital Innovation

Physical and Digital Network

Co-operative Bank's manufactured capital comprises our physical branch network, ATMs, and digital infrastructure, all of which are essential for delivering services to our customers. As of December 31, 2024, our property, plant, and equipment were valued at KShs. 12.3 billion (net book value). We operate 210 branches (205 in Kenya and 5 in South Sudan), complemented by 617 ATMs and cash deposit machines.

Digital Transformation and Channel Usage

92% of customer transactions are digital, our 16,110 Co-op Kwa Jirani agents and 5,357 POS-enabled merchants, expand access to banking services, particularly in underserved areas.

Co-operative Movement Integration

Through Sacco-Link and FOSA (Front Offices) partnerships, we support 619 Sacco FOSA branches, providing Co-operative members with access to a wide range of banking services, including ATMs, mobile banking, and POS services.

Digital Banking Platform

Our Mco-opcash platform provides a comprehensive suite of banking services via mobile, web, and USSD. With millions of registered users and a growth of 20.6% year-on-year, Mco-opcash offers features such as instant account opening, digital loans (Unsecured), and bill payments.

IT Infrastructure Investments

Co-operative Bank continues to invest in its IT infrastructure to enhance efficiency and security. Key systems include the Finacle Core Banking System, an Enterprise Resource Planning (ERP) system, and a Customer Relationship Management (CRM) system. The Core Banking System has been implemented at our South Sudan subsidiary, with plans underway for implementation at Kingdom Bank.

Strategic Investment in 2024

- Core Banking Upgrade: Seamless Finacle rollout enhancing operational efficiency in Kenya and South Sudan.
- Digital Channels Expansion: Successfully launched Sacco Mco-opCash 5.0, driving growth and strategic partnerships while enhancing Mco-opCash features. Additionally developed YEA app with online onboarding for youth clients.
- Treasury & Trade Upgrades: Scoping for development of Treasury and Trade systems enabling faster transactions, improved transparency, and stronger risk control.
- Data Analytics: Continued investment in real-time dashboards, predictive analytics, and automated reporting elevating decision-making.
- Self-Service Analytics: Enabled agile decision-making through interactive dashboards bank-wide.
- Kingdom Bank Technology Integration: Streamlined integration process unlocking synergies and operational efficiencies.
- Data Governance Strengthened: Enhanced compliance with robust data protection frameworks, boosting customer trust.

Metric	Input (FY23)	Output (FY24)	Outcome & Opportunity
% of Transactions on Alternative Channels	91.1%	92.2%	Increased Customer Convenience & Reduced Operational Costs: Higher digital adoption translates to lower costs per transaction and improved customer satisfaction.
% of Transactions in the Branch	8.9%	7.8%	Reduced Branch Congestion & Improved Efficiency: Freeing-up branch staff to focus on more complex customer needs and advisory services.

2.7. 4 Intellectual Capital: Driving Innovation, Trust, and Sustainable Value

Co-operative Bank's intellectual capital including our brand, employee expertise, risk management framework, policies, and corporate citizenship supports our competitive advantage and long-term value creation.

Brand and Customer Satisfaction

Our strong brand reputation is reflected in our FY24 Net Promoter Score (NPS) of 59.79% (up from 54.1% in 2023) and a Customer Satisfaction Score (CSAT) of 88.55%.

Human Capital and Development

We invest in our employees' skills and knowledge. In 2024, this included Instructor-Led Training for 4,840 employees and the completion of 51,000 eLearning courses, focusing on areas such as Data Privacy, Climate Risk Management, and Cybersecurity.

Risk Management and Governance

Our Enterprise Risk Management (ERM) framework, detailed in Chapter 10, guides our decision-making and ensures regulatory compliance. Dedicated teams integrate risk management into daily operations. The Board-governed Investment Policy ensures a balanced portfolio that manages liquidity and risk.

Key Policies and Procedures

- Environmental and Social Management System: Guides responsible lending practices.
- Procurement and Outsourcing Policies: Promote ethical sourcing and supplier compliance. In 2024, 90.1% of our suppliers were local, with KShs. 18.5 billion disbursed to local businesses.
- ICT Strategy: Supports infrastructure, cybersecurity, and business continuity.

Corporate Citizenship

We paid KES 9.3B in taxes. We uphold responsible competition, sustainable product development (Product development program that ensures E&S risks are considered), and fair labour practices.

2.7. 5 Social and Relationship Capital: Building Trust and Creating Shared Value

Strong relationships with our stakeholders are essential to Co-operative Bank's success and long-term sustainability. We build and maintain these relationships through trust, transparency, and a commitment to creating shared value. This section outlines our stakeholder relationships and their impact, whereas Chapter 12 "Stakeholder Relations" details how we respond to various stakeholders.

Customers

We focus on providing excellent service and accessible financial solutions. Key performance indicators include:

- Customer Satisfaction (CSAT): 88.5%
- Net Promoter Score (NPS): 59.19%
- 9.4 M Customers

Key initiatives include: utilizing our CRM system for personalized service, offering convenient digital banking through Mco-opcash and other channels, and providing financial literacy programs.

Shareholders

We are committed to delivering consistent financial performance and maintaining strong corporate governance.

Key indicators include:

- Return on Equity (ROE): 19.7%
- Dividend Payout Ratio: 40% (5-year average)

We maintain regular communication with shareholders through annual reports, investor briefings, meetings, conferences/roadshows and our Annual General Meeting.

Employees

We strive to create a positive and inclusive work environment. Key indicators include:

- Employee Turnover Rate: 5.2%
- Investment in Training: KShs. 91.3M in 2024

Regulators

- We maintain a commitment to full regulatory compliance. Compliance Rate: 100% compliance with CBK regulations.

Communities

Through the Co-op Bank Foundation and other initiatives, we contribute to the well-being of the communities we serve.

- Education: Provided scholarships to 655 students in 2024.

Strategic Partnerships Driving Value Creation

Co-operative Bank leverages strategic partnerships with global, regional, and local entities – spanning financial institutions, development agencies, Telcos and fintechs – to enhance financial inclusion, drive sustainable development, and digitize solutions, focusing on critical areas like MSME financing, green finance, and support for the Co-operative movement across Kenya and the region.

Below are some of the institutions supporting our mission:

2.7. 6 Natural Capital & ESG Commitment: Integrating Sustainability into Our Core Business

Co-operative Bank recognizes that natural capital — including water, land, air, and biodiversity — underpins economic activity and social well-being. We acknowledge that our operations and the activities we finance both depend on and affect these natural systems.

Our approach to natural capital focuses on identifying, managing, and reducing material impacts while supporting environmental resilience through business practices, lending decisions, and operational improvements:

1. Environmental, Social, and Governance (ESG)

ESG Policy: Co-operative Bank Group is committed to sustainable development and integrating environmental, social, and governance (ESG) principles throughout all operations and business activities. Our ESG Policy commits us to:

- Comply with all applicable environmental, social, health, and safety laws and regulations in the countries where we operate.
- Integrate environmental and social considerations into credit decisions, using our Environmental and Social Management System (ESMS).
- Reduce our operational footprint by optimizing energy, water, and waste management.
- Support our clients' transition to low-carbon, climate-resilient solutions.
- Communicate our ESG policy to internal and external stakeholders.
- Evaluate and manage environmental and social impacts when developing policies, products, or major change initiatives.

2. Risk Management

- Environmental and Social Management System (ESMS): We use an ESMS, aligned with IFC Performance Standards and national regulations, to screen all loans above $1 million for environmental and social risks. The ESMS includes risk categorization, due diligence, action plans, and monitoring.
- ESG Risk Management: We integrate ESG risk, that include environmental risks, into existing risk management processes (Credit, Operational, etc.) – as detailed in Chapter 10.

3. Sustainable Finance Framework

We actively support green and social projects through a dedicated Sustainable Finance Framework. This framework includes an exclusion list to prevent financing of environmentally harmful activities.

4. We are implementing a Climate Risk Consultancy Project to strengthen our internal capabilities in assessing physical and transition risks linked to ecosystem degradation and climate change.

5. Operational Impact

- Biodiversity: Our reforestation projects, such as the Lusoi initiative, use indigenous tree species to restore natural habitats. We have planted approximately 1.6 million trees on a 600-acre site.
- Waste Management: We are committed to reducing waste through our 'Reduce, Reuse, Recycle' program. Digitization has significantly reduced paper consumption, with 92% of transactions now conducted via alternative channels. We are also taking steps to phase out single-use plastics.

Co-operative Bank Chairman Mr. John Murugu, OGW presents a Certificate of Completion for the Executive Leadership Course on Digital Resilience and Economic & Regulatory Changes in the Banking Sector to Group Managing Director and CEO, Dr. Gideon Muriuki CBS, MBS.

Start your dream business with a personal loan of up to Ksh. 9 Million, repayable in 120 months.

Visit any Co-op Bank branch.

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The Co-operative Bank is regulated by the Central Bank of Kenya

3. Our Leadership
Chairman's statement

"Resilient growth, strong results, and a firm commitment to sustainability and governance"

John Murugu, OGW
Chairman

Dear Esteemed Shareholders,

I am pleased to present the 2024 Integrated Report for Co-operative Bank of Kenya. This report details a year of strong financial performance and strategic progress, despite a challenging economic environment.

The Bank remained resilient by executing its strategy, enhancing digital services, managing risks, and embedding sustainability practices throughout our operations.

The report demonstrates our consistent focus on delivering long-term value for our shareholders, customers, and the communities we serve.

Economic Landscape

In 2024, the global economy was marked by slowing growth and elevated interest rates, even as inflation began to ease across most regions. However, geopolitical tensions remained a major concern for economic observers.

While advanced economies experienced subdued demand, emerging markets, particularly in Africa, demonstrated resilience. Kenya's economy grew at an average of 4.5% in the first three quarters of the year, supported by robust agricultural performance, resilience within the services sector and foreign exchange stability, despite the higher borrowing costs.

Inflation declined to 4.52%, aided by effective monetary policy interventions and strong agricultural output, and the Kenyan Shilling appreciated significantly against the US dollar, reflecting improved investor confidence and a stable external sector.

The financial sector continued to show resilience with growth in digital banking, SME financing, and fintech innovation.

Regulatory Environment

The regulatory environment in Kenya saw significant developments in 2024, aimed at enhancing stability, consumer protection, and governance.

Notable changes included the introduction of stricter penalties for regulatory breaches under the Banking (Penalties) Regulations Act, 2024, the migration to ISO 20022 for improved transaction efficiency and security, and the strengthening of AML and CFT frameworks, along with enhanced cybersecurity and data protection regulations. Additionally, Banks are required to gradually increase their core capital to KES 10 billion by 2029.

In early 2025, the Central Bank of Kenya implemented monetary policy changes by reducing both the Central Bank Rate and the Cash Reserve Ratio to increase liquidity and support economic growth. Co-operative Bank remains fully compliant with these regulations while actively embracing innovation in this evolving landscape.

Risk And Compliance

In 2024, effective risk management remains central to our strategic focus. In 2024, we continued to strengthen our Enterprise Risk Management framework by embedding environmental and social considerations directly into lending and investment decisions. We enhanced our ability to detect and manage fraud and other operational risks through advanced analytics and reinforced regulatory compliance through strategic investments in technology and targeted staff training.

These measures are designed to protect our robust protection for our stakeholders and support our sustainable growth objectives. safeguard our reputation, and underpin our commitment to sustainable, long-term growth.

Sustainability Commitment

At Co-operative Bank, we remain deeply committed to embedding sustainability across every aspect of our operations. This year, our focus was on strengthening the governance around environmental and social risk management, enhancing internal processes, and equipping our teams to align business decisions with ESG principles.

We engaged extensively with stakeholders to ensure our priorities reflect community and customer expectations, while also raising our standards to match global best practices. Climate change continues to present significant risks, and we are actively working to improve our assessment methods, metrics, and resilience plans. Our shift towards consolidated, sustainability disclosures underscores our accountability and ongoing leadership commitment to sustainable business practices.

In support of national and sector-wide efforts, we actively contributed our views to the development of the Kenya Green Finance Taxonomy through the KBA Sustainable Finance Initiative Working Group.

Financial Performance

Our strong financial performance in 2024 is reflected in our results. Total assets grew by 10.7% to reach KShs. 743.2 billion, with Profit Before Tax increasing by 7.5% to KShs. 34.8 billion and Profit After Tax rising by 9.8% to KShs. 25.5 billion.

Our subsidiaries also delivered robust performance with combined subsidiary growth of 10.19%. Cost-to-income ratio, a key indicator of efficiency in our operations, remained stable at 47.2%.

Dividend and The Annual General Meeting

The Board of Directors has recommended for approval by the shareholders at the Annual General Meeting (AGM), a dividend of KShs. 1.50 (2023: KShs.1.50) per every ordinary share held subject to the approval by the Regulators and Shareholders. A virtual Annual General Meeting will be held on Friday, 16th May 2025.

Board Changes

During the year, Mr. Wanyambura J. Mwambia retired from the Board after 11 years of dedicated service. On behalf of the Board, I extend our heartfelt gratitude to Mr. Mwambia for his commitment, invaluable contribution, and selfless leadership, and we wish him great success in his future endeavors.

We warmly welcome Mrs. Alice Mwololo to the Board. Mrs. Mwololo is an accomplished economist with over 30 years of distinguished service at the National Treasury and Economic Planning. She currently serves as Director of Planning, Financial, and Sectorial Affairs and has extensive experience representing the National Treasury on various boards, inter-ministerial committees, and strategic government taskforces. We wish her every success and God's guidance as she undertakes this new responsibility.

It was with deep sadness that we announced the passing of Mr. Patrick K. Githendu on 1st February 2025, a dedicated and long-serving member of the Board of Directors and Vice Chairman of Co-op Holdings Co-operative Society, the majority shareholder of Co-operative Bank. We honor and celebrate his remarkable contribution, leadership, and unwavering commitment, which greatly supported the Bank's growth and stability. May his soul rest in eternal peace.

Mr. Julius Sitienei was appointed Vice Chairman of Co-opholdings on 25th February 2025. We express our full confidence in his leadership and wish him success in his new role.

Corporate Governance

The Group remains committed to the highest standards of corporate governance, ethical leadership, and accountability—key pillars in building trust, protecting stakeholder interests, and ensuring sustainable value creation. In 2024, the Board comprised thirteen directors—twelve non-executive and one executive (the Group Managing Director & CEO)—bringing a strong blend of expertise across banking, finance, economics, public service, Co-operative enterprise, and risk management.

The Board provides strategic oversight of the Bank's direction, risk profile, and performance, ensuring alignment with global best practices and the expectations of regulators, investors, and society. We value diversity and believe it enhances governance quality and decision-making.

Our governance framework is anchored in transparency, integrity, and fairness and includes oversight of the Group's strategy and ESG integration. Through ongoing investment in governance systems and ethical culture, we remain committed on building a resilient, well-governed institution well positioned to respond to a dynamic and competitive market environment.

Strategic Direction and Outlook

Looking ahead, our 2025-2029 Corporate Strategic Plan builds upon the successes of the past period and focuses on deepening our dominance in Kenya and the region, leveraging the strong co-operative movement, exceptional customer experience, operational efficiency, staff productivity, optimal enterprise risk management and sustainable business practices.

Acknowledgement

Our achievements in 2024 are a testament to the dedication of our staff, the trust of our customers, and the support of our shareholders. We remain committed to driving sustainable growth, fostering innovation, and strengthening partnerships.

On behalf of the Board of directors, I recognize the unwavering support and dedication shown by the Board of Management led by the Group Managing Director & CEO Dr. Gideon Muriuki, CBS, MBS, and the entire Co-operative Bank Group team.

Finally, I would like to thank my fellow Board Members for their service, loyalty, and commitment to duty in serving the Bank with me.

Mr. John Murugu, OGW
Chairman

Kauli ya Mwenyekiti

"Ukuaji shupavu, matokeo thabiti na dhamira thabiti ya uendelevu na utawala bora."

John Murugu, OGW
Mwenyekiti

Wapendwa Wanahisa,

Nina furaha kuwasilisha Ripoti jumuishi ya 2024 ya Benki ya Ushirika ya Kenya. Ripoti hii inaelezea utendaji dhabiti wa kifedha na maendeleo ya kimkakati, licha ya mazingira magumu ya kiuchumi mwaka uliopita.

Benki iliendelea kuwa thabiti kwa kutekeleza mikakati yake, kuimarisha huduma za kidijitali, kudhibiti hatari na kuweka mazoea endelevu katika shughuli zake zote.

Ripoti inaonyesha mtazamo wetu thabiti katika kutoa thamani ya muda mrefu kwa wanahisa wetu, wateja na jumuiya tunazohudumia.

Mazingira ya Kiuchumi

Mnamo 2024, uchumi wa dunia ulishuhudia ukuaji wa polepole na viwango vya juu vya riba, licha ya kuanza kupungua kwa mfumuko wa bei katika maeneo mengi. Hata hivyo, mvutano wa kijiografia na kisiasa ulibakia kuwa wasiwasi mkubwa kwa waangalizi wa kiuchumi.

Wakati uchumi wa mataifa yalioendelea yakipata mahitaji duni, masoko yanayoibukia, hasa barani Afrika, yalionyesha ustahimilivu. Uchumi wa Kenya ulikua kwa wastani wa 4.5% katika robo tatu za kwanza za mwaka, ukisaidiwa na utendaji thabiti wa kilimo, uthabiti ndani ya sekta ya huduma na utulivu wa fedha za kigeni, licha ya gharama kubwa za kukopa.

Mfumuko wa bei ulipungua hadi 4.52%, kutokana na uingiliaji kati madhubuti wa sera ya fedha na pato dhabiti la kilimo, huku Shilingi ya Kenya ikishuka kwa kiwango kikubwa dhidi ya dola ya Marekani, kudhihirisha imani iliyoboreshwa ya wawekezaji na sekta ya nje kuimarika.

Sekta ya fedha iliendelea kuonyesha uthabiti pamoja na ukuaji wa benki za kidijitali, ufadhili wa SME, na uvumbuzi wa fintech.

Mazingira ya Udhibiti

Mazingira ya udhibiti nchini Kenya yalishuhudia maendeleo makubwa mwaka wa 2024, yanayolenga kuimarisha uthabiti, ulinzi wa watumiaji na utawala bora.

Mabadiliko makubwa yalijumuisha kuanzishwa kwa adhabu kali zaidi kwa ukiukaji wa udhibiti chini ya Sheria ya Kanuni za Kibenki 2024, kuhamia ISO 20022 kwa ajili ya kuboresha ufanisi na usalama wa miamala, na uimarishaji wa mifumo ya AML na CFT, pamoja na kuimarishwa kwa usalama wa mtandao na kanuni za ulinzi wa data. Zaidi ya hayo, Benki zinatakiwa kuongeza mtaji wao hatua kwa hatua hadi KES 10 bilioni ifikapo 2029.

Mapema 2025, Benki Kuu ya Kenya ilitekeleza mabadiliko ya sera ya fedha kwa kupunguza Viwango vya Benki Kuu na Uwiano wa Akiba ya Fedha ili kuongeza ukwasi na kusaidia ukuaji wa uchumi. Benki ya Ushirika inasalia kutii

Hatari na Kuzingatia

Mnamo 2024, usimamizi madhubuti wa hatari ulisalia kuwa msingi wa lengo letu la kimkakati. Mnamo 2024, tuliendelea kuimarisha mfumo wetu wa Usimamizi wa Hatari za Biashara kwa kuweka masuala ya kimazingira na kijamii moja kwa moja katika maamuzi ya mikopo na uwekezaji. Tuliimarisha uwezo wetu wa kugundua na kudhibiti ulaghai na hatari nyinginezo za kiutendaji kupitia uchanganuzi wa hali ya juu na kuimarisha utiifu wa udhibiti kupitia uwekezaji wa kimkakati katika teknolojia na mafunzo yanayolengwa ya wafanyikazi.

Hatua hizi zimeundwa ili kulinda ulinzi wetu thabiti kwa washikadau wetu na kusaidia malengo yetu ya ukuaji endelevu. kulinda sifa yetu, na kusisitiza ahadi yetu ya ukuaji endelevu, wa muda mrefu.

Ahadi Endelevu

Katika Benki ya Ushirika, tunasalia kujitolea kwa kina kuweka uendelevu katika kila kipengele cha shughuli zetu. Mwaka uliopita, lengo letu lilikuwa katika kuimarisha utawala kuhusu usimamizi wa hatari za kimazingira na kijamii, kuimarisha michakato ya ndani, na kuandaa timu zetu kuoanisha maamuzi ya biashara na kanuni za ESG. Tulishirikiana kwa kina na washikadau ili kuhakikisha kwamba vipaumbele vyetu vinaakisi matarajio ya jumuiya na wateja, huku pia tukiinua viwango vyetu ili kuambatana na mbinu bora za kimataifa.

Mabadiliko ya hali ya hewa yanaendelea kuleta hatari kubwa, na tunafanya kazi kwa bidii ili kuboresha mbinu zetu za kutathmini, vipimo na mipango yetu ya kustahimili uthabiti. Kuhama kwetu kuelekea ufichuzi uliojumuishwa na wa uwazi wa ESG unasisitiza uwajibikaji wetu na dhamira inayoendelea ya uongozi kwa mazoea endelevu ya biashara.

Utendaji wa Kifedha

Utendaji wetu mzuri wa kifedha katika 2024 unaonekana katika matokeo yetu. Jumla ya mali ilikua kwa 10.7% hadi kufikia KShs. 743.2 bilioni, huku Faida Kabla ya Ushuru ikiongezeka kwa 7.5% hadi KShs. bilioni 34.8 na Faida Baada ya Ushuru kupanda kwa 9.8% hadi KShs. bilioni 25.5.

Kampuni zetu tanzu pia ziliwasilisha utendaji thabiti na ukuaji wa kampuni tanzu wa 10.19%. Uwiano wa gharama kwa mapato, kiashiria muhimu cha ufanisi katika shughuli zetu, ulibakia kuwa 47.2%.

Gawio na Mkutano Mkuu wa Mwaka

Bodi ya Wakurugenzi imependekeza kuidhinishwa na wenyehisa katika Mkutano Mkuu wa Mwaka (AGM), mgao wa KShs. 1.50 (2023: KShs.1.50) kwa kila hisa ya kawaida inayomilikiwa kwa kutegemea idhini ya Wadhibiti na Wanahisa. Mkutano Mkuu pepe wa kila mwaka utafanyika Ijumaa, tarehe 16 Mei 2025.

Mabadiliko ya Bodi

Katika mwaka huo, Bw. Wanyambura J. Mwambia alistaafu kutoka Bodi baada ya miaka 11 ya utumishi wa kujitolea. Kwa niaba ya Halmashauri, natoa ya moyoni shukrani kwa Bw. Mwambia kwa kujitolea kwake, mchango wake wa thamani, na uongozi usio na ubinafsi, na tunamtakia mafanikio makubwa katika jitihada zake za baadaye.

Tunamkaribisha kwa moyo mkunjufu Bibi Alice Mwololo kwenye Bodi. Bibi Mwololo ni mwanauchumi aliyebobea kwa zaidi ya miaka 30 ya utumishi uliotukuka katika Hazina ya Taifa na Mipango ya Kiuchumi. Kwa sasa anahudumu kama Mkurugenzi wa Mipango, Fedha, na Masuala ya Kisekta na ana uzoefu mkubwa wa kuiwakilisha Hazina ya Kitaifa kwenye bodi mbalimbali, kamati za wizara, na jopokazi za kimkakati za serikali. Tunamtakia kila la heri na mwongozo wa Mungu anapotekeleza jukumu hili jipya.

Kwa masikitiko makubwa tulitangaza kufariki kwa Bw. Patrick K. Githendu, mjumbe aliyejitolea na aliyehudumu kwa muda mrefu katika Bodi ya Wakurugenzi na Makamu Mwenyekiti wa Co-opholdings Co-operative Society, mbia mkuu wa Co-operative Bank. Tunaheshimu na kusherehekea mchango wake wa ajabu, uongozi, na dhamira yake isiyoyumba, ambayo ilisaidia sana ukuaji na uthabiti wa Benki. Roho yake ipumzike kwa amani ya milele.

Bw. Julius Sitienei aliteuliwa kuwa Makamu Mwenyekiti wa Co-opholdings. Tunaelezea imani yetu kamili katika uongozi wake na tunamtakia mafanikio katika jukumu lake jipya.

Utawala wa Biashara

Kundi linasalia likijiweka kwa viwango vya juu zaidi vya utawala wa shirika, uongozi wa kimaadili, na uwajibikaji—nguzo kuu katika kujenga uaminifu, kulinda maslahi ya washikadau, na kuhakikisha uundaji wa thamani endelevu. Mnamo 2024, Bodi ilijumuisha wakurugenzi kumi na wawili—kumi na mmoja wasio watendaji na mtendaji mmoja (Mkurugenzi Mkuu wa Kundi na Mkurugenzi Mtendaji)—na kuleta mchanganyiko mkubwa wa utaalam katika masuala ya benki, fedha, uchumi, huduma za umma, biashara za ushirika na usimamizi wa hatari.

Bodi hutoa uangalizi wa kimkakati wa mwelekeo wa Benki, wasifu wa hatari, na utendakazi, kuhakikisha upatanishi na mbinu bora za kimataifa na matarajio ya wadhibiti, wawekezaji na jamii. Tunathamini utofauti na tunaamini kuwa huongeza ubora wa utawala na kufanya maamuzi.

Mfumo wetu wa utawala umejikita katika uwazi, uadilifu, na usawa na unajumuisha uangalizi wa mkakati wa Kikundi na ujumuishaji wa ESG. Kupitia uwekezaji unaoendelea katika mifumo ya utawala na utamaduni wa kimaadili, tunasalia kujitolea kujenga taasisi thabiti, inayotawaliwa vyema iliyo na nafasi nzuri ya kukabiliana na mazingira ya soko yenye nguvu na ya ushindani.

Mwelekeo wa kimkakati na mtazamo

Tukiangalia mbele, Mpango Mkakati wa Ushirika wa 2025-2029 unatokana na mafanikio ya kipindi kilichopita na unalenga katika kuimarisha uzoefu wa wateja, kuendesha ufanisi wa utendaji kazi kupitia mabadiliko ya kidijitali, kupanua usaidizi kwa MSMEs na Harakati za Ushirika, na kuimarisha uwepo wetu wa kikanda.

Mpango huu unaungwa mkono na mfumo thabiti wa usimamizi wa hatari na kujitolea kwetu kudumisha viwango vya juu zaidi vya usimamizi wa shirika.

Shukrani

Mafanikio yetu katika 2024 ni ushahidi wa kujitolea kwa wafanyakazi wetu, uaminifu wa wateja wetu, na msaada wa wanahisa wetu. Tunasalia kujitolea kuendeleza ukuaji endelevu, kukuza uvumbuzi, na kuimarisha ushirikiano.

Kwa niaba ya Bodi ya wakurugenzi, ninatambua uungwaji mkono usioyumba na kujitolea ulioonyeshwa na Bodi ya Usimamizi ikiongozwa na Mkurugenzi Mkuu wa Kundi & Mkurugenzi Mtendaji Dk. Gideon Muriuki, CBS, MBS, na timu nzima ya Co-operative Bank Group.

Hatimaye, ningependa kuwashukuru Wajumbe wenzangu wa Bodi kwa utumishi wao, uaminifu, na kujitolea kwao katika kutumikia Benki pamoja nami.

Mr. John Murugu, OGW
Mwenyekiti

Board of Directors

John Murugu, OGW – Chairman (74)

Joined the Board of Directors on 27th May 2015 and became Bank Chairman on 1 October 2017. He is a leading banker and public finance expert; served as the Director Debt Management Ministry of Finance - Treasury. He has previously been an alternate director for the Permanent Secretary-Treasury, in Kenya Commercial Bank, Industrial Development Bank, and at Jomo Kenyatta University of Agriculture and Technology.

He has over 25 years of banking experience at the Central Bank of Kenya notably as the Director, Bank Supervision. He holds a Bachelor of Education Degree and Master of Arts in Economics; and is an Associate of the Chartered Institute of Bankers (ACIB).

He is the Chairman Co-op Bank Fleet Africa Leasing Limited, and Chairman Co-op Foundation Trustees

Macloud Malonza, MBS, HSC – Vice Chairman (56)

Joined the Board of Directors in 2005 and became the Bank Vice Chairman on 1 October 2017. He is notably the Chairman of Co-opholdings Co-operative Society Ltd, the 65% strategic investor in the Bank.

He holds a Bachelor of Arts degree, a Masters in Organizational Change and Development, Master of Business administration, Post-graduate Diploma in Management and Information Systems, Certificate in Strategic Planning and Management and CPS 1. He has also attended Senior Management and Strategic Leadership Development Courses.

He has served in various positions in the Civil Service and is the Chairman of Harambee Co-operative Society Limited that serves employees of the various Government departments under the Office of the President.

He is the Chairman, Co-optrust Investment Services Ltd, Chairman Co-op Bancassurance Intermediary Limited, and Vice Chair Co-op Foundation Trustees

Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO (60)

Appointed Managing Director in 2001 and has presided over the Bank's turnaround from a massive loss position of KShs. 2.3 billion in the year 2000, to a profit before tax of KShs. 34.8 Billion in 2024. He joined the Bank in 1996 as a Senior Corporate Manager then became Director, Corporate and Institutional Banking in 1999 before his appointment as Managing Director in 2001 with a clear mandate to return the Bank into profitable trading. He holds a Bachelor of Science degree in Mathematics and is a Fellow of the Kenya Institute of Bankers. He has over 36 years' experience in banking and finance.

Former Chairman, Governing Council of the Africa International University, and former Chairman, African Rural and Agricultural Credit Association (AFRACA). He was decorated in 2005 with the award of Order of the Grand Warrior (OGW), in 2011 award of the Moran of the Order of the Burning Spear (MBS), in 2017 with Chief of the Order of the Burning Spear first class (CBS) in recognition of his successful turnaround of the Bank and exemplary service to the nation. He is a recipient of a decoration of Chevalier de L'ordre National du Burkina Faso by the President of Burkina Faso in recognition of his outstanding contribution to development of rural finance in Africa. He was voted CEO of the year Africa 2014 by the International Banker. In 2016, awarded Lion of Judah Award by Evangelical Alliance of Kenya and Mtumishi Bora Grand Award by the Kenya Christian Professionals Forum for his great servant leadership as a committed Christian leader in the marketplace.

In 2018, he was awarded Best Banking CEO Kenya by International Finance and awarded Banking CEO of the Year by EMEA Finance – African Banking Awards in 2021. Awarded first Honorary Doctorate in Business Management in 2011 from Kabarak University for Business Leadership. In 2022, awarded a 2nd Honorary Doctorate from The Co-operative University of Kenya to recognize his contributions to Banking and the Co-operative sector and was conferred a 3rd Doctor of Humane Letters (Honoris Causa) - DLitt. of The Africa International University.

Patrick K. Githendu (late) – Director (70)

Joined the board in 2017 having served in the Board of Co-op Trust Investment Services Ltd since 1998 and the Board of Co-op Consultancy & Bancassurance Intermediary Ltd since 2009.

He was a businessman, with vast experience particularly in the coffee industry. He was the Vice Chairman of Co-opholdings Co-operative Society Limited and Director of Kingdom Securities Limited. He was a Director in Kenya Co-operative Coffee Exporters (KCCE).

Julius Sitienei – Director (70)

He joined the Board of Directors in 2003. He is a businessman and an educationist with over 20 years' experience in the teaching profession before he took leadership positions in the management of co-operative societies. He is the Vice Chairman of Co-opholdings Co-operative Society Limited and the Chairman of Kingdom Securities Limited. He holds a Bachelor Degree of Business Administration and in Human Resources Management. He is also a director in Kingdom Bank Ltd.

Weda Welton (Mrs.) – Director, Independent (66)

She is currently an independent Human resources consultant / Private business. She is a former Director of Human Resources with the Bank and retired in the year 2014 after an exceptionally decorated career spanning over 20 years. She has over 35 years' experience in Human Resource Management in banking and financial sectors.

Mrs. Welton holds a Bachelor's degree in Arts from the University of Delhi, a diploma in International Law and Diplomacy and a Masters degree in Human resources management and development from Manchester University, UK.

She has been a member of the Human resources committee of the Kenya Bankers Association, IPM(K) and Kenya Institute of Management. She diligently served the Bank with dedication and commitment. She has also been a director of Menno Plaza Ltd and a trustee of the Bank's pension scheme. Mrs. Welton notably implemented the current Bank structure in liaison with Mckinsey in the year 2014 just before she left. This restructuring through the 'Soaring Eagle' Transformation Agenda has seen to the great growth in the Bank performance. She is the Chairperson of the Board Audit Committee.

Lawrence Karissa – Director, Independent (69)

Joined the Board of Directors on 27th May 2015. He has over 26 years' experience in banking having previously served in various senior positions in Co-operative Bank of Kenya.

He has previously worked with PricewaterhouseCo-opers. He holds a Bachelor of Commerce degree in accounting and is a Certified Public Accountant of Kenya CPA (K). He is the Chairman of the Staff and Nomination Committee.

Benedict W. Simiyu – Director (63)

Joined the Board of Directors in 2014. He is an Educationist and holds a Diploma in Education Management. He has also attended various management courses. He is a non-executive Board member of Ng'arisha Sacco (Former Bungoma Teachers Sacco). He is a Director of Co-opholdings Co-operative Society Limited

Richard L. Kimanthi – Director (68)

Joined the Board of Directors in 1994. He is a businessman and has served in various leadership positions in the Co-operative movement for a considerable period. He holds a Diploma in Co-operative Management. He is a Director of Co-opholdings Co-operative Society Limited.

Alice Mwololo (Mrs.) – Director, Independent (59)

Mrs. Alice Mwololo is an economist by profession with over 30 years' experience as a career civil servant in various departments at the National Treasury and Economic Planning dockets. She is notably the current Director of Planning, Financial and Sectorial Affairs. She has served as an Alternate Director to the Principal Secretary – National Treasury in various boards and also represents the National Treasury in several inter-ministerial Committees and Taskforces on key Government Agendas.

Mrs. Mwololo holds a Bachelor of Arts degree in Economics, a Master of Arts in Economics, both from the University of Nairobi and a Post Graduate Diploma in Development Planning Techniques with Computer Applications with the Institute of Social Studies in the Netherlands

Margaret Karangatha (Mrs.) – Director, Independent (64)

She was appointed as a director of the Bank on 24th September 2019. She is the Executive Director of The Lead Consortium Ltd and has over the last 25 years been consulting in Kenya and many African countries. She is an Executive Coach and mentor, and a Facilitator/ Organizational Development Consultant in disciplines such as Health Care Industry, Publishing, Engineering, Real Estate, Educational Institutions, and Floriculture among others. She has served in several boards including Board Chairperson of the Navigators Economic Transformation Facility and Regional Treasurer of Scripture Union Africa.

She specializes in Organizational Planning, Leadership and Human Resource Management and Finance for Finance and Non-Finance Managers. She has worked as a Management Coordinator for United Bible Societies overseeing work in over 34 Countries in Africa for 15 years and is an Associate Consultant with AMREF, CORAT and Kenya Institute of Management (KIM). Mrs. Karangatha holds a Bachelor's degree in Commerce (Accounting Option) from The University of Nairobi, a Master's degree in Business Administration (MBA, Strategic Management) from United States International University and is a Certified Public Accountant – Kenya (ICPAK). She is the Chairperson of the Board Credit Committee, Board Risk Committee and Kingdom Bank Limited.

Wilfred Ongoro, HSC – Director (69)

Joined the Board of Directors in 2006. He is an educationist with over 20 years' experience and has served the Co-operative movement in various positions. He is a Director of Co-opholdings Co-operative Society Limited.

Godfrey K. Mburia – Director (68)

Joined the Board of directors in 2017, having served in the Subsidiaries Board since 2004. Has been a director of Golden Pillar Sacco Society (formerly Imenti Sacco Society) since 1985 and Chairman for the last 20 years. He is also the Chairman of Imenti Housing Co-operative Society from its formation in the year 2005. He is an Accountant by profession and served as Head of Finance, Meru Central Farmers Union. He is a Director of Co-opholdings Co-operative Society Limited and the Chairman of Kenya Co-operative Coffee Exporters (KCCE).

Francis Ngone – Director (70)

Appointed Director on 27th April 2018. He has extensive knowledge and experience in the Co-operative movement and is currently the Chairman of Muranga Farmers' Co-operative Union, one of the largest co-operative unions in Kenya and the Chairman of Gatunyu Kigio Farmers Co-operative Society Limited.

He is the current Chairman of Catholic Men Association in the Catholic Diocese of Murang'a and the General Secretary of Catholic Men Association in Kenya. He holds a Diploma in Business Management and CPA II. He has previously worked for Cotton Board of Kenya as a Branch Manager and Kenya Post & Telecommunication as an accountant for a period spanning over 20 years cumulatively.

David Muthigani Muriuki – Director (56)

Joined the Boards of the subsidiaries in May 2014. He is a businessman and a coffee farmer, with vast experience in farm management and coffee production. He is the Chairman of Kibirigwi Farmers Co-op Society. He is a Director of Co-opholdings Co-operative Society Limited.

James N. Njiru – Director (57)

Joined the Boards of the subsidiaries in May 2014. He is a businessman and an Educationist. He holds a Diploma in Business Management and has experience in Co-operative Movement. He is a Director of Co-opholdings Co-operative Society Limited. He is also a Director in CIC Insurance Group, Chairman Co-operative Insurance Society and Chairman of Nawiri Sacco.

Scholastica Odhiambo (Mrs.) – Director (65)

Joined the boards of Co-optrust Investment Services Ltd in 2005 and Co-op Consultancy and Bancassurance Intermediary Ltd in 2008. She served at the Ministry of Finance and the Kenya Revenue Authority as a Revenue Officer for over 32 years. She holds a Bachelor of Business Administration and a Diploma in Corporate Governance from the KCA University. She is a Director of Co-opholdings Co-operative Society Limited.

Geoffrey M'Nairobi – Director (69)

Appointed Director on 27th April 2018. He has extensive knowledge and experience in the Co-operative movement and is currently the General Manager of Meru South Farmers' Co-operative Union Limited, one of the largest co-operative unions in Kenya, with over 32 years' experience. He is also a member of the Board of Management of Muthambi Girls High School and Chief Mbogori Girls High School.

He has attended various local and international courses on Co-operatives with emphasis on dairy and coffee management sectors. He has a Diploma in Senior Co-operative Management.

David Kirk Obonyo – Director (57)

Mr. David K. Obonyo is a career civil servant who joined the Board of Directors in year 2021. He is a holder of Master of Arts (Rural Economics and Co-operation) from Bundelkhand University, India, Bachelor of Arts in Sociology and Political Science from Agra University in India and a Diploma in Industrial Relations from Indian School of Labour Relations. He has also attended various local and international courses on strategic leadership, Co-operative, and SME Management. He is the current Commissioner for Co-operatives Development.

He has over 28 years working experience in Co-operative Movement having worked as a District Co-operative Officer in Kiambu, Maragua, Nyandarua and Machakos, Provincial Co-operative Officer – Eastern Province, County Commissioner for Co-operatives – Embu County, Head of Extension Services at the Ministry of Industry, Trade & Co-operatives, and Chief Executive Officer /Secretary at the Ethics Commission for Co-operative Societies

Board. Previously he was Head of Finance and Marketing Department in the State Department of Co-operatives. He is also a Board member at New Kenya Co-operative Creameries Limited and Sacco Societies Regularity Authority (SASRA) and a former Council Member of The Co-operative University of Kenya.

Michael M. Muthigani – Director (55)

Mr. Michael Muriithi was appointed a Director on 26th April 2019. He has extensive knowledge and experience in finance and accounting matters and has held various senior positions with Kenya Accountants and Secretaries National Examination Board (KASNEB) since 1994; notably Revenue Officer, Account Assistant, Accountant and is currently the Senior Accountant. He has also diligently served in the KASNEB Sacco in various capacities including as a Treasurer for 8 years.

He is currently pursuing a bachelor's degree at Moi University School of Business and is a Certified Public Accountant. Mr. Muriithi is the current Vice Secretary of Saints Peter and Paul Catholic Church, Kiambu Town and a member of the Parish Pastoral Committee.

Samuel M. Kibugi – Company Secretary (48)

Has over 21 years' experience as a lawyer and prior to joining Co-op Bank in 2008, he worked for a leading bank as a Legal Counsel. He is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries ICPS (K) and an Associate Member of the Chartered Institute of Arbitrators.

As the Company Secretary of the Co-op Bank Group, he has responsibility for overall provision of legal counsel and company secretarial services, fraud prevention and investigations. He is also the Trust Secretary for the Co-operative Bank Foundation, a corporate social responsibility vehicle of the Bank.

William Mayar Wol – Chairman (62)

He is a South Sudanese Citizen by birth and holds a Higher Diploma in Agriculture Economics from Agriculture College Sudan University of Science and Technology, a Bachelor of Science Degree from Agriculture Engineering College, University of Alexandria - Egypt. He has served in various capacities including acting Head Government Banking in Co-operative Bank of South Sudan, field officer Ministry of Agriculture in Sudan, development, and formation of Co-operatives in South Sudan's various states among others.

Elijah Wamalwa – Managing Director & CEO (51)

He has 22 years banking experience and is one of the pioneers of Co-operative Bank of South Sudan where he worked from 2013 as Head of Credit & Risk Management, in 2015 as Head of Retail and Operations before being appointed Managing Director in 2017. He has served in various other capacities at the Co-operative Bank of Kenya as a Portfolio Manager, Head of Credit Administration and later as Head of Credit-Core Banking Implementation Team. He holds a Master of Science Degree in Governance attained at International Leadership University (Kenya) and a Bachelor of Arts Degree from Egerton University (Kenya). He has additional qualifications in accounting and project management.

Prof. Mathew Gordon Udo – Director (66)

He was appointed a director of Co-operative Bank of South Sudan on 23rd August 2012. He is South Sudanese citizen by birth and currently is Under Secretary in the Ministry of Agriculture, Forestry, Co-operatives, and Rural Development in charge of Administrative Affairs, Planning and Forestry Development.

He has a strong base and wide knowledge in different fields of agriculture and natural resource management and has served in various capacities in both the academic field and Civil service in South Sudan spanning a period of over 30 years. He holds a MSc. (Agric) Animal production from the Sokoine University of Agriculture Morogoro Tanzania and a B.A. SA (Hons) Agriculture (animal production) from Gezira University of Agriculture wad Medani Sudan. He was appointed Professor of animal genetics and animal breeding – CNRES University of Juba, a position he continues to hold.

Zachary K. Chianda – Director (67)

Mr. Zachary K. Chianda was appointed Director of the Co-operative Bank of South Sudan on 15th March 2023. Mr. Chianda is a former Managing Director & CEO of Co-operative Bank of South Sudan and one of the longest serving members of Co-op Bank having had a celebrated & distinguished service in Co-op Bank and the Kenyan Co-operative Movement and retired in December 2017. He joined Co-op Bank in 1980 and over the years he rose through the ranks to become Director – Co-operatives Banking and Director – Operations, and finally the Managing Director & CEO of the Co-operative Bank of South Sudan. Mr. Chianda is self-driven and highly motivated individual; truly dedicated and committed to the growth, vision, and mission of the Bank. He was a key pillar of the incredible transformation journey the subsidiary has undertaken despite the difficult operating environment.

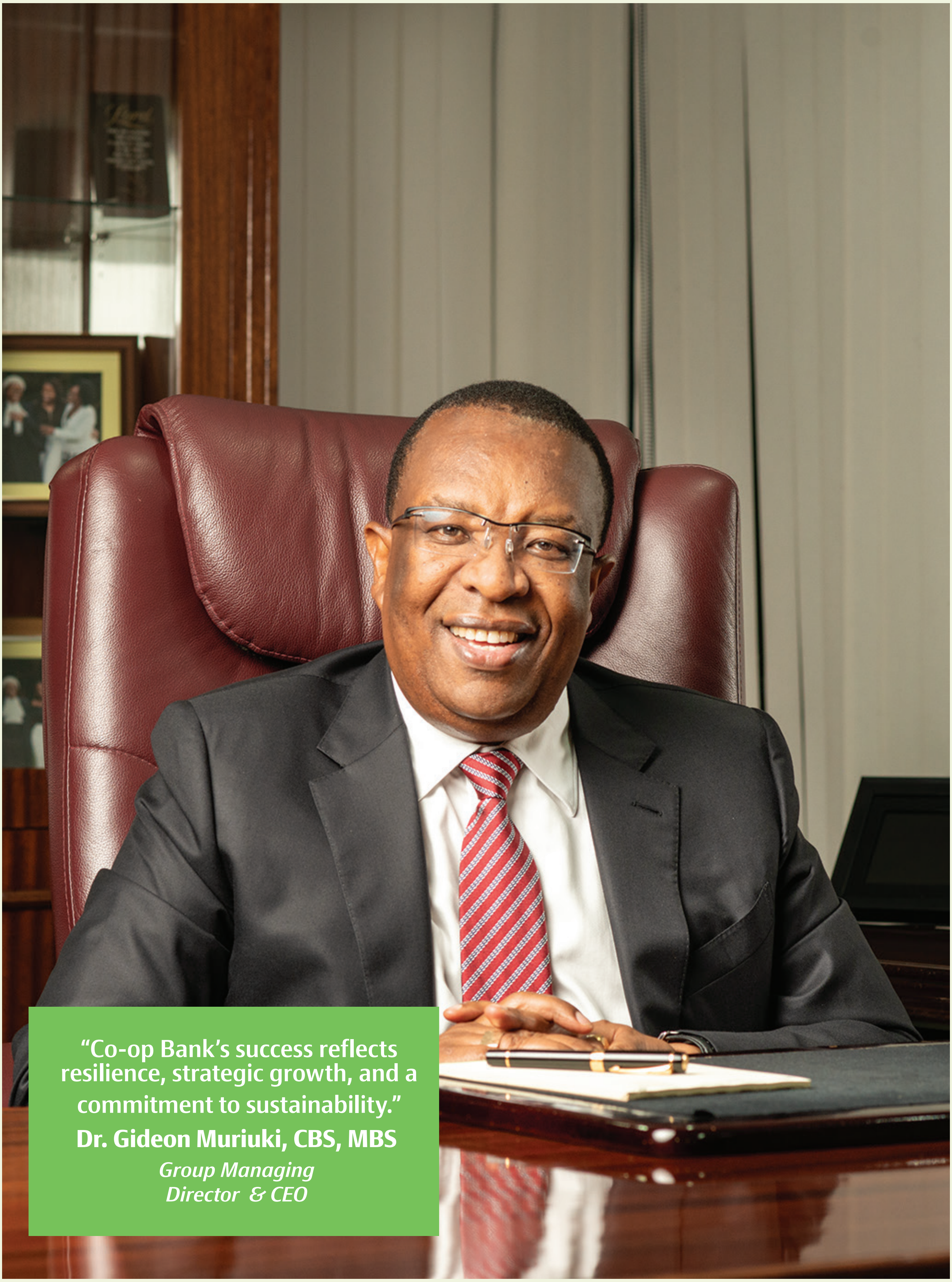
Mr. Chianda has a Bachelor of Science degree from the University of Manchester Science & Technology and an Associate Chartered Institute of Bankers (ACIB) of United Kingdom. He also holds a Certificate in Bank Management from Odense Business School in Denmark.

Hon. Benjamin West Ayali Koyongwa – Director (56)

Hon. Benjamin West Ayali Koyongwa was appointed director of Co-operative Bank of South Sudan on 8th August 2023. He is a South Sudan citizen and is currently Under Secretary for Planning in the Ministry of Finance & Planning. He is a seasoned finance, planning and budgeting technocrat with a decorated service on financial matters in South Sudan. He also has a vast international exposure having worked for various leading Non-Governmental Organizations such as Church Ecumenical Action in South Sudan, New Sudan Council of Churches, Sudan Humanitarian Services and Sudan Evangelical Mission among others.

He is a holder of Bachelor of Commerce (BCom) in Accounting, Business Administration and Management from Daystar University.

Group Managing Director & CEO's Statement



"Co-op Bank's success reflects resilience, strategic growth, and a commitment to sustainability."

Dr. Gideon Muriuki, CBS, MBS

Group Managing Director & CEO

Dear Shareholders,

I am honoured to present our Integrated Report for the year ending 31 December 2024. It is yet another great opportunity to reflect on our journey, celebrate achievements, and acknowledge the successes we encountered in the year. As we move forward, we recognize the evolving landscape of the banking industry and the opportunities it presents for Co-op Bank to continue delivering exceptional value to our stakeholders.

Navigating a dynamic environment

In 2024, Kenya's economic landscape was characterized by mixed performances. Market confidence was restored following the successful refinancing of the June 2024 Eurobond, which provided much-needed stability to the economy. However, overall economic activity remained below average, with Real GDP growth slowing to an average of 4.5% in the first three quarters of 2024, compared to 5.7% in 2023. Despite this deceleration, the economy remained resilient, supported by growth in key sectors such as agriculture and services. Inflationary pressures eased within the Central Bank of Kenya's target range, contributing to a more stable macroeconomic environment. Meanwhile, exchange rate volatility was anchored, resulting in a stronger shilling.

Global geopolitical tensions remained a key concern, influencing economic trends worldwide. However, as we look ahead to 2025, economic activities are expected to pick up, driven by a projected recovery in private sector credit growth, continued implementation of the Bottom-Up Economic Transformation Agenda, and improving global financial conditions. The banking sector remains poised to leverage these developments for sustained growth and innovation.

Thriving through Change

In the face of evolving global and local dynamics, Co-op Bank and our remarkable team of 5,863 employees have demonstrated unwavering commitment and dedication. The financial year 2024 was marked by both challenges and opportunities, and our ability to navigate these circumstances has been a testament to our strategic foresight, adaptability, and customer-centric approach.

We firmly believe in the pivotal role of technology in advancing our universal banking model and positively impacting lives. In 2024, we continued to build on our Digital Transformation journey, successfully integrating Co-operative Bank of South Sudan into our new Core Banking System, further harmonizing our operations and enhancing efficiency across the Group.

This milestone follows the successful implementation of the Core Banking System in 2023, which ushered in a new era of enhanced customer service, accelerated deployment of new innovations, and streamlined integrations. With these improvements, the Bank has significantly strengthened its ability to deliver a seamless banking experience while improving operational efficiency.

Financial Performance

The Group demonstrated resilience and agility in 2024, achieving a 7.5 percent increase in profit before tax to KShs. 34.8 Billion, compared to KShs. 32.4 Billion in 2023. Total assets grew to KShs. 743.2 Billion, marking a 10.7 percent growth from KShs. 672.1 Billion in 2023, reflecting the strength of our balance sheet and our commitment to sustained financial growth. Net loans and advances remained relatively stable at KShs. 373.7 Billion, compared to KShs. 374.2 Billion in the previous year, indicating a measured approach to credit extension amid challenging market conditions.

Investment in government securities grew significantly, increasing from KShs. 189 Billion in 2023 to KShs. 217.6 Billion in 2024, representing a 15.1% growth. This strategic investment further enhanced the Bank's overall interest income, which rose by 24.9% to KShs. 86.2 Billion in 2024, up from KShs. 69.1 Billion in 2023. Customer deposits expanded by 12.1%, reaching KShs. 506.1 Billion, up from KShs. 451.6 Billion, demonstrating continued confidence in the Bank's positioning and service excellence.

The rising cost of funds saw interest expense increase to KShs. 34.7 Billion in 2024, up from KShs. 23.8 Billion in 2023. The Group's borrowed funds stood at KShs. 55.4 Billion, which bolstered our balance sheet. Shareholder funds soared to KShs. 145.4 Billion, propelled by an increase in retained earnings and reduced mark-to-market losses. Non-funded income contributed 36.1% of total operating income, affirming the continued significance of diversifying our revenue streams.

The Bank maintained a stable cost-to-income ratio, which stood at 47.2% in 2024, reflecting the continued focus on cost efficiency. Return on average equity (ROE) was recorded at 19.7%, as the Group continued to balance profitability with long-term strategic investments. The non-performing loan (NPL) ratio stood at 16.8% in 2024 largely driven by the prevailing high-interest rate environment and macroeconomic headwinds. In response, the Bank has intensified its credit growth strategies supported by the lower interest rates in 2025, including proactive customer engagement, enhanced loan monitoring, and strengthened recovery efforts entrenched from key insights from Project Kilele and Project Connect & Build.

Across the group, we saw strong financial performance from across the subsidiaries with 37% PBT growth in Co-op Bancassurance Intermediary Ltd, 70.98% in Co-op Trust Investment Services Ltd and 462.5% in Kingdom Securities Ltd.

Good to Great Strategy – Corporate Strategic Plan 2025-2029

As we look toward the future, our strategic focus is guided by the Good to Great 2025-2029 Strategy, a transformative roadmap approved by the Board of Directors that will define our next phase of growth and solidify our leadership in the financial sector.

This strategy focuses on optimizing the opportunities that are present in various segments and sectors of the economy. We are enhancing our service delivery models to ensure that customers enjoy seamless interactions across all banking channels. Our omni-channel approach integrates physical branches, digital platforms, and customer support systems to create a unified and convenient banking experience. As part of this initiative, we have expanded our branch network to 210 in Kenya and South Sudan - acknowledging the need to enhance our physical presence for optimized services for our customers.

Our commitment to the Co-operative Movement remains steadfast. As the leading financial partner to the 15-million-member Co-operative sector, we will deepen our integration with this key economic pillar by offering specialized financial solutions tailored to their unique needs. Strengthening our partnerships with the Co-operative movement allows us to drive economic inclusivity and empower millions of individuals and businesses across the country.

By enhancing overall customer satisfaction and loyalty, we aim to reduce wait times even further, resolve issues promptly, and provide exceptional service across all channels.

Digital transformation/innovation for operational efficiency is key to this strategy as we leverage technology to drive efficiency, enhance security, and deliver seamless customer experiences. By integrating cutting-edge financial technology and digital banking solutions, we aim to create a highly responsive banking environment that caters to the evolving needs of our diverse clientele. For instance, our new youth mobile-based application that is designed specifically to cater to the financial needs of the younger generation, integrating savings, payments, and financial literacy, empowering them to take charge of their financial future. Our investment in advanced analytics, and process automation will enable us to offer personalized services while ensuring high levels of operational efficiency.

Our commitment to cost management and efficiency by ensuring optimal allocation of capital is a key driver of this strategy.

We believe that our people are our greatest asset. We are committed to creating a supportive and motivating work environment that promotes employee wellness, productivity, and retention.

We will maintain a strong risk management framework to proactively address credit, market, operational, cyber, and climate risks, ensuring resilience. We uphold strict compliance with regulations, reinforcing regulatory alignment and stakeholder trust.

Environmental & Social, and Governance (ESG) considerations are embedded in our long-term strategic focus. We recognize that financial success must go hand in hand with responsible banking practices that promote environmental conservation, social empowerment, and strong corporate governance. In 2024, we aligned our operations with the Central Bank of Kenya's Climate Risk Disclosure Framework, reinforcing our commitment to transparent climate-related financial risk reporting. Additionally, our focus on sustainable financing has seen us secure USD 140 million from the International Finance Corporation (IFC) to support key sectors, including, MSME, agriculture, renewable energy, and banking of women. These strategic initiatives position Co-op Bank as a leader in sustainable finance, ensuring that we create long-term value for all stakeholders while contributing to national and global sustainability goals.

Accolades

In 2024, Co-op Bank continued its legacy of excellence and innovation, earning esteemed recognition within the industry. We were immensely proud to emerge as the Overall Winner at the Kenya Bankers' Sustainable Finance Catalyst Awards, affirming our leadership in sustainability and innovation. Our sustained commitment to service excellence, financial inclusion, and product innovation was recognized in multiple categories. In addition to being named the Most Innovative Bank, we were awarded for our leadership in Financing Commercial Clients, Financing MSME, Promoting Gender Inclusivity, and Promoting People with Disabilities (PWD).

Globally, The Asian Banker Global MEA Awards named us the Best SME Bank in Kenya, a reflection of our steadfast dedication to empowering the SME sector through tailored financial solutions and business advisory services. Additionally, at the Financial Times Awards 2024, Co-op Bank was named Bank of the Year in Kenya, a prestigious recognition that underscores our financial strength, innovation, and strategic impact on the economy. Additionally, Global Finance honoured the Group at the World's Best Bank Awards 2024, recognizing Co-op Bank as the Best Bank in Kenya. We further received the Innovation of the Year Award, at the Enviromental Finance Impact Awards, underscoring our focus on sustainability and innovation in the co-operative movement through coffee-DSS. These accolades validate our strategic approach in co-creating solutions tailored to the evolving needs of our customers, positioning Co-op Bank as a catalyst for economic empowerment and growth.

Additionally, Co-oprative Bank was added to the MSCI Kenya Index by Morgan Stanley Capital. This inclusion is an affirmation of the global positioning of Co-op Bank, enhancing our visibility among international investors and reinforcing our capacity to create increased value for our shareholders in the Nairobi Securities Exchange.

Outlook

As we forge ahead, our goal remains to unlock new opportunities, drive economic empowerment, and enhance our market leadership. We will continue investing in technology, talent, and infrastructure to support our ambitious growth plans. With a firm commitment to innovation, risk management, and operational excellence, we are confident in our ability to sustain our upward trajectory and continue delivering superior banking services to our customers, partners, and to our shareholders, a competitive return on equity.

Acknowledgements

I extend my sincere gratitude to our shareholders and customers for their unwavering support, trust, and partnership. Your commitment to Co-op Bank fuels our ambition to innovate, grow, and deepen our impact in the communities we serve. As we embark on our next phase under the "Good to Great 2025-2029" strategy, we remain steadfast in our mission to drive financial inclusion, foster economic transformation, and reinforce our leadership in the financial sector.

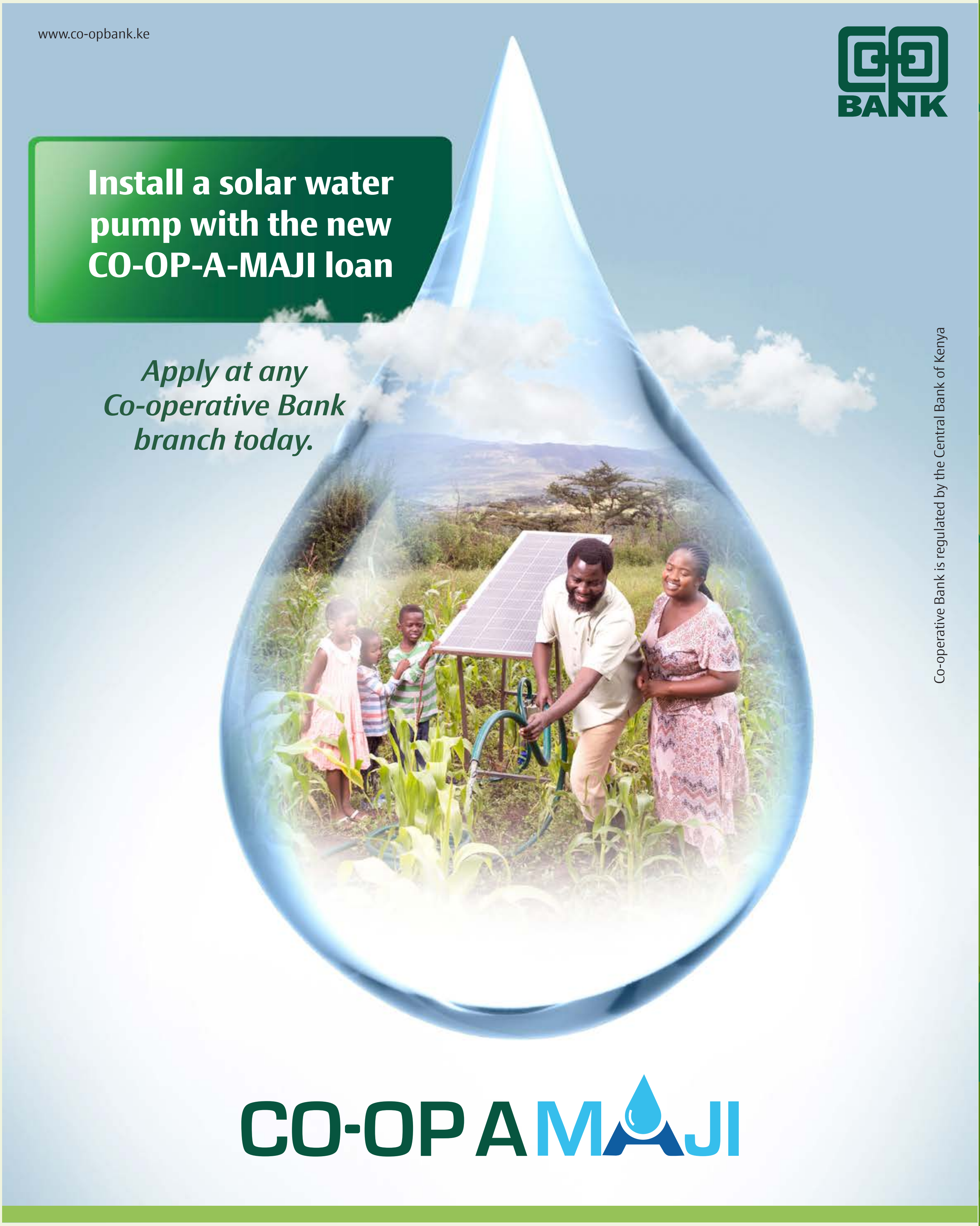
I most sincerely thank the Bank Chairman, Mr. John Murugu, OGW, and the entire Board of Directors for their outstanding guidance and support in driving the Bank to success.

My deepest appreciation to our regulators, partners, and the broader Co-operative Movement for their ongoing collaboration to driving shared value. To the Co-op Bank Team, your dedication and sacrifice makes the difference. Together, we will chart new frontiers, unlock new opportunities, and make an enduring impact.

May God bless you all abundantly and may Co-op Bank Group continue to soar to greater heights.

Dr. Gideon Muriuki, CBS, MBS

Group Managing Director & CEO



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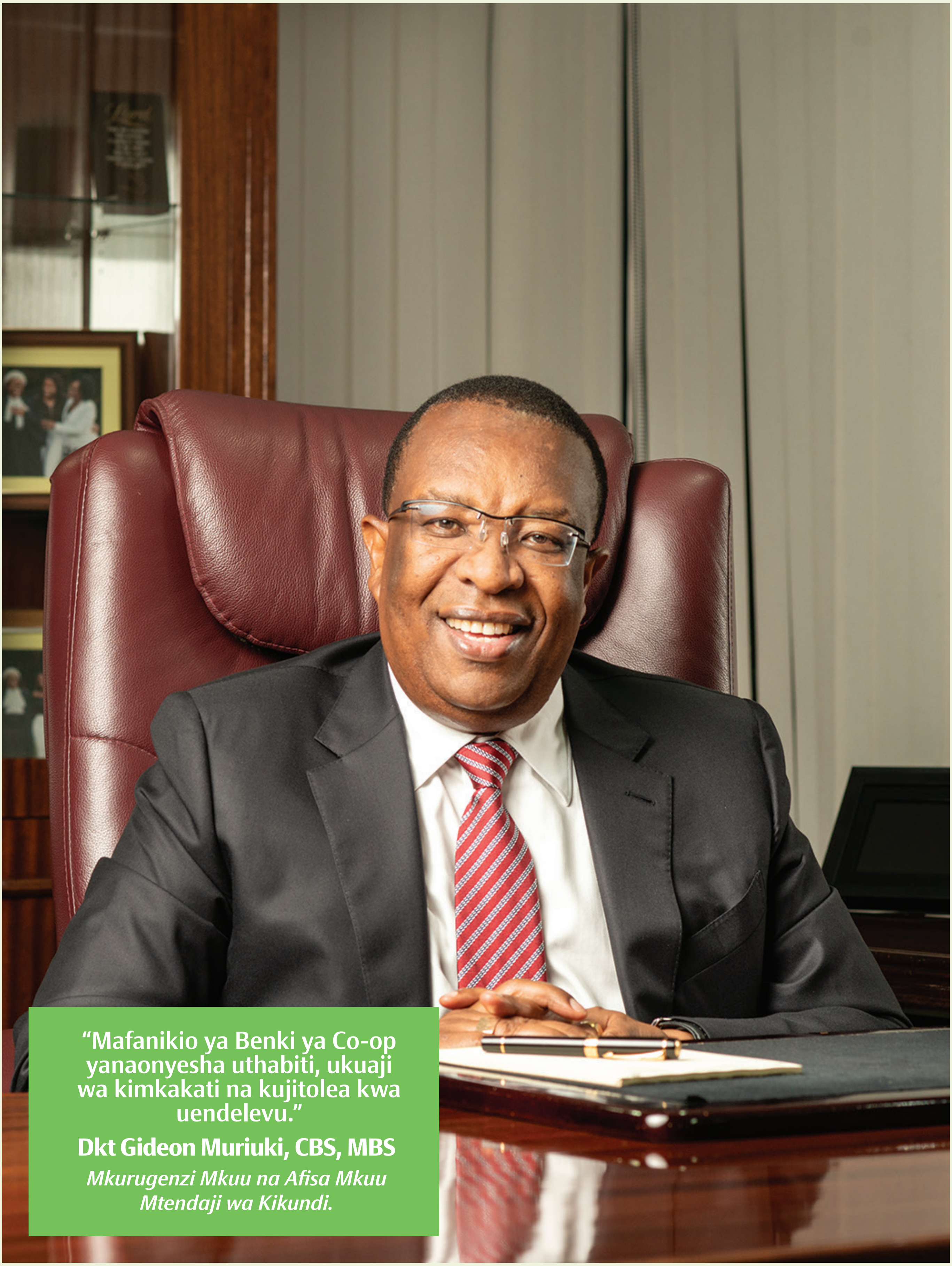
Taarifa ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kikundi



"Mafanikio ya Benki ya Co-op yanaonyesha uthabiti, ukuaji wa kimkakati na kujitolea kwa uendelevu."

Dkt Gideon Muriuki, CBS, MBS

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kikundi.

Ndugu Wanahisa,

Ni kwa heshima kuu nawasilisha Ripoti yetu Jumuishi ya mwaka unaoishia tarehe 31 Desemba 2024. Ni fursa nyingine nzuri ya kutafakari kuhusu safari yetu, kusherehekea mafanikio, na kutambua mafanikio tuliyopata mwaka huu. Tunaposonga mbele, tunatambua hali inayoendelea ya sekta ya benki na fursa inazotoa kwa Co-op Bank kuendelea kutoa thamani ya kipekee kwa wadau wetu

Kuelekeza mazingira yanayobadilika

Mnamo 2024, hali ya kiuchumi ya Kenya iliangaziwa kwa utendakazi mseto. Imani ya soko ilirejeshwa kufuatia ufadhili uliofanikiwa wa Eurobond ya Juni 2024, ambayo ilitoa utulivu uliohitajika sana kwa uchumi. Hata hivyo, shughuli za kiuchumi kwa ujumla zilibakia chini ya wastani, huku ukuaji wa Pato la Taifa ukipungua hadi wastani wa 4.5% katika robo tatu ya kwanza ya 2024, ikilinganishwa na 5.7% mwaka 2023. Licha ya kushuka huku, uchumi uliendelea kuwa thabiti, ukisaidiwa na ukuaji wa sekta muhimu kama vile kilimo na huduma. Shinikizo la mfumuko wa bei lilipungua ndani ya kiwango kilicholengwa cha Benki Kuu ya Kenya, na hivyo kuchangia katika mazingira thabiti zaidi ya uchumi mkuu. Wakati huo huo, kuyumba kwa kiwango cha ubadilishaji fedha kulidhibitiwa, na kusababisha shilingi yenye nguvu zaidi.

Mivutano ya kimataifa ya kijiografia na kisiasa imesalia kuwa jambo kuu, na kuathiri mwelekeo wa kiuchumi duniani kote. Hata hivyo, tunapoangazia 2025, shughuli za kiuchumi zinatarajiwa kuimarika, zikichochewa na makadirio ya kufufuka kwa ukuaji wa mikopo wa sekta binafsi, kuendelea kwa utekelezaji wa Ajenda ya Mabadiliko ya Kiuchumi ya Chini-Up, na kuboreka kwa hali ya kifedha duniani. Sekta ya benki bado iko tayari kutumia maendeleo haya kwa ukuaji endelevu na uvumbuzi.

Kustawi kupitia Mabadiliko

Katika kukabiliana na mabadiliko ya kimataifa na ya ndani, Benki ya Co-op na timu yetu ya kipekee ya wafanyakazi 5,863 wameonyesha kujitolea bila kuyumbayumba. Mwaka wa fedha wa 2024 ulikuwa na changamoto na fursa, na uwezo wetu wa kuabiri hali hizi umekuwa uthibitisho wa utabiri wetu wa kimkakati, kukabiliana na hali, na mtazamo unaozingatia wateja. Tunaamini kwa uthabiti jukumu muhimu la teknolojia katika kuendeleza mtindo wetu wa benki kwa wote na kuathiri maisha kwa njia chanya. Mnamo 2024, tuliendelea kuendeleza safari yetu ya Mabadiliko ya Kidijitali, kwa kujumuisha mafanikio ya Benki ya Ushirika ya Sudan Kusini katika Mfumo wetu mpya wa Msingi wa Kibenki, kuoanisha zaidi shughuli zetu na kuimarisha ufanisi katika Kikundi chote.

Hatua hii muhimu inafuatia kutekelezwa kwa mafanikio Mfumo wa Msingi wa Kibenki mwaka wa 2023, ambao ulileta enzi mpya ya kuimarishwa kwa huduma kwa wateja, kuharakisha utumaji wa ubunifu mpya, na ujumuishaji uliorahisishwa. Kwa maboresho haya, Benki imeimarisha kwa kiasi kikubwa uwezo wake wa kutoa huduma za kibenki usio na mvuto huku ikiboresha ufanisi wa uendeshaji.

Utendaji wa Kifedha

Kundi lilionyesha uthabiti na wepesi mwaka wa 2024, na kufikia ongezeko la asilimia 7.5 la faida kabla ya ushuru hadi KShs. Bilioni 34.8, ikilinganishwa na KShs. Bilioni 32.4 mwaka wa 2023. Jumla ya mali ilikua KShs. 743.2 Bilioni, na kuashiria ukuaji wa asilimia 10.7 kutoka KShs. Bilioni 672.1 mwaka wa 2023, ikionyesha nguvu ya mizania yetu na kujitolea kwetu kwa ukuaji endelevu wa kifedha. Mikopo halisi na malipo ya awali yalisalia kuwa tulivu kwa KShs. Bilioni 373.7, ikilinganishwa na KShs. 374.2 Bilioni katika mwaka uliopita, ikionyesha mbinu iliyopimwa ya upanuzi wa mikopo huku kukiwa na changamoto za hali ya soko.

Uwekezaji katika dhamana za serikali ulikua kwa kiasi kikubwa, ukiongezeka kutoka KShs. 189 Bilioni mwaka wa 2023 hadi KShs. Bilioni 217.6 mwaka 2024, ikiwa ni ukuaji wa 15.1%. Uwekezaji huu wa kimkakati uliboresha zaidi mapato ya jumla ya riba ya Benki, ambayo yalipanda kwa 24.9% hadi KShs. 86.2 Bilioni mwaka wa 2024, kutoka KShs. Bilioni 69.1 mwaka wa 2023. Akiba za wateja ziliongezeka kwa asilimia 12.1, na kufikia KShs. 506.1 Bilioni, kutoka KShs. Bilioni 451.6, jambo linaloonyesha imani endelevu katika nafasi ya Benki na ubora wa huduma.

Kupanda kwa gharama ya fedha kulisababisha gharama ya riba kuongezeka hadi KShs. Bilioni 34.7 mwaka wa 2024, kutoka KShs. Bilioni 23.8 mwaka wa 2023. Pesa zilizokopwa za Kundi zilifikia KShs. Bilioni 55.4, ambayo iliimarisha mizania yetu. Pesa za wanahisa zilipanda hadi KShs. Bilioni 145.4, iliyochochewa na ongezeko la mapato yaliyobakia na kupunguza hasara ya soko. Mapato yasiyofadhiliwa yalichangia 36.1% ya jumla ya mapato ya uendeshaji, na hivyo kuthibitisha umuhimu unaoendelea wa kubadilisha njia zetu za mapato.

Benki ilidumisha uwiano thabiti wa gharama kwa mapato, ambao ulisimama kwa asilimia 47.2 mwaka 2024, ukiakisi mwelekeo unaoendelea wa ufanisi wa gharama. Mapato ya wastani ya usawa (ROE) yalirekodiwa kuwa 19.7%, huku Kundi likiendelea kusawazisha faida na uwekezaji wa kimkakati wa muda mrefu. Uwiano wa mkopo usio na malipo (NPL) ulisimama kwa 16.8% mwaka wa 2024 kwa kiasi kikubwa kutokana na mazingira ya kiwango cha juu cha riba na upepo mkuu wa uchumi. Kwa kujibu, Benki imeimarisha mikakati yake ya ukuaji wa mikopo inayosaidiwa na viwango vya chini vya riba katika 2025, kuweka mikakati ya usimamizi wa hatari za mikopo, ikijumuisha ushirikishwaji makini wa wateja, ufuatiliaji wa mkopo ulioimarishwa, na juhudi zilizoimarishwa za urejeshaji zilizoimarishwa kutoka kwa maarifa muhimu kutoka kwa Project Kilele na Project Connect & Build.

Katika kundi zima, tuliona utendaji mzuri wa kifedha kutoka kwa kampuni tanzu kwa ukuaji wa 37% wa PBT katika Co-op Bancassurance Intermediary Ltd, 70.98% Co-op Trust Investment Services Ltd na 462.5% katika Kingdom Securities Ltd.

Mkakati Mzuri Hadi Mkuu - Mpango Mkakati wa Biashara 2025-2029

Tunapoangazia siku zijazo, mwelekeo wetu wa kimkakati unaongozwa na Mkakati wa Good to Great 2025-2029, ramani ya mageuzi iliyoidhinishwa na Bodi ya Wakurugenzi ambayo itafafanua awamu yetu inayofuata ya ukuaji na kuimarisha uongozi wetu katika sekta ya fedha.

Mkakati huu unalenga katika kuboresha fursa zilizopo katika sehemu na sekta mbalimbali za uchumi. Tunaboresha miundo yetu ya utoaji huduma ili kuhakikisha kuwa wateja wanafurahia mwingiliano wa kina katika njia zote za benki. Mtazamo wetu wa kila kituo kuunganisha matawi halisi, mifumo ya kidijitali na mifumo ya usaidizi kwa wateja ili kuunda hali ya matumizi ya benki yenye umoja na rahisi. Kama sehemu ya mpango huu, tumepanua mtandao wetu wa tawi hadi 211 nchini Kenya na Sudan Kusini - tukikubali hitaji la kuimarisha uwepo wetu wa kimwili kwa huduma bora kwa wateja wetu.

Ahadi yetu kwa Vuguvugu la Ushirika inasalia kuwa thabiti. Kama mshirika mkuu wa kifedha kwa sekta ya Ushirika yenye wanachama milioni 15, tutaimarisha ushirikiano wetu na nguzo hii kuu ya kiuchumi kwa kutoa masuluhisho maalum ya kifedha yanayolingana na mahitaji yao ya kipekee. Kuimarisha ushirikiano wetu na vuguvugu la Ushirika kutaturuhusu kuendesha ushirikishwaji wa kiuchumi na kuwawezesha mamilioni ya watu binafsi na wafanyabiashara kote nchini.

Kwa kuongeza uradhi na uaminifu kwa wateja kwa ujumla, tunalenga kupunguza muda wa kusubiri hata zaidi, kutatua masuala mara moja na kutoa huduma ya kipekee katika vituo vyote.

Mabadiliko ya kidijitali/uvumbuzi kwa ufanisi wa kiutendaji ni muhimu kwa mkakati huu. Tunapotumia teknolojia kuendeleza ufanisi, kuimarisha usalama, na kutoa hali ya utumiaji iliyofumwa kwa wateja. Kwa kujumuisha teknolojia ya hali ya juu ya kifedha na suluhu za benki za kidijitali, tunalenga kuunda mazingira ya kibenki yenye mwitikio wa hali ya juu ambayo yanakidhi mahitaji yanayoendelea ya wateja wetu mbalimbali. Kwa mfano, programu yetu mpya ya vijana inayotumia vifaa vya mkononi ambayo imeundwa mahususi kukidhi mahitaji ya kifedha ya kizazi kipya, kuunganisha akiba, malipo, na ujuzi wa kifedha, kuwawezesha kudhibiti mustakabali wao wa kifedha. Uwekezaji wetu katika uchanganuzi wa hali ya juu, akili bandia, na uendeshaji otomatiki utatuwezesha kutoa huduma za kibinafsi huku tukihakikisha ufanisi wa juu wa utendaji kazi.

Ahadi yetu ya usimamizi wa gharama na ufanisi kwa kuhakikisha ugawaji bora wa mtaji ndio mmoja wapo ya kichocheo kikuu cha mkakati huu.

Tunaamini kuwa watu wetu ndio rasilimali yetu kuu. Tumejitolea kuunda mazingira ya kazi yanayotia motisha ambayo pia yanakuza ustawi wa wafanyikazi, tija na kudumisha kazi.

Tutadumisha mfumo dhabiti wa udhibiti wa hatari ili kushughulikia hatari za mikopo, soko, uendeshaji, mtandao na hali ya hewa, ili kuhakikisha uthabiti. Tunazingatia utiifu mkali wa kanuni, kuimarisha upatanishi wa udhibiti na uaminifu wa washikadau.

Mazingatio ya Mazingira na Kijamii na Utawala (ESG) yamepachikwa katika mwelekeo wetu wa kimkakati wa muda mrefu. Tunatambua kwamba mafanikio ya kifedha lazima yaende sambamba na mazoea ya kibenki yenye uwajibikaji ambayo yanakuza uhifadhi wa mazingira, uwezeshaji wa kijamii, na utawala thabiti wa shirika. Mnamo 2024, tulioanisha shughuli zetu na Mfumo wa Ufichuzi wa Hatari ya Hali ya Hewa wa Benki Kuu ya Kenya, na kuimarisha ahadi yetu ya kuripoti kwa uwazi hatari ya kifedha inayohusiana na hali ya hewa. Zaidi ya hayo, mtazamo wetu katika ufadhili endelevu umetuwezesha kupata dola milioni 140 kutoka kwa Shirika la Fedha la Kimataifa (IFC) ili kusaidia sekta muhimu, ikiwa ni pamoja na kilimo, nishati mbadala, na benki za wanawake. Mipango hii ya kimkakati inaiweka Co-op Bank kama kiongozi katika fedha endelevu, na kuhakikisha kwamba tunaunda thamani ya muda mrefu kwa washikadau wote huku tukichangia malengo endelevu ya kitaifa na kimataifa.

Kutambulika

Mnamo 2024, Co-op Bank iliendelea na urithi wake wa ubora na uvumbuzi, na kupata kutambuliwa kwa heshima ndani ya tasnia. Tulijivunia sana kuibuka Mshindi wa Jumla katika Tuzo za Kichocheo cha Fedha Endelevu za Mabenki ya Kenya, tukithibitisha uongozi wetu katika uendelevu na uvumbuzi. Ahadi yetu endelevu kwa ubora wa huduma, ujumuishaji wa kifedha, na uvumbuzi wa bidhaa ilitambuliwa katika kategoria nyingi. Pamoja na kutajwa kuwa Benki Bunifu zaidi, tulitunukiwa tuzo kwa uongozi wetu katika Kufadhili Wateja wa Kibiashara, Kufadhili MSME, Kukuza Ushirikishwaji wa Jinsia, na Kukuza Watu Wenye Ulemavu (PWD).

Ulimwenguni, utendakazi wetu ulithibitishwa kwa harakati zetu ubora wa mteja. Tuzo za Mabenki ya Kimataifa ya MEA ya Asia zilitupatia jina la Benki Bora ya SME nchini Kenya, jambo linaloakisi kujitolea kwetu kuwezesha sekta ya SME kupitia masuluhisho ya kifedha yaliyowekwa mahususi na huduma za ushauri wa biashara. Zaidi ya hayo, katika Tuzo za Financial Times 2024, Co-op Bank ilitajwa kuwa Benki Bora ya Mwaka nchini Kenya, utambuzi wa hali ya juu ambao unasisitiza nguvu zetu za kifedha, uvumbuzi na athari za kimkakati kwa uchumi. Zaidi ya hayo, Global Finance iliheshimu Kundi hilo katika Tuzo za Benki Bora Duniani 2024, ikitambua Benki ya Co-op kama Benki Bora nchini Kenya. Sifa hizi zinathibitisha mbinu yetu ya kimkakati katika kuunda masuluhisho yanayolingana na mahitaji yanayobadilika ya wateja wetu, na kuiweka Benki ya Co-op kama kichocheo cha uwezeshaji wa kiuchumi na ukuaji.

Zaidi ya hayo, Co-op Bank iliongezwa kwenye fahirisi ya MSCI Kenya na Morgan Stanley Capital. Ujumuishaji huu ni uthibitisho wa nafasi ya kimataifa ya Co-op Bank, kuongeza mwonekano wetu kati ya wawekezaji wa kimataifa na kuimarisha uwezo wetu wa kuongeza thamani ya wanahisa wetu katika Nairobi Securities Exchange.

Mtazamo

Tunaposonga mbele, lengo letu linasalia kufungua fursa mpya, kuendeleza uwezeshaji wa kiuchumi, na kuimarisha uongozi wetu wa soko. Tutaendelea kuwekeza katika teknolojia, talanta na miundombinu ili kusaidia mipango yetu kabambe ya ukuaji. Kwa kujitolea thabiti kwa uvumbuzi, udhibiti wa hatari na ubora wa uendeshaji, tuna uhakika katika uwezo wetu wa kuendeleza mwelekeo wetu wa juu na kuendelea kutoa huduma bora za benki kwa wateja wetu, washirika, na kwa wanahisa wetu, faida ya ushindani kwenye usawa.

Shukrani

Natanguliza shukrani zangu za dhati kwa wenyehisa na wateja wetu kwa usaidizi wao usioyumba, uaminifu na ushirikiano wao. Kujitolea kwako kwa Co-op Bank kunachochea azma yetu ya kuvumbua, kukuza na kuongeza athari zetu katika jamii tunazohudumia. Tunapoanza awamu yetu inayofuata chini ya mkakati wa "Good to Great 2025-2029", tunasalia thabiti katika dhamira yetu ya kusukuma ushirikishwaji wa kifedha, kustawisha mabadiliko ya kiuchumi, na kuimarisha uongozi wetu katika sekta ya fedha.

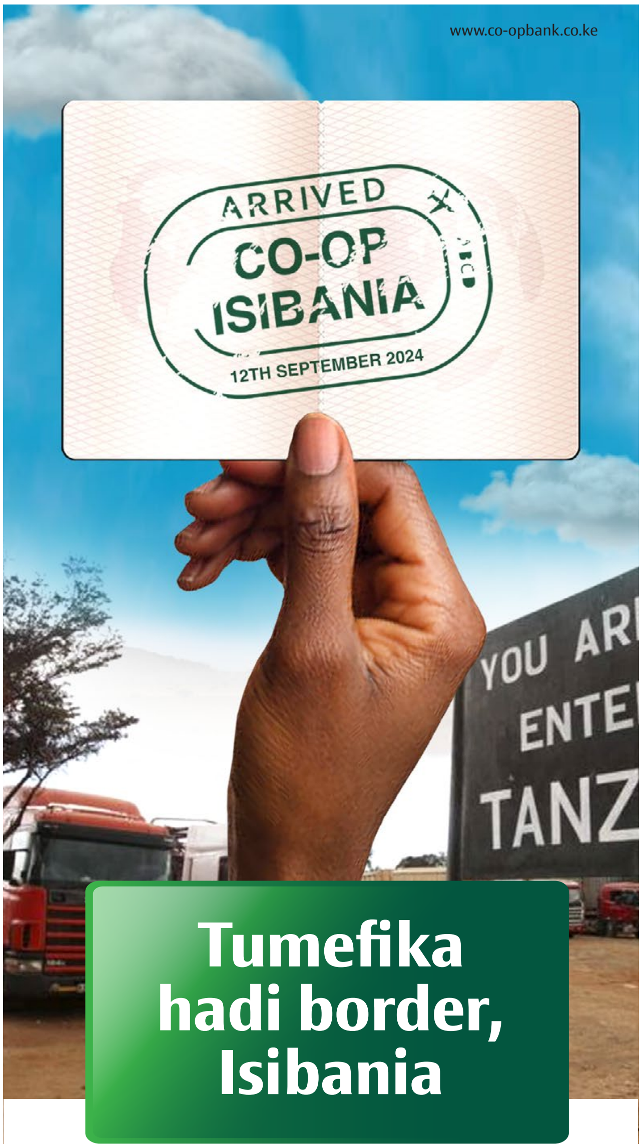
Ninamshukuru kwa dhati Mwenyekiti wa Benki, Bw. John Murugu, OGW, na Bodi nzima ya Wakurugenzi kwa miongozo yao bora na usaidizi katika kufanikisha Benki hii.

Shukrani zangu za dhati kwa wasimamizi wetu, washirika, na Vuguvugu pana la Ushirika kwa ushirikiano wao unaoendelea katika kuleta thamani ya pamoja. Kwa Timu ya Co-op Bank, kujitolea na ukakamavu kunaleta mabadiliko. Kwa pamoja, tutaweka mipaka mipya, kufungua fursa mpya, na kuleta matokeo ya kudumu.

Mungu awabariki nyote na pia Co-op Bank Group iendelee kupaa zaidi.

Dr. Gideon Muriuki, CBS, MBS

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kikundi.



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Top Management Team

Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO (60)

Appointed Managing Director in 2001 and has presided over the Bank's turnaround from a massive loss position of KShs. 2.3 billion in the year 2000, to a profit before tax of KShs. 34.8 Billion in 2024. He joined the Bank in 1996 as a Senior Corporate Manager then became Director, Corporate and Institutional Banking in 1999 before his appointment as Managing Director in 2001 with a clear mandate to return the Bank into profitable trading. He holds a Bachelor of Science degree in Mathematics and is a Fellow of the Kenya Institute of Bankers. He has over 36 years' experience in banking and finance.

Former Chairman, Governing Council of the Africa International University, and former Chairman, African Rural and Agricultural Credit Association (AFRACA). He was decorated in 2005 with the award of Order of the Grand Warrior (OGW), in 2011 award of the Moran of the Order of the Burning Spear (MBS), in 2017 with Chief of the Order of the Burning Spear first class (CBS) in recognition of his successful turnaround of the Bank and exemplary service to the nation. He is a recipient of a decoration of Chevalier de L'ordre National du Burkina Faso by the President of Burkina Faso in recognition of his outstanding contribution to development of rural finance in Africa. He was voted CEO of the year Africa 2014 by the International Banker. In 2016, awarded Lion of Judah Award by Evangelical Alliance of Kenya and Mtumishi Bora Grand Award by the Kenya Christian Professionals Forum for his great servant leadership as a committed Christian leader in the marketplace.

In 2018, he was awarded Best Banking CEO Kenya by International Finance and awarded Banking CEO of the Year by EMEA Finance – African Banking Awards in 2021. Awarded first Honorary Doctorate in Business Management in 2011 from Kabarak University for Business Leadership. In 2022, awarded a 2nd Honorary Doctorate from The Co-operative University of Kenya to recognize his contributions to Banking and the Co-operative sector and was conferred a 3rd Doctor of Humane Letters (Honoris Causa) - DLitt. of The Africa International University.

Samuel Birech – Director Human Resource & Administration (60)

He joined the Bank in 2002. He is a career banker with over 28 years' experience in local and international banks. He has previously held various senior positions including Chief Operating Officer and Director, Retail Banking for 8 years where he presided over the transformation of the Retail and SME business at the Bank. He holds a Bachelor of Commerce degree from The University of Nairobi and has attended various local and international courses. He is a Board Member at Pan Africa Christian University.

Caroline Karimi – Director, Finance and Strategy (47)

She joined the Bank in 2012 and has overall Group responsibility of Finance and strategy. Previously she oversaw financial reporting and information management of the business. She has a career spanning 23 years as Finance professional and has worked in key corporates including Unilever, Safaricom and Toyota East Africa. She holds an MBA in strategic management, Bachelor of Commerce degree from The University of Nairobi, Certified Public Accountant and Certified Public Secretary. She is also a certified productivity coach CEPC (ICF) and is graduate of Harvard Kennedy School leadership program. She is a member of the institute of Certified Public accountants of Kenya (ICPAK).

Charles Washika – Director, ICT & Innovations (48)

He joined the Bank in 2015 and brings extensive experience in providing leadership in ICT, Innovation, Project Management and Change Management of mission critical Financial Systems, including the new Core Banking System implementation. He is responsible for Co-operative Bank's Strategic technological direction, championing the use of Information and communication Technology to meet the Bank's Strategic objectives and providing strategic leadership to align investments in ICT with the Bank's strategy. He has managed the Implementation of Core Banking systems around Africa and Asia including Uganda, South Africa, Cote d'Ivoire, Senegal, Zambia, Tanzania, Kenya, India and Sri Lanka. He Holds a Bachelor of Education Degree, is a member of the Project Management Institute and has attained various Technology Certifications.

Lydia Rono – Director Corporate & Institutional Banking (59)

She has held many senior positions in the Bank and has over 36 years banking experience. She has the critical mandate of driving business growth in the Corporate and Institutional Banking Division. She has previously held the role of Director Operations. She also sits on the Board of CIC Group Ltd. She holds a Bachelor's Degree in Commerce and an MBA from The University of Nairobi and has attended various courses.

William Ndumia – Director Retail & Business Banking (51)

He joined the Bank in 2006. He is responsible for the Retail and Business Banking Division, focusing specifically on growing consumer banking, MSME business as well as optimal delivery of the expansive branch network and other bank channels. He has been in the Bank for over 17 years previously as Director Transformation, Director IT & Innovation, Director Operations and Head Business Change management. He is an experienced banking operations expert having previously worked for international banks in various technical, controls and compliance roles. He holds a Bachelor of Science Degree in Mechanical Engineering and has attended various courses on project management and risk management both locally and internationally. He has overseen execution of the growth and efficiency Transformation project, various technical projects including the implementation of the core banking system, card management system and a global review of all Bank processes among others.

Jacquelyne Waithaka – Director Customer Experience & Operational Efficiency(48)

A career Corporate Banker with over 22 years' experience having worked with various commercial Banks. She joined the Bank in 2005 and was appointed Head Corporate Banking in 2015 to oversee the growth of the Bank's Corporate portfolio. She was appointed Director Operations in 2023 responsible for driving key operations and efficiency functions of the Group. She has previously held the role of Director Corporate and Institutional Banking. She holds a Bachelor of Law degree and a Bachelor of Business Administration degree. She also holds a diploma in Banking; advanced Diploma Credit Management by Omega of UK and Culhane of South Africa. She is a Certified Engagement and Productivity Coach CEPC (ICF) and has attended various courses including executive leadership at Strathmore Business School and Harvard Kennedy School Executive Education on adaptive leadership for Africa.

Vincent Marangu – Director, Co-operatives Banking (45)

He joined the Bank in 2003 and has wide experience in business and financial advisory working with co-operatives and rural finance sectors as Head of Co-op Consultancy & Bancassurance Intermediary Ltd. Vincent has key competencies in corporate finance, strategic planning, business planning, organizational development and business operations review. He has consulted for co-operatives in Kenya and East Africa region and implemented many donor projects with international agencies.

He holds a Bachelor's Degree in Economics and Business Studies and is a graduate of the School of African Microfinance. He is a member of the Association of Professional Co-operators (APC), Kenya.

Samuel M. Kibugi – Company Secretary (48)

He has over 21 years' experience as a lawyer and prior to joining Co-op Bank in 2008, worked for a leading bank as a Legal Counsel. He is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries ICPS (K) and an Associate Member of the Chartered Institute of Arbitrators. As the Company Secretary of the Co-op Bank Group, he has responsibility for overall provision of legal counsel and company secretarial services, fraud prevention and investigations. He is also the Trust Secretary for the Co-operative Bank Foundation, a corporate social responsibility vehicle of the Bank.

William Ouma Otieno – Ag. Director, Credit Management Division (40)

He joined the Bank in September 2023. He is responsible for the Credit Management Division, mandated to drive strategic credit growth and credit risk management. He was the Head of Corporate Credit Analysis at the Bank prior to his appointment as Ag. Director Credit management Division in February 2025.

He brings onboard extensive experience in Credit Management and Enterprise Risk Management. He is a career specialist in Credit Risk with 15 years of experience in Kenya and the regional markets. He has previously held various credit roles in local and regional Banks.

He holds Master's Degree in Economics and Finance, Bachelor's Degree in Mathematics and Business Studies, Advanced Diploma in Credit, is a Certified Public Accountant of Kenya (CPA-K) and a member of Institute of Public Accountants of Kenya (ICPAK). He has training in Leadership, Treasury, Trade Finance, ESG (Environmental & Social Risk Management and Sustainable Financing) and Risk Management.

Arthur Muchangi – Director, Special Projects (55)

He joined the Bank in 2003 and currently serves as Director – Special Projects. In this role, he is responsible for leading and managing the Group's Special Projects, providing strategic leadership and oversight across key initiatives that are critical to the Group's long-term sustainability.

He previously served as Director – Credit Management, where he championed proactive credit management strategies, asset book growth, and the implementation of enhanced credit frameworks in response to the Covid-19 pandemic.He has also held the positions of Director – Retail & Business Banking, Director – Compliance, and Chief Risk Officer. In these roles, he was instrumental in driving growth in Retail and Business Banking and strengthening the Group's compliance and risk management functions.

With over 28 years of experience in the banking industry, his expertise spans corporate and retail banking, credit risk, and regulatory compliance. He holds a Bachelor of Arts degree in Economics and has completed numerous professional development courses both locally and internationally. He also serves as a Director of Kingdom Securities Ltd.

Andrew Wanjau – Director, Transformation (43)

He joined the Bank in 2011. He has extensive experience in Change Management, Business Analysis, Project Management and Enterprise-wide Transformation programs management. He is responsible for the Co-operative Bank's "Soaring Eagle" transformation in the Transformation Office, which provides leadership in delivery of the Bank's Transformation initiatives. He has extensive experience in Organizational change having worked with Big 4 Consultancy firms to deliver ICT Projects and Process reengineering.

He holds a B.Sc. in Computer Science and Engineering, Project Management and Business Analysis Certifications among them CISA, ITIL, CBAP and Prince2. He is also a graduate of Harvard Kennedy School Leadership program, the Aga Khan University and is a Certified Engagement and Productivity Coach.

Mutahe Karuoro – Treasurer (43)

Joined the Bank in 2010 and has over 18 years' experience in Treasury management. She is responsible for the Bank's Treasury management and growth objectives. Prior to her appointment she was the Head of Trading for the Bank. She previously worked with Stanbic Bank for five years. She has held various leadership positions in the industry during her career, including President of ACI Financial markets Association of Kenya for 5 years. She holds an MBA from Strathmore Business School and a Bachelor's Degree in Economics from Moi University. She is a certified dealer and a member of the financial markets Association of Kenya (ACI Kenya).

James Kaburu – Chief Risk Officer (55)

He has a wealth of experience spanning over 23 years in Financial Management and Strategy in Financial Services sector, having worked with a number of International and local banking institutions in the Country. James is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He Holds a Master's in Business Administration (Strategic Management), a Bachelor's Degree in business administration (Accounting), both from the United States International University (USIU), and a Global Diploma in Engagement and Productivity Coaching from CDI-Africa Coaching Group Limited. He was awarded PECB Certified ISO 31000 Senior Lead Risk Manager in 2024.

Joseph Gatuni – Chief Internal Auditor (53)

He is responsible for the Internal Audit function that evaluates the effectiveness of risk management, control and governance processes of the Bank, its subsidiaries, and related companies. He is an experienced professional in internal/external audits, consultancy, and risk management. He holds a Bachelor of Commerce Degree, Certified Public Secretaries CPS (K), Certified Internal Auditor (CIA) and Certified Public Accountants CPA (K). He has also attended various audit and Risk management training both locally and internationally. He is member of the Institute of Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors

Henry Karanja – Head of Compliance (48)

He is responsible for the AML/CFT compliance function for the Bank, its subsidiaries, and related companies. He is an experienced professional in Risk, compliance, and Anti-money Laundering. He holds a bachelor's degree in business management, Certified Public Accountants of Kenya CPA (K), Certified Information Systems Auditor (CISA), and Certified Public Secretary (CPS). He has attended various AML/CFT training both locally and internationally. He is a member of the Institute of Public Accountants of Kenya (ICPAK).

Anthony Mburu – MD & CEO, Kingdom Bank Ltd (59)

He is a leading credit specialist in the banking industry with over 30 years of banking experience both in Kenya and the region. Most of these years were spent in the line of Credit and Risk Management as the Director Credit Management division of Co-operative Bank of Kenya and previously with Standard Chartered Bank. He holds a Bachelor's Degree in Commerce and has attended various proprietary and international Credit courses.

Appointed Managing Director and CEO of Kingdom Bank in August 2020

Nicholas Ithondeka – MD & CEO, Co-op Trust Investments Services Ltd (42)

He joined Co-op Trust Investment Services Ltd (CISL) as the Managing Director & CEO in April 2016. Prior to joining CISL he served as Vice President, Pinebridge Investments EA. Ltd (Sanlam) and before that as a Portfolio Manager at Old Mutual Asset Managers (OMAM). He has over 20 years' experience in Actuarial, Investment advisory and Fund Management Services. Nicholas holds G-CEO (Yale University – Lagos Business School), BSC (Actuarial Science) from the University of Nairobi. He is a member of the Institute & Faculty of Actuaries (UK), ICIFA (Kenya) and is also a Certified Public Accountant of Kenya (CPA(K). He serves as a Board member in Fund Managers Association (FMA), ICIFA registration Committee, Central Bank of Kenya (MLF Committee), Bond Markets Association (BMA) of Kenya and seats in Nyeri High School Board on behalf of the Nyeri Archdiocese. Nicholas has attended a number of courses in Leadership, Investments and Strategy as well as received several awards both locally and internationally within the investments banking industry.

Nicholas Kamonye – MD & CEO, Co-op Bancassurance Intermediary Ltd (45)

He joined the Bank in 2005. At Co-op Bancassurance Intermediary he gives leadership to the various capacity building initiatives targeting Co-operative societies across the country. He has consulted for Co-operatives on microfinance, financial modelling, strategic and business planning, business process improvements and human resource development. He holds a Bachelor of Commerce Degree in Finance, Diploma in Project Management, is a Certified Public Accountant (K) and a member of ICPAK.

Elijah Wamalwa – MD & CEO Co-operative Bank of South Sudan Ltd (51)

He has 22 years banking experience and is one of the pioneers of Co-operative Bank of South Sudan where he worked from 2013 as Head of Credit & Risk Management, in 2015 as Head of Retail and Operations before being appointed Managing Director in 2017. He has served in various other capacities at the Co-operative Bank of Kenya as a Portfolio Manager, Head of Credit Administration and later as Head of Credit-Core Banking Implementation Team.

He holds a Master of Science Degree in Governance attained at International Leadership University (Kenya) and a Bachelor of Arts Degree from Egerton University (Kenya). He has additional qualifications in accounting and project management.

Samantha K. Ngeera – Managing Director and CEO, Kingdom Securities Ltd (46)

Appointed as Managing Director in 2023, she is an experienced corporate leader with a deep understanding of Strategic Management and Stakeholder Engagement. She has over 17 years' experience leading investment management firms in the capital markets and has previously held various roles within the industry, including Senior Portfolio Manager, Financial Planning, and Head of Business & Client Relations. She holds a Bachelor of Commerce degree and is a member of the Institute of Certified Investment and Financial Analysts (ICIFA). She is also a Certified Engagement and Productivity Coach CEPC (ICF)

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Material Topics

4.2 Defining Materiality

Material topics are those sustainability-related issues that could significantly influence the decisions of our key stakeholders or affect Co-operative Bank's ability to create long-term value. We consider both. These material topics guide our strategy, risk management, and stakeholder engagement.

4.2 Materiality Assessment Process

Our 2024 materiality assessment was guided by a structured, primarily internal process that nevertheless considered insights from ongoing stakeholder interactions and industry best practices. The key steps included: (1) Identifying Potential Topics, (2) Gathering Stakeholder Input (Business-As-Usual Engagement), (3) Analyzing Our Internal Context, (4) Prioritizing and Validating Topics

4.2.1 Identification of Potential Topics

We began by reviewing our strategic plans, risk registers, and regulatory obligations to understand where Co-operative Bank might face significant sustainability challenges or opportunities. This approach drew on the expertise of senior leadership and department heads, ensuring that the topics identified aligned with the Bank's broader objectives and risk appetite.

4.2.2 Stakeholder Engagement

Although we did not hold any materiality-specific stakeholder forums, we leveraged our normal, day-to-day engagement channels—such as routine customer service interactions, investor briefings, and ongoing regulatory dialogues—to gather insights. These informal but continuous touchpoints proved instrumental in highlighting evolving stakeholder expectations and concerns.

4.2.3 Internal Context Analysis

Stakeholder Group	Engagement Method	Key issues Considered	Link to Material Topic(s)	How Feedback Influenced Topic
Customers	Routine interactions through branches, digital inquiries, and Contact Centre logs	Concerns about mobile banking security (e.g., phishing), and challenges accessing services in rural areas	Cybersecurity & Data Privacy;	Heightened focus on safeguarding customer data, resulting in "Cybersecurity & Data Privacy" being identified as a top priority; emphasis on rural outreach strengthened "Financial Inclusion & Accessibility."
Employees	Departmental discussions, leadership check-ins, staff feedback surveys	Continued leadership development and training. Continued use of the formal performance management tools.	Human Capital Development;	Reinforced the need for comprehensive training initiatives and fair evaluation frameworks, solidifying "Human Capital Development" and "Diversity, Equity & Inclusion" among key priorities.
Investors & Shareholders	Ongoing investor briefings, annual general meetings	Interest in climate-risk assessment methods; emphasis on Board independence and transparency	Climate Risk & Resilience; Corporate Governance & Business Ethics	Prompted deeper integration of climate-risk oversight into our risk framework. Also reaffirmed "Corporate Governance & Business Ethics" as a cross-cutting issue.
Regulators	Compliance audits, periodic policy consultations	Continued reference to IFRS S1/S2, CMA Code, KBA Sustainable Finance Principles; interest in digital oversight and AML safeguards	All Material Topics (especially compliance-driven)	Highlighted the Bank's need to ensure all material topics meet evolving regulatory standards—particularly around sustainability reporting, data privacy, and responsible lending
Community & NGOs	Existing CSR initiatives, community meetings, social impact programs (e.g., financial literacy)	Requests for more financial education and support for sustainable agriculture; recognition of the Bank's role in uplifting communities	Community Investment & Social Impact; Financial Inclusion & Accessibility; Sustainable Finance	Reinforced the importance of "Community Investment & Social Impact" and "Sustainable Finance" for social license to operate, guiding more targeted CSR initiatives and responsible lending approaches.

By integrating feedback captured through these business-as-usual interactions, we ensured our materiality assessment remained grounded in real-world insights. This approach, while less formal, allowed Co-operative Bank to capture relevant stakeholder views throughout the year and incorporate them into our strategic and operational decision-making processes. We are undertaking a deeper materiality survey, the results will be published in the next reports.

Our internal review ensured that each potential material topic aligns with the Bank's strategic priorities, risk appetite, and regulatory context:

Strategic Alignment

We examined how each issue might affect core objectives such as co-operative banking, digital innovation, and responsible lending. Topics closely tied to our strategic roadmap and long-term value proposition were considered particularly relevant.

Risk & Opportunity Screening

Each topic was mapped against the Bank's risk register to gauge potential financial, operational, or reputational implications. We paid special attention to issues that could significantly influence key metrics like credit provisioning or net interest income.

Industry Benchmarks

We monitored leading banks' sustainability disclosures and market trends to align our efforts with recognized best practices and evolving stakeholder expectations.

Regulatory & Disclosure Considerations

We incorporated the requirements of applicable laws, guidelines, and industry frameworks, ensuring that our list of topics addresses both current compliance obligations and anticipated reporting developments.

4.2.4 Prioritization & Validation

After gathering preliminary insights and analyzing them against internal and industry contexts, we adopted a structured approach to finalize our material topics. Specifically, we evaluated:

1. Stakeholder Relevance

Based on the feedback pathways described earlier, we looked at how strongly each issue resonated with our key stakeholders, including customers, employees, and investors.

2. Business Impact

We assessed each topic's potential effect on the Bank's financial outcomes, strategic resilience, and reputation.

Topics that demonstrated consistently high importance in both dimensions emerged as our focus areas for the 2024 reporting cycle. We will continue to monitor all identified topics, ensuring our materiality perspective remains up to date with shifting stakeholder expectations and broader market dynamics.

Mr. Macloud Malonza MBS, HSC, Chairman Co-opholdings Co-operative Society, the majority shareholder and strategic investor in the Co-operative Bank together Group Managing Director and CEO, Co-op Bank, Dr. Gideon Muriuki CBS, MBS, in a light moment with Mr. David Mategwa, Chairman Kenya Police Sacco during the Co-operatives leaders meeting held recently in Mombasa, Kenya.

4.3 Material Topics for 2024

The following ten material topics have been identified and prioritized:

Material Topic	Definition	Key Stakeholders	Aligned SDGs	Rationale
Corporate Governance & Business Ethics	Maintaining an effective board, ensuring transparency, promoting ethical conduct, and implementing anti-corruption measures.	Shareholders, regulators	16 Peace, Justice and Strong Institutions	Core to compliance, investor confidence, and risk management. Protects against fraud and legal issues.
Ethical Banking & Responsible Lending	Environmentally and socially sound banking. Ensuring fair lending, protecting vulnerable customers, and complying with AML/CTF regulations.	Regulators, investors, customers	16 Peace, Justice and Strong Institutions, 15 Life on Land	Essential for maintaining customer trust, minimizing legal/regulatory risk, and protecting vulnerable customer segments. Environmental and Social management System
Cybersecurity & Data Privacy	Protecting customer data from cyber threats, ensuring compliance with privacy regulations.	Customers, regulators	9 Industry, Innovation and Infrastructure; 16 Peace, Justice and Strong Institutions	Digital banking growth increases cybersecurity risks. A breach could have significant financial and reputational impact.
Climate Risk & Resilience	Managing climate-related financial risks/ opportunities, transition plans, and financed emissions.	Investors, regulators, customers	13 Climate Action	Increasing regulatory requirements, investor focus on climate disclosures, and potential CBK climate stress testing. Financial exposure in agriculture & high-carbon sectors
Sustainable Finance & Green Investments	Climate-focused lending (e.g., renewable energy, energy efficiency, climate adaptation) and ESG-driven investments. Financing agribusiness	Investors, regulators, customers	7 Affordable and Clean Energy; 13 Climate Action; 6 Clean Water and Sanitation; 2 Zero Hunger	Growing demand for sustainable financing, policy-driven shift to a low-carbon economy, aligns with climate-related financial disclosures.
Financial Inclusion & Accessibility	Expanding access to affordable banking services for underserved communities, including MSMEs.	Customers, communities, government	1 No Poverty; 8 Decent Work and Economic Growth; 10 Reduced Inequalities	Aligned with KBA's Sustainable Finance Principles and Co-op Bank's co-operative heritage. Drives financial growth and fosters social license to operate.
Diversity, Equity, & Inclusion (DEI)	Fostering a diverse and inclusive workplace with equal opportunities for all employees.	Employees, investors	5 Gender Equality; 10 Reduced Inequalities	Promotes innovation, attracts top talent, and enhances employee engagement.
Human Capital Development	Investing in employee training, leadership development, and well-being.	Employees, regulators	4 Quality Education; 8 Decent Work and Economic Growth	Equips staff to adapt to change, boosts productivity, and reduces compliance risk
Customer Experience & Digital Transformation	Enhancing digital banking, improving customer interfaces, and leveraging technology.	Customers, regulators	9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities	Competitive differentiator. High stakeholder expectations for seamless and secure services.
Community Investment & Social Impact	Implementing CSR initiatives, including financial literacy programs, youth empowerment, and sustainable community development projects.	Communities, government, NGOs	1 No Poverty; 4 Quality Education; 8 Decent Work and Economic Growth; 11 Sustainable Cities and Communities; 3 Good Health and Well-Being	Reinforces social license to operate, enhances brand reputation, and aligns with co-operative values.

4.4 Linkage to Financial Statements

Below is a table presenting how a material topic may materially impact our financial statements (Profit or Loss, Balance Sheet, or similar) if certain thresholds are crossed:

Material Topic	Potential Financial Impact Areas
Climate Risk & Resilience	**Statement of Profit or Loss:** Loan loss provisions related to drought/flood-exposed agricultural clients. Potential increased operating costs due to adaptation measures. **Statement of Financial Position:** Possible revaluation or early write-down of financed assets in high-carbon sectors if transition policies tighten.
Cybersecurity & Data Privacy	**Statement of Profit or Loss:** Fines, legal fees, and incident response costs following a data breach. Increased cybersecurity spending to enhance defences. **Statement of Financial Position:** Increased provisions for liabilities in case of major litigation related to data breaches.
Financial Inclusion & Accessibility	**Statement of Comprehensive Income:** Fee income growth driven by newly served market segments and synergy with digital transformation . **Statement of Financial Position:** Increase in loans and advances to customers.
Ethical Banking & Responsible Lending	**Statement of Profit or Loss:** Fines resulting from regulatory breaches. **Balance Sheet Items:** Possible increase in loan loss provisions if lending practices are deemed irresponsible. **Profit & Loss:** Potential cost savings from reduced compliance breaches or lawsuits. **Reputational Risk** (Indirect): Impacts on deposit base, share price, and customer acquisition if unethical practices are publicized.
Community Investment & Social Impact	**Long-Term Financial Health:** Building trust and loyalty among local communities, which can stabilize deposits, improve access to funding, and bolster brand reputation (contributes to long-term sustainability, but not directly quantifiable in the short term).

4.5 Justification for Changes from 2023

We shall revisit our material topics after every two years to reflect evolving regulations, stakeholder concerns, and the Bank's strategic direction. Significant changes include:

2023 Topic	2024 Topic	Reason for Change
Climate Change Mitigation	Climate Risk & Resilience	Emphasized the financial dimension of climate risk (both physical and transition), plus the Bank's resilience strategies.
Digital Banking	Customer Experience & Digital Transformation	Expanded scope includes improved user interfaces, data protection, and the full lifecycle of digital engagement (beyond channel access).
Job Creation & Employee Welfare	Human Capital Development	Broader category focused on leadership, training, and well-being. Reflects new internal feedback on management-level skill development and performance review management.
Sustainable Investing	Sustainable Finance & Green Investments	Elevates the Bank's role in financing renewable energy, climate adaptation, and sustainability-driven lending

5. Corporate Governance

Co-operative Bank of Kenya's governance framework is built on the core values of responsibility, accountability, fairness, and transparency. These principles are deeply embedded in our operations and decision-making at all levels, from the Board of Directors to every employee.

We create long-term value for our shareholders and all stakeholders, upholding ethical standards, and contributing to the sustainable development of the communities we serve.

Our governance structure ensures effective oversight, risk management, and full compliance with applicable laws and regulations. This includes the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Central Bank of Kenya (CBK) Prudential Guidelines, the Banking Act, and relevant Kenyan legislation.

5.1 Governance Approach

Our governance approach emphasizes:

1. **Regulatory Alignment:** Strict adherence to the CMA Code, CBK Prudential Guidelines, and other statutory mandates.
2. **Ethical Culture:** Upholding the high standards of ethics, evidenced by a Code of Conduct, conflict-of-interest policies, and zero-tolerance for corruption and insider trading.
3. **ESG Integration:** Embedding environmental, social, and governance (ESG) considerations, including climate oversight—into the Board's decision-making processes, supported by board-level trainings and board agenda items.

5.2 Board Composition and Oversight

Director	Independence	Tenure* (Years)	Age	Skills
John Murugu, OGW (Chairman)	Independent Non-Executive	9.6	74	Banking and finance, Public finance management, Bank supervision and debt management, Leadership and governance
Macloud Malonza, MBS, HSC (Vice Chairman)	Non-Executive	19.3	56	Organizational change and development, Business administration, Strategic planning and management.
Dr. Gideon Muriuki, CBS, MBS (GMD & CEO)	Executive	23.8	60	Banking and finance, Corporate and institutional banking, Leadership and management, Rural finance development, Strategic planning and implementation.
Patrick K. Githendu (Late)	Non-Executive	31.6	70	Business management, Coffee industry expertise
Weda Welton (Mrs)	Independent Non-Executive	5.3	66	Human resource management, Strategic planning, Risk management
Lawrence Karissa	Independent Non-Executive	9.6	69	Accounting, Banking, Leadership, Corporate governance
Julius Sitienei	Non-Executive	21.5	70	Business management, Education, Human resource management
Benedict W. Simiyu	Non-Executive	10.6	63	Education management, Leadership
Richard L. Kimanthi	Non-Executive	30.0	68	Business management/ Entrepreneurship, Co-operative Management, Leadership
Alice Mwololo (Mrs)	Non-Executive	0.6	59	Public finance & planning, Economic policy, Government relations, Development planning, Civil service leadership.
Wilfred Ongoro, HSC	Non-Executive	18.7	69	Education, leadership, Co-operative movement experience
Margaret Karangatha (Mrs)	Independent Non-Executive	5.3	64	Organizational planning, Leadership, HR management, Finance (for both finance and non-finance managers), Consulting and facilitation
Godfrey K. Mburia	Non-Executive	20.6	68	Accounting, Leadership, Co-operative Management, Finance

** At every Annual General Meeting, one third of Directors are eligible to retire by rotation and may offer themselves for re-election for a term of 3 years.*

5.2.1 Board Size and Membership

The Board of Directors provides strategic leadership and oversight for the Co-operative Bank Group. Its composition reflects a strong commitment to diversity of thought, experience, background, age, and gender.

The Board comprises 13 directors, with a balanced mix of independent, non-executive, and executive members. This composition ensures a wide diversity of expertise in finance, banking, co-operative management, human resource management, education, and public service.

Currently, 5 out of the 13 directors meet the independence criteria, and 3 of the 13 directors are female, representing 23% of the Board.

5.2.2 Chairman and Chief Executive Roles

The responsibilities of the Chairman and the Group Managing Director & CEO are distinctly defined to maintain a balanced distribution of power and authority. The Chairman (an independent non-executive director) leads the Board and fosters constructive debate, while the GMD & CEO oversees strategy execution and day-to-day operations.

5.2.3 Board Charter and Responsibilities

Our Board Charter outlines key duties consistent with the CMA Code: strategic direction, risk appetite setting, major policy approvals, and ensuring an ethical corporate culture. The Board exercises oversight for climate and ESG matters

The Board is periodically updated and discusses progress of the ongoing climate-risk consultancy project milestones. The Climate project is aimed at formulating an effective Climate Strategy Roadmap and Implementation Plan to chart a clear path towards our climate goals.

5.2.4 Board Skills & Competencies

To remain agile and responsive to evolving industry dynamics, the Bank maintains a comprehensive Skills & Competencies Matrix that documents each director's background and ongoing development. The Matrix emphasizes the following key areas:

- Strategic Planning and Corporate Governance: Demonstrated strengths in leadership, organizational transformation, and adherence to best governance practices.
- Finance and Banking: Expertise in financial management, public finance, corporate banking, and banking supervision.
- Co-operative Management and Movement Experience: Deep understanding of co-operative principles, strategic leadership within Co-operative settings, and educational insights.
- Risk Management: Proficiency in enterprise risk management, regulatory compliance, and overall risk oversight.
- Human Capital and Organizational Development: Robust experience in human resource management, organizational change, and leadership development.

5.2.5 Board Committees

To enhance efficiency and deeper oversight, the Board delegates specific roles to the following principal committees. Each committee operates under a formal charter specifying its composition, authority, and responsibilities, and is chaired by an independent non-executive director.

Each Board Committee follows an annual work plan, approved at the start of each financial year, to ensure systematic coverage of all material areas—financial reporting, strategic objectives, and emerging risks, including ESG and climate-related matters.

As part of this structured approach, the Board Risk Committee receives quarterly reports on sustainability-related risks, including climate risks, as consolidated by the Chief Risk Officer and the ESG Unit, and all Board members participate in trainings on ESG compliance, featuring dedicated modules on Climate Governance and sustainable finance.

This structured approach ensures comprehensive oversight and the achievement of key milestones.

Board Committee	Key Responsibilities	Composition (2024)	Meeting Frequency
Board Credit Committee	Oversees the Bank's lending policy, reviews loan applications exceeding management's discretionary limits, monitors the loan portfolio, and ensures adequate provisions.	Margaret Karangatha (Mrs.) (Chair - Independent) John Murugu, OGW, Macloud Malonza, MBS, HSC Wilfred Ongoro, HSC Richard Kimanthi Dr. Gideon Muriuki, CBS, MBS	At least every 3 months
Board Staff and Nomination Committee	Reviews HR policies, Board composition, Board evaluation, and director nominations. Oversees executive compensation framework.	Lawrence Karissa (Chair - Independent) John Murugu, OGW Julius Sitienei Weda Welton (Mrs.), (Independent), Godfrey Mburia Dr. Gideon Muriuki, CBS, MBS	At least twice a year
Board Audit Committee	Provides oversight of financial reporting, internal control systems, and the internal and external audit functions. Reviews related party transactions and monitors ethical conduct.	Weda Welton (Mrs.) (Chair - Independent) Benedict Simiyu, Patrick Githendu Lawrence Karissa (Independent) Alice Mwololo (Mrs.) (Independent)	At least every 3 months
Board Risk Committee	Provides oversight of the Group's risk management and compliance functions. Monitors risk policies, risk appetite, and key performance indicators. Charged with the mandate to oversee ESG including Climate Risk	Margaret Karangatha (Mrs.) (Chair - Independent) Alice Mwololo (Mrs.), (Independent) Patrick Githendu Benedict Simiyu Lawrence Karissa (Independent)	At least every 3 months

5.2.6 Executive Committees

Several executive committees support the Board and management in day-to-day operations and strategic implementation. These committees and their responsibilities include:

Executive Committee	Related Responsibilities
Board of Management (BOM)	Assists the Group Managing Director in day-to-day management, including formulation and implementation of business strategy and policy. Oversee the Bank's ESG strategy, formulation and implementation.
Board of Management Credit (BOMC)	Receives, reviews, and considers material, high-value, and sensitive credit cases, incorporating ESG risk assessments into lending decisions as per the Bank's Credit Policy.
Asset and Liability Committee (ALCO)	Manages the balance of assets and liabilities, considering interest rates, liquidity, foreign exchange exposure, and capital adequacy. This ensures the Bank's ability to finance sustainable projects.
Expenditure Management Committee (EMC)	Approves capital and recurrent expenditure, considering cost efficiency and sustainability criteria into procurement decisions.
Staff Disciplinary Committee	Reviews staff disciplinary cases, ensuring adherence to the Bank's Code of Conduct, which includes ethical and responsible behavior.
Operations & Efficiency Committee (OEC)	Reviews business process changes to improve customer experience, manage operational risks, and enhance efficiency/sustainability. This includes initiatives with positive environmental or social impacts.

5.2.7 Sustainability Oversight

The Board Risk Committee has the primary responsibility to oversee the effective management of ESG risks and opportunities in the Group.

To ensure effective oversight and integration of sustainability considerations across the Bank, the Director of Finance & Strategy is mandated to drive the ESG agenda. To do this, the Bank has a dedicated ESG Unit that coordinates the implementation of the Bank's ESG strategy on a day-to- day basis.

The ESG Unit collaborates closely with the Chief Risk Officer and supports the ESG Champions Committee, a management-level committee with representatives from across the Group, responsible for overseeing the day-to-day management of ESG and climate-related risks and opportunities.

The ESG Champions Committee, a cross-functional management group, provides regular updates and recommendations to the Board of Management and, through the Chief Risk Officer, to the Board Risk Committee.

5.2.8 Board Appointments

Board appointments are governed by the Bank's Articles of Association, Board Charter, and Succession Policy. The Board Staff and Nomination Committee leads the nomination process, considering integrity, independence, diversity, and skills aligned with the Bank's strategic needs.

Independent directors are proposed by the Board and approved at the AGM, with input from the Group Managing Director & CEO, external advisers, or industry insights where needed. New appointments are formalized through written letters, and directors undergo structured induction to ensure readiness for effective oversight.

5.3 Board Performance and Development

5.31 Annual Evaluations

The Board undertakes a formal annual evaluation covering the Board as a whole, each committee, individual directors, and the GMD & CEO. Evaluations are conducted through self-assessment, peer reviews, and (periodically) external facilitation. The 2024 evaluation reinforced our commitment to enhancing both strategic oversight and ESG integration.

5.32 Ongoing Training and Capacity Building

Directors participate in training on corporate governance, risk management, and ESG/Climate governance. The Bank's continuing education plan ensures the Board remains informed on climate-risk management, scenario analysis, and sustainable finance trends.

In 2024, the Board conducted dedicated sessions on ESG, reflecting the heightened importance of climate-related risks.

Program	Directors	Institution
Leading the Board	Mr. John Murugu, OGW, Mr. Godfrey Mburia, Mrs. Margaret Karangatha, Mr. Lawrence Karissa, Mr. Julius Sitienei	Strathmore Business School
The Effective Director	Mr. Richard Kimathi	Strathmore Business School
Risk Management, Digitization, Cybersecurity, Data Protection	All Board Members	Institute of Directors
Economic & Regulatory Changes to the Banking Sector	All Board Members	Institute of Directors
Artificial Intelligence (AI) & Technology Integration	All Board Members	Institute of Directors
Institute of Directors Summit	All Board Members	Institute of Directors
ESG Compliance and Reporting	All Board Members	Institute of Directors
Climate Governance & Risk Disclosures	All Board Members	Institute of Directors

Directors Shareholding	Independence	Shares held
John Murugu, OGW (Chairman)	Independent, Non-Executive	2,076,316.00
Macloud Malonza, MBS, HSC (Vice Chairman)	Non-Executive	5,725,500.00
Dr. Gideon Muriuki, CBS, MBS (GMD & CEO)	Executive	117,528,400.00
Patrick K. Githendu (Late)	Non-Executive	86,415.00
Weda Welton (Mrs)	Independent, Non-Executive	3,254,000.00
Lawrence Karissa	Independent, Non-Executive	3,860.00
Julius Sitienei	Non-Executive	4,000,000.00
Benedict W. Simiyu	Non-Executive	-
Richard L. Kimanthi	Non-Executive	7,800.00
Alice Mwololo (Mrs)	Independent, Non-Executive	-
Wilfred Ongoro, HSC	Non-Executive	-
Margaret Karangatha (Mrs)	Independent, Non-Executive	180,900.00
Godfrey K. Mburia	Non-Executive	1,152,201.00

5.3.3 Board Attendance (2024)

Regular attendance at Board and committee meetings is a key indicator of director engagement. The following table summarizes attendance for 2024:

2024 Board Meetings Attendance	Co-operative Bank Group				
	Co-operative Bank of Kenya Ltd	Co-op Bancassurance Intermediary Ltd	Co-optrust Investment Services Ltd	Kingdom securities Ltd	Kingdom Bank Ltd
John Murugu, OGW – Chairman (appointed on 01 October-2017)	5				
Macloud Malonza, MBS,HSC - Vice Chairman (appointed on 01 October 2017)	5	5	5		5
Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO	5	5	5		5
Lawrence C. Karissa	5				
Wilfred Ongoro, HSC	5				
W. J. Mwambia - Representing PS National Treasury	2				5
Alice Mwololo (Mrs.)-Representing PS National Treasury	3				
Julius Sitienei	5			5	5
Weda Welton (Mrs.)	5				
Richard L. Kimanthi	5				
Benedict W. Simiyu	5				
Godfrey K. Mburia	5				
Patrick K. Githendu	5			2	
Margaret Karangatha (Mrs.)	5				5
Charles Kamari					5
Scholastica Odhiambo (Mrs.)		5	5		
James N. Njiru		5	5		
David M. Muthigani		5	5		
David Kirk Obonyo		3	5		
Francis Ngone		5	5		
Geoffrey M'Nairobi		5	5		
Michael Muriithi		5	5		
Boaz Ouma Awitti				5	
Mwangi Kariuki				3	
Arthur Muchangi				5	
Samantha K. Ngeera (Mrs.)				5	
Nicholas Ithondeka-Managing Director & CEO			5		
Nicholas Kamonye - Managing Director & CEO		5			
Anthony Mburu- Managing Director & CEO					5
Eng. William Mayar Wol-Chairman					
John Murugu, OGW					
Macloud Malonza, MBS, HSC					
Dr. Gideon Muriuki, CBS,MBS – Group Managing Director & CEO					
Elijah Wamalwa-Managing Director & CEO					
Prof. Mathew Gordon Udo					
Zachary K. Chianda					
Hon. Benjamin Ayala Koyongwa					

Co-operative Bank of Kenya Ltd Board Sub-committees				Co-op South Sudan		
Audit Committee	Staff and Nomination Committee	Credit Committee	Risk Committee	Full BOD	Audit	Risk & Finance
	2	2				
		2				
5	2		4			
5	2		4			
		1				
2			1			
3			3			
	2					
5	2					
		2				
5			4			
	2					
2			1			
		2	4			
				4		2
				4	2	
				4		2
				4	2	2
				4	2	2
				4	2	
				4		
				1		

5.4 Ethics and Responsible Conduct

The Co-operative Bank operates with the highest ethical standards. Our comprehensive Code of Conduct and Ethics (https://www.co-opbank.co.ke/business-code-of-conduct-and-ethics/), guides the actions of all directors, management, and employees. We have a zero-tolerance policy for unethical behavior.

- **Conflict of Interest:** Our conflict of interest policy requires directors and employees to declare any potential conflicts and recuse themselves from related decisions. All business dealings with directors, their families, and related companies are conducted at arm's length.
- **Anti-Corruption Policy:** We operate a strict zero-tolerance approach to bribery, extortion, and all forms of corruption. We conduct mandatory training for all employees and directors, periodic risk assessments, and disciplinary procedures for any violations. The policy also extends to suppliers and business partners, who must commit to ethical conduct as a condition of doing business with us
- **Related Party Transactions:** We require that all transactions with Directors, senior management, or affiliated entities be conducted at arm's length, ensuring compliance with CMA Code guidelines on fair pricing and avoidance of conflicts of interest and disclosed in the notes to the financial statements.
- **Whistleblowing:** The Bank maintains a confidential whistleblowing channel accessible to all employees, customers, and external stakeholders which is available on our website (https://www.co-opbank.co.ke/whistleblowing/), to encourage reporting of suspected misconduct, fraud, or violations of our Code of Conduct.
- **Insider Trading:** The Bank has also implemented a policy on insider trading, which prohibits directors, management, staff members, and related parties from trading the Bank's shares while in possession of any insider information not available to the public. In 2024, there were no reported instances of insider dealings, in line with our zero-tolerance policy.
- **Fair Competition:** The Bank fully complies with all applicable competition and consumer protection laws. We do not engage in comparative advertising that unfairly targets competitors or portrays other institutions negatively.
- **Responsible Marketing:** Our Marketing Operations Manual and adherence to the relevant Code of Advertising Practice guide us to produce truthful, non-misleading advertising—with zero reported violations in 2024. Staff involved in marketing initiatives receive periodic training on responsible practices, ensuring alignment with both ethical standards and regulatory requirements.

5.5 Risk Management and Internal Control

The Board has ultimate responsibility for the Group's risk management and internal control framework. The Board Risk Committee oversees the development and monitoring of risk management policies, which address key risks, including credit, operational, market, liquidity, and compliance risks, as well as emerging risks such as climate change and cybersecurity.

- **Risk Management Department:** The Risk Management Department is the central coordinating unit responsible for the day-to-day implementation of the Group's Enterprise Risk Management (ERM) Framework. The department provides regular updates to the Board Risk Committee and ensures integration of risk into strategic and operational decisions.
- **Internal Audit:** An independent Internal Audit Department reports directly to the Board Audit Committee, providing assurance on the effectiveness of internal controls.
- **Compliance:** A dedicated Compliance Department monitors adherence to all applicable laws, regulations, and internal policies.Reports to Board Risk Committee
- **IT Governance:** IT is a key enabler, and the board has put in place a policy framework.

5.6 Transparency and Disclosure

We disclose material information to our stakeholders. This Integrated Report is prepared with reference to the Global Reporting Initiative (GRI) Standards. We maintain a comprehensive website (https://www.co-opbank.co.ke/) with up-to-date information on our governance practices, financial performance, and sustainability initiatives.

5.7 Executive Compensation

In 2024, our compensation structure featured performance-based bonuses tied to financial and operational metrics. We have also integrated key sustainability indicator into our performance framework. The Board Staff & Nominations Committee oversees this framework, and Director remuneration requires shareholder approval at the Annual General Meeting (AGM).

For a detailed breakdown of directors' remuneration, including fixed pay, performance-based incentives, and board sitting allowances, please refer to the Directors' Remuneration Disclosure in the audited financial statements section of this report.

5.8 Subsidiary Governance

Co-operative Bank of Kenya recognizes the importance of strong governance across all its subsidiaries. Subsidiary oversight is centrally coordinated, with the Bank's Board and Committees exercising group-wide oversight through defined charters, reporting lines, and risk management frameworks. While each subsidiary maintains its own board and management team, governance arrangements are tailored based on business complexity and risk profile. The Board ensures that all subsidiaries align with the Group's strategic objectives, risk appetite, and compliance standards. Key subsidiaries—such as Kingdom Bank, Co-op Trust Investment Services, and Co-operative Bank of South Sudan—are regularly reviewed as part of the Group's integrated governance structure.

6. Operating Context

Below we provide an overview of the key external factors that influenced Co-operative Bank's operating environment in 2024 and their implications for our business.

6.1 Global Economic Developments

Global economic growth moderated slightly in 2024 (estimated 3.2% by the IMF, down from 3.3% in 2023), characterized by easing inflation but ongoing geopolitical tensions. Advanced economies experienced modest growth, while emerging markets, particularly in Sub-Saharan Africa, demonstrated resilience.

These global trends have an indirect influence on Co-operative Bank, primarily through their effects on the Kenyan economy, including trade, investment, and commodity prices. We continuously monitor these developments to anticipate potential impacts on our operating environment.

For 2025, global growth is projected to stabilize, supported by accommodative monetary policies, although risks from policy, uncertainty and geopolitical events persist.

6.2 Domestic Economy (Kenya)

Economic Performance

Kenya's economy exhibited a mixed performance in 2024. Real GDP growth slowed to an average of 4.5% in the first three quarters (compared to 5.7% in 2023), even as market confidence improved following a successful Eurobond refinancing. The deceleration was primarily attributed to tighter financial conditions and their impact on consumer spending.

Co-operative Bank adapted to this environment by focusing on growth strategies, customer relationship management and prudent risk assessment.

Economic activity is expected to strengthen in 2025, supported by increased private sector credit, government economic programs, and a stable global commodity market. Key risks include trade policy uncertainty, geopolitical tensions, debt servicing costs and weather-related uncertainty.

Inflation

Headline inflation in Kenya declined to an average of 4.52% in 2024 (from 7.69% in 2023), reflecting improved agricultural output and a strengthening Shilling. Core inflation saw a slight increase, indicating some underlying demand pressures.

Co-operative Bank actively manages its pricing and asset-liability mix to navigate inflationary trends and maintain profitability. We anticipate inflation to remain within the Central Bank's target range, supporting a stable economic environment.

Exchange Rate

The Kenyan Shilling appreciated significantly (19.2% against the US Dollar) in 2024. This was driven by improved market confidence, a reduced current account deficit, and growth in foreign exchange reserves.

The stronger Shilling had a positive effect on Co-operative Bank, reducing the cost of servicing foreign currency obligations and mitigating import cost pressures for the bank and its customers.

The Shilling is forecast to remain relatively stable in 2025.

Monetary Policy

The Central Bank of Kenya (CBK) transitioned to a more accommodative monetary policy stance in 2024, reducing the Central Bank Rate (CBR) and the Cash Reserve Ratio (CRR) to stimulate lending and economic activity.

These policy adjustments are expected to create a more favorable lending environment, supporting Co-operative Bank's efforts to expand its loan portfolio and contribute more to economic growth in 2025.

Interest Rates

Interest rates, particularly on short-term government securities, decreased in response to the CBK's policy actions. In line with this trend, and to support our customers, Co-operative Bank reduced its base lending rate from 16.5% to 14.5%. This strategic adjustment aims to enhance credit affordability and encourage borrowing, contributing to a more vibrant economy.

Public Debt

Kenya's public debt remained elevated (61.9% of GDP as of September 2024), with a significant portion of tax revenue allocated to debt service.

Co-operative Bank recognizes the potential constraints this places on government spending and overall economic growth. We maintain prudent lending practices and diversify our portfolio to mitigate risks associated with these macroeconomic factors. The government's ongoing fiscal consolidation efforts are expected to ease debt-related pressures over the medium term.

Loan Quality

The banking industry's non-performing loan (NPL) ratio increased to an average of 16.2% in 2024 (from 14.6% in 2023), reflecting the challenging economic conditions earlier in the year.

Co-operative Bank, while impacted by these industry-wide trends, has maintained a proactive approach to credit risk management. This includes enhanced monitoring through our internal systems, portfolio diversification, and offering tailored support such as loan restructuring programs for borrowers in affected sectors. We anticipate an improvement in loan quality as economic conditions and lending rates improve.

6.3 Competition and Regulation

Competition

The Kenyan banking sector remained highly competitive in 2024, with ongoing investments in branch networks, digital technologies, and diversified product offerings.

Co-operative Bank continues to leverage its core strengths – Universal banking model, a strong brand, an extensive network, a leading digital platform (Mco-opcash), a leading position in MSME lending, and a deep commitment to the co-operative movement – to maintain a competitive edge and deliver superior customer value.

Regulatory Developments

Key regulatory changes in 2024 included the CBK's draft Climate Risk Disclosure Framework and the Business Laws Amendment Act 2024, which strengthens regulatory oversight and increases minimum capital requirements.

Co-operative Bank is fully committed to regulatory compliance and actively participates in industry consultations on new regulations. We are proactively integrating climate risk considerations into our operations and reporting, and we are well-positioned to meet the enhanced capital requirements. These developments reinforce our commitment to responsible banking and long-term sustainability, aligning with our material topics of Corporate Governance and Climate Risk & Resilience.

6.4 Climate and Policy Drivers

Kenya faces increasing physical risks from climate change, particularly droughts and floods, which pose significant challenges to the agricultural sector. The transition to a low-carbon economy presents both risks and opportunities, driven by evolving government policies, consumer preferences, and investor expectations.

Regulatory Developments

The regulatory landscape is evolving to incorporate climate-related risks and promote greater transparency.

NSE: Emphasizes ESG disclosures.

IFRS S2: Requires detailed climate-related disclosures.

CBK Draft Climate Risk Disclosure Framework: Increases disclosure requirements for banks.

Kenya Green Finance Taxonomy (Draft): Aims to classify environmentally sustainable economic activities.

For Co-operative Bank's detailed response to these climate-related risks, opportunities, and regulatory developments, including our Climate Transition Plan and specific actions, see Chapter 8

6.5 Summary and Outlook

2024 presented a dynamic operating environment for Co-operative Bank, characterized by both challenges and opportunities. We responded strategically to evolving economic conditions and regulatory changes, demonstrating resilience and a commitment to sustainable growth. Looking ahead to 2025, we anticipate a more favorable economic climate, supported by easing monetary policy and a stable macroeconomic outlook.

This is reflected in the changes in Kenya's outlook by Moody's rating agency from negative to positive in January 2025, largely driven by easing liquidity risks and improving debt affordability as borrowing costs fall in the domestic economy, creating fiscal space for government programs. The overall rating, currently at Caa1(positive) could be upgraded further in 2025 if domestic financing conditions continue to improve and as fiscal consolidation measures show signs of success, further consolidating investor confidence.

Co-operative Bank is well-positioned to leverage its strong financial foundation, diversified business model, and customer-centric approach to capitalize on emerging opportunities, deliver value to stakeholders, and contribute to Kenya's economic development. We remain committed to proactive risk management and adapting our strategies to ensure continued success.

Members of the Board of Directors, led by Bank Chairman, Mr John Murugu, OGW, engaging staff at the Nairobi International Trade Fair. The Bank was recognized across the the country as the Best Bank in promoting climate smart agriculture and technological innovation in support of Agriculture development in Kenya.

7. Strategic Priorities & Performance

7.1 Strategic Review: Reflecting on 2024

2024 marked the conclusion of our 2020-2024 Corporate Strategic Plan, which focused on six strategic pillars. During this period, Co-operative Bank strengthened its position in the Kenyan market, particularly within the Co-operative Movement, and made significant progress in key areas: enhancing customer experience, improving operational efficiency through digitization, strengthening risk management and compliance, and integrating ESG considerations into our operations. The plan's successful execution provides a strong foundation for our next strategic cycle.

7.2 2024 Strategic Performance

The conclusion of the 2020-2024 strategic cycle marks a period of demonstrated resilience and adaptability for Co-operative Bank. Key initiatives were executed, strengthening our foundation for sustained growth.

Co-operative Bank's 2024 results underscore its strong strategic positioning, achieved through a deliberate balance between financial growth and long-term sustainability, carefully considering potential trade-offs between short-term objectives and enduring value creation.

Strategic Themes

I. Aggressive deepening of our dominance in the Kenya Market

Market Capitalization

KShs. 96.5B (+45.5% YoY, 2023: KShs. 66.3B).

Return on Assets (ROA)

3.6% (2023: 3.6%)

Return on Equity (ROE)

20% (2023: 21%).

Dividend per Share

KShs. 1.5 (2023: Kshs. 1.5) maintaining strong shareholder returns.

Cost-to-Income Ratio:

47.2% 2022: 47.1% 2023: 47%.

Market Share:

Total Assets: 10%.

Customer Deposits: 9%.

Gross Loans: 10%.

KES 76.7B in E-Credit disbursed, 18.5% allocated to MSMEs.

Outreach

Branches: 210

Agents: 16,110 Co-op Kwa Jirani agents for nationwide coverage particular to underserved communities.

Digital adoption continues to reshape service delivery, with 92% of transactions now conducted via alternative channels.

Subsidiary Performance Strengthens Group Contribution

Combined Profit Before Tax (PBT): KES 34.8Bn (7.5% YoY)

	KShs '000'	KShs '000'	%
Co-operative Bank of South Sudan	11,065	291,299	**-96.20%**
Co-opTrust Investment Services Ltd	386,445,	226,021	**70.98%**
Co-op Bancassurance Intermediary Ltd	1,201,660	877,137	**37.00%**
Kingdom Securities Ltd	74,209	13,191	**462.57%**
Kingdom Bank Ltd	1,068,427	1,080,687	**-1.13%**
Subsidiaries Total	**2,741,806**	**2,488,335**	**10.19%**

II. Dominant provider of financial services to the Co-operative Movement in Kenya and the region

The largest Co-operative Bank in Africa, anchored by Kenya's co-operative movement, which represents over 15 million members nationwide.

Co-op FOSA Integration:

619 SACCO FOSAs onboarded, allowing members direct banking access at their front offices.

Coffee Financing & Direct Settlement Scheme (DSS):

Processed farmer payments through 9,327 transactions.

800,000+ coffee farmers benefited from faster, transparent pricing and reduced lead times.

10% financing rate for coffee farmers under the Government-Supported Coffee Financing initiative.

525 farmer co-operative societies supported to comply with new sector regulations, further enhancing operational efficiency.

Capacity-Building Initiatives:

Co-op Consultancy undertook 3,729 mandates on advisory, financial literacy, and governance.

7 training sessions conducted for Government-Supported Cotton Farmers to improve productivity and market access.

3 training sessions held for Dairy Farmers focusing on financial literacy and value-chain optimization.

Co-operatives Loans and Deposits Portfolio:

9% of Total Loans | 8% of Total Deposits (co-operatives segment).

Value Chain Support

Focus on our 6 Agri Value chains: Tea, Cotton, Dairy, Rice, Maize and Nuts.

Partnerships

Aceli Africa: USD 40,000 guarantees issued to small holder farmers.

III. Customer experience that is seamless across all our touch points

KBA Customer Satisfaction Survey Winner:

Top-ranked bank for service excellence for two consecutive years (2022 & 2023).

Service Performance Metrics:

Net Promoter Score (NPS): 59.79 (up from 54.1%).

Customer Satisfaction Score (CSAT): 88.55%.

Complaint Resolution Rate: 93.88% of cases resolved within 48 hours.

Queue Time: Reduced to 9.5 minutes (down from 12.4 minutes).

24-Hour Contact

Volumes: 3.14Million engagements

Social Media Engagement:

Followers across various platforms: +3.71 Million

Interactions: Over 985,000

IV. Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity

System Uptime & Availability

System and Channels service availability and Uptime averaged 99.49%.

Core Banking System Upgrade

Co-op Bank Kenya & Co-op Bank South Sudan fully integrated and reaping efficiency gains.

Digital Utilization:

92% of transactions conducted via mobile, internet banking, or agent channels.

3008 POS machines rolled out in 2024

E-Credit: 76.7Bn disbursed in 2024.

232,053 Co-op till customers

Training & Capacity Building

Staff trained on key focus areas: Leadership – 2500, Operational Excellence – 9316, Sales & Credit Management - 4327

Training Spend: Kshs 91.3M for capacity building, expertise enhancement and relationship management.

Staff Productivity & Retention

Staff Performance: 93% of staff met and exceeded targets (against a target of 90%)

Retention: 94.8% (5.2% Bank-wide Attrition Rate)

Wellness Programs: 255 webinars and physical health talks.

Notable product and platform launches:

YEA -Youth Proposition with an app facilitating virtual account opening, transaction services,

Virtual cards application & a Virtual Assistant chatbot

ManiSasa - Purpose-Based Lending: Partnership with merchants to enable customers to purchase products and services using their E-Flexi or Business Plus limit (Buy Now Pay Later). Loan tenure and limits are determined based on the customer's approved E-Flexi or Business Plus limit..

V. Proactive Risk and Compliance in a challenging environment

NPL Management

NPL of 16.8% (2023: 16.7%). At Bank level the NPL was 16.6% (2023: 15.7%)

Strengthening credit risk monitoring & sector-specific loan recovery strategies.

Regulatory Compliance & Ethical Governance

AML/CFT compliance: 1974 of staff completed refresher training in 2024.

Climate Risk & IFRS S2 Compliance

Ongoing climate risk project includes stress-testing for financed emissions and alignment with IFRS S2 disclosure requirements

Cyber risk Management

Regulatory alignment with GDPR (General Data Protection Regulation) & Kenya Data Protection Act.

Enterprise Data Privacy Risk Management Framework for proactive risk mitigation

Multi-layered cybersecurity protections including fraud detection systems and routine security audits

Advanced incident response mechanisms to address cyber threats effectively

ISO Surveillance and Transition audit conducted successfully. The Bank became certified in the new ISO 27001:2022.

Independent Audit

Ernst & Young Kenya LLP issued an unqualified opinion on the Group's consolidated and separate financial statements

VI. Positive impact on Economy, Society & Environment

Green & Social Finance Portfolio

KES 37.4B *(33% green, 67% social projects).*

The Bank is in the process of updating this data for 2025 as significant data capture mechanisms are in place in the new Core Banking system and Business Process Management System.

Inua Jamii & Social Protection:

Disbursed to over 173,000 vulnerable recipients.

Co-op Foundation Education Support

655 new scholarships in 2024, bringing total beneficiaries to 11639 students.

Emissions Reduction & Reforestation

Planted trees across 600 acres in Lusoi to support carbon offsetting & reforestation efforts.

The bank has an ongoing climate risk project that will be completed in 2025 – see emissions data in chapter 10.10 GHG Emissions Metrics & Roadmap

Financial Inclusion:

MSME Product Revamp: Group/Chama loan "Mkopo wa Kujengana", BNPL Product "ManiSasa"

Women Banking Focus: Dedicated Women Banking Department.

Youth Banking : Dedicated Youth Banking Department.

Financial Literacy

Continued focus on financial literacy programs and affordable credit solutions for underserved communities.

7.2.1 A Decade of Soaring Excellence: Reflecting on Our Transformation Journey

In 2014, Co-operative Bank launched the "Soaring Eagle" transformation program following a review of our growth and efficiency strategy. The program focused on eight key pillars that improved performance, enhanced customer experience, and prepared the Bank for future challenges. Over the past decade, this transformation delivered significant improvements in operational efficiency, customer service, and risk management, providing a strong platform for achieving the goals outlined in our 2025-2029 Strategic Plan.

On the next page is a table summarizing the key pillars and their achievements:

Transformation Pillar	Achievements and Impact
Branch Transformation	▸ Conducting 92% of transactions via alternative channels (mobile, internet, agents). ▸ Disbursing KShs. 407.9B in E-Credit to date. ▸ Expanding the branch network to 210 branches.
MSME Transformation	▸ Reaching 2.3 million MSME account holders. ▸ Onboarding 235,617 MSME clients to new packages (Gold, Silver, Bronze). ▸ Achieving an average of 3.5 products held per MSME client on new packages. ▸ Providing financial capacity building for 66,100 customers. ▸ Executing 358 non-financial service programs. ▸ Ranking No. 2 in Asset Finance in Kenya by market share.
Sales Force Effectiveness	▸ Implemented a sector-focused sales approach. ▸ Established Supply Chain Finance & Distributor Finance programs. ▸ Capacity building of relationship managers.
Shared Services & Digitization	▸ Launched omni-channel banking (mobile and internet). ▸ Deployed CRM 365 for customer engagement management. ▸ Developed a Digital Hub and Innovation Framework. ▸ Upgraded Core Banking System. ▸ Established partnerships with Money Transfer Organizations (MTOs). ▸ Innovation and Fintech engagement framework centralizing partnerships with third parties ▸ Centralized Business to Business (B2B) integration
NPL Management & Credit Processes	▸ Launched Project Kilele to enhance credit decision-making, recovery efficiency, and portfolio monitoring ▸ Conducted portfolio trend analysis and implemented early warning systems with predictive analytics. ▸ Developed tailored solutions to support customers in distress. ▸ Revamped realization process and marketing of realized collaterals
Cost Management	▸ Cost-to-income ratio remained stable: 49.9% (2021); 47.1% (2022); 47% (2023); 47.2% (2024).
Data Analytics	▸ Leveraged data analytics to enhance sales, reporting, and decision-making processes.
Staff Productivity	▸ Introduced performance-based rewards and recognition programs. ▸ Focused on talent acquisition to strengthen organizational capabilities.
Operational Efficiency	▸ Customer Experience: Automated key touchpoints across 20 priority journeys to reduce turnaround time and improve service quality. ▸ Process Management: Deployed the Business Process Management System (BPMS) to streamline workflows and enable continuous improvement. ▸ Compliance Integration: Embedded AML, risk, and regulatory controls into daily operations to meet evolving guidelines. ▸ Data Governance: Strengthened data quality and policy alignment to support better decision-making. ▸ Lean Operations: Applied lean principles across functions by targeting eight waste categories, leading to faster, simpler, and more cost-effective operations

7.2.2Industry Leadership & Excellence 2024 Awards

Co-operative Bank continues to receive industry recognition for its customer-focused banking model, sustainable finance initiatives, and technological innovation. These awards reaffirm our commitment to delivering value to our customers, stakeholders, and the wider economy.

- **Catalyst Awards – Overall Winner**

  Most Innovative Bank

  Best in financing Commercial Clients

  Best in financing MSMEs

  1st Runners up – Best in promoting People with Disability (PWD)

  2nd Runners Up – Best in promoting Gender Inclusivity

Co-op Bank Overall Winner of Sustainable Finance Awards: From left: Co-operative Bank Head of Investor Relations & Strategy Veronica Njore, ESG Analyst Euginia Nyamongo, Investor Relations & Strategy Manager Ben Muriuki, Director Finance & Strategy Caroline Karimi, and Director Transformation Andrew Wanjau with trophy haul from 2024 Sustainable Finance Catalyst Awards where the Bank was named Overall Winner.

MSK | MARKETING SOCIETY OF KENYA

Certificate of Excellence

This is to certify that

COOPERATIVE BANK OF KENYA

was this year recognised & awarded as the

1st RUNNER UP

Of the Best Product Re-Launch of the Year - during the Marketing Society of Kenya Annual Awards 2024

This Certificate was awarded under the seal of the society on 29th November 2024

This Year's Theme

EXPLORING NEW FRONTIERS

Chief Judge | Chairperson

7.2.3 Lessons Learnt

The 2020-2024 strategic period, while challenging, reinforced several key learnings that will guide our future strategy:

- Co-operative Movement Strength: Our close relationship with the Co-operative Movement remains a significant competitive advantage and a source of resilience.
- Customer-Centric Digitization: The rapid adoption of digital channels (92% of transactions) confirmed the importance of continued investment in customer-centric digital solutions.
- Data-Driven Decision Making: The use of Data analytics has continued to improve decision making.
- MSME Growth Potential: The significant growth in our MSME customer base and their adoption of multiple products demonstrates the continued potential of this segment.
- Proactive Risk Management: The volatile economic environment highlighted the need for continuous improvement in risk management, particularly in credit risk and adapting to emerging threats like climate change.
- Sustainability Integration: Integrating ESG considerations is not only ethically responsible but also crucial for long-term financial performance and risk mitigation.
- Employee Engagement: This period re-affirmed to us that a skilled, engaged workforce is crucial.

Anguka Nayo! Staff participating in the launch of the Young Entrepreneurs Account (Yea).The Bank is the leading financial institution in banking the youth in Kenya. Over 50% of the bank staff complement is youth under 35years.

The bank continues to expand its network across the country both in physical branches and digital access channels. Recently the bank has opened branches in Eldama Ravine, Marimanti, Kimana, Isebania Luanda, Dagoretti Ndunyu Market, Maai Mahiu, Naro Moru and Eastleigh among others. Here staff at BBS Mall Branch Eastleigh celebrate the opening of the second branch there.

7.3 Charting the Future: The Good to Great Strategy (2025-2029 Corporate Strategic Plan)

Co-operative Bank's 2025-2029 Strategic Plan, "Good to Great," was developed through a robust process that included input from management, various departments and finalized after consultations with the Board of Directors, who gave their final approval in September 2024. The plan sets an ambitious target of reaching KShs. 1 trillion in assets.

This plan builds upon past successes and focuses on six key strategic pillars to drive sustainable growth and value creation for all stakeholders:

Strategic Pillars

Aggressive deepening of our dominance in Kenya and Region.

This strategic objective focuses on expanding our market share, presence and ensuring sustainable financial growth across all our business areas. By increasing market share through asset, liability and customer acquisition, we shall ensure to remain competitive and provide a healthy return to our shareholders. Sustaining strong financial performance will ensure our ability to reinvest in innovation, our people and to support our customers' growing financial need.

Primary provider of financial services to the Co-operative Movement in Kenya and the region

With our heritage in the 15-Million-Member Co-operative Movement, Co-op Bank Group aims to strengthen our position as the primary financial partner. Our vision of "One Bank, One Movement" reflects our dedication to supporting and empowering the co-operative community by offering tailored solutions and fostering innovation to advance the movement.

Seamless and exceptional experiences across all customer touchpoints.

Our strategic dedication is ensuring that every interaction with our customers is smooth, efficient, and enjoyable. By enhancing overall customer satisfaction and loyalty, we aim to reduce wait times, resolve issues promptly, and provide exceptional service across all channels. Delivering exceptional experiences builds strong relationships, encouraging customers to remain loyal and recommend our services to others.

Leverage digital transformation/innovation for operational efficiency supported by an engaged and highly productive workforce.

- **Cost Management & Efficiency** Our commitment to cost management and efficiency ensures the optimal allocation of capital and maximizes return on investment. We will utilize the enhanced credit management strategies developed over the years to reduce our non-performing loan portfolio and, consequently, the funds allocated to loan loss provisions. By driving benefit realization on all projects undertaken, we will ensure the full value of our investments is achieved, manage our costs effectively, and reduce our cost-to-income ratio.
- **Digitization & Innovation:** Through digitization, increased use of alternative channels, and strategic technology investments, Co-op Bank Group is set to realizing the vision of becoming a Digital Bank. This ongoing transformation enhances service delivery, ensuring efficiency and customer-centricity in both customer and staff interactions. Embracing digital innovation will pioneer solutions meeting evolving customer expectations, while boosting organization speed and agility. This approach elevates customer satisfaction and enhances staff productivity through comprehensive digitization, optimizing workflows for faster operations.
- **Engaged and highly productive workforce**: At Co-op Bank Group, we believe that our people are our greatest asset. We are committed to creating a supportive and motivating work environment that promotes employee wellness, productivity, and retention. Investing in our people would offer the greatest return. By focusing on employee empowerment, we can enhance productivity, retain top talent, and foster a culture of innovation and excellence within our organization.

Optimal Enterprise Risk and Compliance in the dynamic environment

Co-op Bank Group will maintain a strong risk management framework to proactively address credit, market, operational, cyber, and climate risks, ensuring resilience. It will also uphold strict compliance with AML, CFT, KYC, and Data Protection regulations, reinforcing regulatory alignment and stakeholder trust.

Positive impact on the economy, society, and environment

Co-op Bank Group purpose of transforming lives is geared to making a positive impact on the economy, society, and environment. Our commitment to operating as a responsible corporate citizen and sustainable development involves initiatives to support environmentally friendly practices, promote social equity, and contribute to economic growth. By focusing on sustainable financing, reducing greenhouse gas emissions, and developing products for underserved segments, we aim to enhance our community and environmental stewardship.

By leveraging our collective expertise and strategic foresight, we stand poised to navigate uncertainties, seize emerging opportunities, and deliver exceptional value to our clients and stakeholders. This next chapter will be defined by bold growth, enduring sustainability, and unwavering commitment to excellence.

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YEA! RIGHT NOW

8. Climate Related Financial Risks & Opportunities

Climate change presents both significant financial risks and opportunities for Co-operative Bank, with potential impacts on credit quality, operational costs, investment decisions, and long-term value creation. As part of our commitment to sustainability and financial resilience, we are progressively aligning our disclosures with the principles of IFRS S2 (Climate-Related Disclosures), while continuing to build internal capacity for climate risk integration.

This chapter outlines our current qualitative assessment, planned enhancements through ongoing projects, and our strategic intent to strengthen climate-related financial disclosures in future reporting cycles

8.1 Climate Transition Plan and Strategic Enhancements

Co-operative Bank recognizes the importance of transitioning to a low-carbon economy. While our current climate impact assessments remain primarily qualitative (see Chapter 8.4), we are developing a formal Climate Transition Plan to guide long-term strategic alignment.

The draft design framework for this Plan currently includes the following provisional components:

- Emission Reduction Targets: Future targets will align with the Paris Agreement and national policy, focusing on financed emissions.
- Adaptation Measures: Plans are underway to embed climate resilience into infrastructure planning, business continuity, and client segmentation.
- Green Product Development: New sustainable finance solutions are under consideration to support client transitions.
- Stress Testing Enhancements: Our existing quarterly stress testing framework is being upgraded to incorporate climate scenario analysis

8.2 Enhancements to Our Climate Risk Assessment:

To strengthen our analytical capabilities and future IFRS S2 compliance, we have launched a dedicated Climate Risk Project (completion targeted for Q4 2025). This project will:

- Conduct scenario analysis aligned to temperature pathways (e.g., 1.5°C, 2°C, 3°C+), tailored to the Kenyan economy.
- Quantify climate impacts on loan portfolio performance and broader financial outcomes.
- Expand internal models for exposure mapping and emissions tracking (Scope 1, 2, and progressively Scope 3).

Outcomes from this project will inform future targets for GHG emissions reduction, green lending growth, and financial disclosure enhancements.

8.3 Time Horizons for Climate Risk & Opportunity Assessment

As we mature our risk assessment framework, we are adopting forward-looking climate time horizons to support future quantitative analysis and regulatory alignment:

Time Horizon	Definition	Examples of Relevant Risks & Opportunities
Short Term 0 – 3 years	Operational planning horizon	Physical risks from floods/droughts affecting climate-sensitive exposures; regulatory compliance obligations under CBK and IFRS S2; near-term green lending uptake.
Medium Term 3 – 10 years	Strategic investment horizon	Transition risks from energy and carbon policy changes; scenario-based portfolio reweighting; evolving climate-linked client demand.
Long Term 10 – 30 years	Structural resilience horizon	Market shifts driven by clean technology adoption; exposure to biodiversity degradation; climate-aligned redefinition of financial sector roles.

8.4 Climate Risk and Opportunity Assessment Framework

We evaluate climate-related financial impacts across three primary dimensions:

- Financial Performance: Impact on revenue, operating costs, and provisions.
- Financial Position: Effect on capital structure, asset values, and loan exposures.
- Cash Flow: Liquidity impacts from changes in repayments, funding costs, or capital allocations.

Each identified risk or opportunity is rated using internal qualitative criteria for magnitude and likelihood, pending quantitative outputs from the ongoing Climate Risk Project.

8.4 Material Climate Risks

Risk	Financial Impact	Affected Financial Statement(s)	Time Horizon	Magnitude	Likelihood	Management Strategy
Droughts affecting agriculture (Physical Risk)	Reduced loan repayment capacity for farmers and agribusiness clients, leading to higher loan loss provisions.	Statement of comprehensive income	Short-Term	High	High	Strengthened risk assessment; portfolio diversification
Stricter climate regulations (Transition Risk)	Compliance costs; capital realignment	Statement of Financial Position	Medium-Term	Medium	High	ESG integration in credit decisions
Floods/storms affecting infrastructure (Physical Risk)	Loan defaults; asset impairments	Statement of Comprehensive Income	Medium-Term	High	Medium	Climate-resilient loan structures; insurance partnerships
Reputational risk from high-carbon financing (Transition Risk)	Investor withdrawal; higher cost of capital	Statement of Financial Position	Medium-Term	Medium	Medium	Stronger exclusion criteria; green finance ramp-up

8.6 Material Climate Opportunities

Opportunity	Potential Financial Impact	Affected Financial Statement(s)	Time Horizon	Magnitude	Likelihood	Strategy
Demand for green finance	Revenue from new loan products	Income Statement	Short-Term	High	High	Expand KShs 12.3B green lending portfolio
Energy efficiency investments	Reduced operating costs	Income Statement	Medium-Term	Medium	High	Implement branch energy audits; solar integration
Financing renewables	Portfolio diversification	Financial Position	Medium-Term	High	Medium	Increased lending to clean energy ventures
Climate-smart agriculture financing	Loan growth via adaptation	Income Statement	Medium-Term	High	Medium	Develop tailored resilience lending for farmers

9. Sustainable Development Goals (SDG) Alignment & Performance

At Co-operative Bank, sustainability is an integral part of our core business strategy. We continuously integrate the United Nations Sustainable Development Goals (SDGs) into our operational strategy by setting specific targets across our business areas. We have identified sixteen (16) SDGs as the most material to our business, based on our impact areas, stakeholder priorities, and measurable contributions. This alignment is demonstrated through our operations, lending practices, social impact programs, and environmental initiatives, as detailed throughout this report.

9.1 Key SDG Contributions: Performance & Impact

The table below summarizes how we contribute to each relevant SDG, highlighting both Co-op Bank's Contributions

SDG	Co-op Bank's Contributions	Key Metrics & Evidence (2024)
SDG 1: No Poverty 1 NO POVERTY	**Affordable Financial Services** for underserved communities through agency banking, mobile banking, and tailored micro-loans (e.g., MCo-opCash). **Social Protection Payment**s (Inua Jamii) in partnership with government. **Our Market Share** in MSME Banking **Dedicated Women/Youth Banking solutions** (Msamaria, Youth-specific accounts).	**Financial Inclusion:** ▸ Millions of active customers onboarded to digital & agency platforms ▸ 16,110 agents covering rural & peri-urban areas. **Inua Jamii:** Ksh2.5B total disbursed to 173,117 beneficiaries **Women:** Ksh 13.6 billion Msamaria Women's Loans **Youth:** Over 100,000 specific youth accounts **MSME:** Over 2M customers
SDG 2: Zero Hunger 2 ZERO HUNGER	**Financing Agribusiness & Food Security:** Crop/livestock insurance, climate-smart agriculture lending, co-op linkages in coffee, dairy, horticulture. Partnerships with **KCEP**, dedicated agri-Co-operatives department for small-scale holder farmers. Value-chain focus: coffee direct settlement system (DSS), Mkulima package.	**Agribusiness Loans:** 1 million coffee farmers paid via direct settlement **Agricultural Capacity Building:** Conducted 18 farmer trainings reaching 1215 farmers under the FCS Capacity building fund 525 Saccos using coffee DSS, **MSME capacity building** (some of whom are agri-based): 7,380 participants in branch-based clinics; 5,410 in **Networking forums**: 66,100 in weekly MSME webinars
SDG 3: Good Health & Well-Being 3 GOOD HEALTH AND WELL-BEING	**Financing Healthcare Facilities:** e.g., working capital/asset finance for clinics and hospitals. **Employee Wellness:** extensive medical cover, mental wellness programs, maternal & reproductive health support. **Bancassurance** for medical covers Trade finance support for vaccinations	**Healthcare Lending:** Steady increase in number of loans to health (Hospitals, Laboratories, Health Centers etc). Over 8,000 loans. **Employee Wellness:** ▸ 215 wellness talks (webinars) held in 2024. ▸ Over KShs. 17M spent on wellness programs. ▸ 100% staff medically insured. **Occupational Health & Safety:** 450 staff trained on OHS in 2024; Nil OHS incidents reported.
SDG 4: Quality Education 4 QUALITY EDUCATION	**Co-op Foundation Scholarships** **Youth & Entrepreneurship Training** (MSME programs). **Employee Training:** leadership & skill-building.	**Co-op Foundation Scholarships** (2024 intake): ▸ **Secondary School:** 595 new (Total 11,639 since 2007) ▸ **University:** 56 new (Total 594) ▸ **College:** 4 new (Total 60) ▸ **Internship slots:** 88 new (Total 638) **MSME Training:** 66,100 participants in 122 webinars (55% women). **Financial Literacy:** ▸ MSME Online Portal: 89 webinar recordings, timely financial solutions updates, 5 MSME forums/testimonials uploaded. **Staff Development:** ▸ 4,714 staff trained ▸ 50,830 eLearning courses completed ▸ 25.65 average learning hours.

SDG	Co-op Bank's Contributions	Key Metrics & Evidence (2024)
SDG 5: Gender Equality	**Women-Focused Financial Products** (Msamaria Loan). **Workplace Gender Diversity:** ~48% female staff.	**Female Staff Representation:** 48% (Male 52%). **E-credit:** 25% business e-credit is to women. **Maternity Leave:** 153 in 2024; **Paternity:** 133. **Women in MSME Training: 55% women** participation across: ► **5,410** MSMEs in **46 networking forums**. ► **7,380** participants in **184 business clinics**. ► **66,100 MSMEs** trained via **122 webinars**
SDG 6: Clean Water & Sanitation	**Water.org Partnership** for WASH. Financing water & sanitation projects for communities (boreholes, sewerage).	**WASH Financing:** 200,000 USD allocated to water & sanitation. Funded the multimillion sequencing batch reactor for sewer treatment and recycling plant at the Co-operative University College that borders our Leadership & Management Centre (LMC). Water filters – Use of alternative approaches to the supply of drinking water. (Bottleless, under pilot)
SDG 7: Affordable & Clean Energy	**Green Financing** for renewables (solar, biogas, mini-grids). ► Solarization of Bank Branches (pilot). ► Ongoing Energy Efficiency measures	Energy Audits conducted in 25 facilities (Co-operative House, Data Centre, branches, etc.) Estimated Year 1 energy savings: 464,744 kWh; cost savings KShs. 12.58M Implementation costs: KShs. 13.95M Green Lending: KShs. 12.3B – renewable energy. 6 solarized branches Carbon Metrics: Scope 2 emissions: 4,410 tCO_2e.
SDG 8: Decent Work & Economic Growth	**MSME & Business Support:** e-credit solutions, trade finance, capacity building. **Digital Innovations:** 92% transactions are digital. Strong HR compliance, No child labor (in our exclusion list).	**E-Credit:** Cumulative disbursements reached **KShs. 428.89B** (Inception–Dec 2024). **2024 E-Credit** alone: KShs. 76.76B. **New Hires** (Group): 1,104 **Staff Count:** 5,863 **Digital Transactions:** ~92% on alternate channels. **No child labor** or major labor disputes reported; 12 labor-related issues filed/resolved. **MSME Training & Capacity Building:** ► 184 business clinics (7,380 participants, 55% women).
SDG 9: Industry, Innovation & Infrastructure	**Digital Infrastructure**: new Core Banking System, MCo-opCash app enhancements. ► **Fintech Partnerships** for new solutions. ► Financing infrastructure bonds, manufacturing clients.	**Digital Platforms:** ► **RBX** (Retail Internet Banking) users ► **CBX** (Corporate Internet Banking) users **Agent Outlets:** 16,110 ► **Merchant Outlets**: 5,357 ► **Transactions:** 2024 e-credit volumes up to 2,059,039 disbursements (FLEXI+Business Plus)
SDG 10: Reduced Inequalities	Financial Inclusion for diaspora, micro-entrepreneurs, PWD-friendly branches (ramps, teller floors). Non-discrimination in HR policy, pay equity.	**Diaspora Accounts:** Over 16K. **% Staff with Disabilities**: 0.83% **Turnover:** 1.9% female vs 3.3% male. Non-discrimination policy

SDG	Co-op Bank's Contributions	Key Metrics & Evidence (2024)
SDG 11: Sustainable Cities & Communities	Partnerships on KMRC for affordable mortgages. PSV/Transport Saccos financing for modern fleets. Forest reforestation projects (Lusoi).	**Mortgage Financing:** Supporting KMRC mortgage program. Disbursed over Kshs. 1 billion **Leasing Solutions** to public service fleets. Lusoi reforestation: 600 acres, over 1.6M trees in 2024.
SDG 12: Responsible Consumption & Production	Reducing bank's paper usage, single-use plastics in offices. **Reducing electricity and generator fuel use** through efficiency measures. **Managing water consumption** to minimize waste. **Investing in energy-efficient infrastructure** and renewables. **Tracking and lowering the bank's carbon footprint.** **ESMS** implementation for responsible lending ESG policy adherence in supplier sourcing	Electricity cost Ksh 279,393,762 Generator fuel cost Ksh 26,194,010 Water cost Ksh 41,431,222 Staff in-house E&S training - 2,430 Adopted 3R's (Reduce, Re-use, Recycle.) Digitization of internal processes and transactions.
SDG 13: Climate Action	**IFRS S2** referenced climate risk disclosures. Financing climate-smart agriculture, green buildings	**GHG Emissions:** (Co-op Bank Kenya): • Scope 1: 1,861 tCO_2e (2024); 2,119 tCO_2e (2023) • Scope 2 (Location-Based): 4,410 tCO_2e (2024); 4,693 tCO_2e (2023) • Total Scope 1 & 2: 6,271 tCO_2e (2024); 6,812 tCO_2e (2023) • See chapter 10.10 for detailed analysis and actions. **Energy Audit** of 25 sites in 2024, with projected savings (Year 1: 464,744 kWh, 12.58M KShs).
SDG 15: Life On Land	**Reforestation & Afforestation**: e.g., Lusoi project, 600 acres. Lending with E&S screening to avoid deforestation.	**Trees Planted:** Over 350,000 in 2024, total 1.6 million cumulative
SDG 16: Peace, Justice & Strong Institutions	**Strong Governance & Anti-Corruption** measures (Board oversight). **Financial Crime Controls:** AML, KYC. Proactive whistleblowing mechanism.	**AML Training:** 1,974 staff trained in 2024. **No material corruption/fraud/penalties** **Board & Governance:** Updated structure, multiple committees, Nil major regulatory penalties in 2024.
SDG 17: Partnerships for the Goals	Collaborations with **Government, NGOs**, e.g., Water.org, KWS, county-level program Co-op Bank Foundation synergy with local communities.	Joint programs for training or climate adaptation. Kenya Bankers SFI: Overall 60% e-learning completion. 6 international MSME trade missions (210 participants, 50% women). **Co-op Bank Foundation partnerships** for education & youth empowerment.

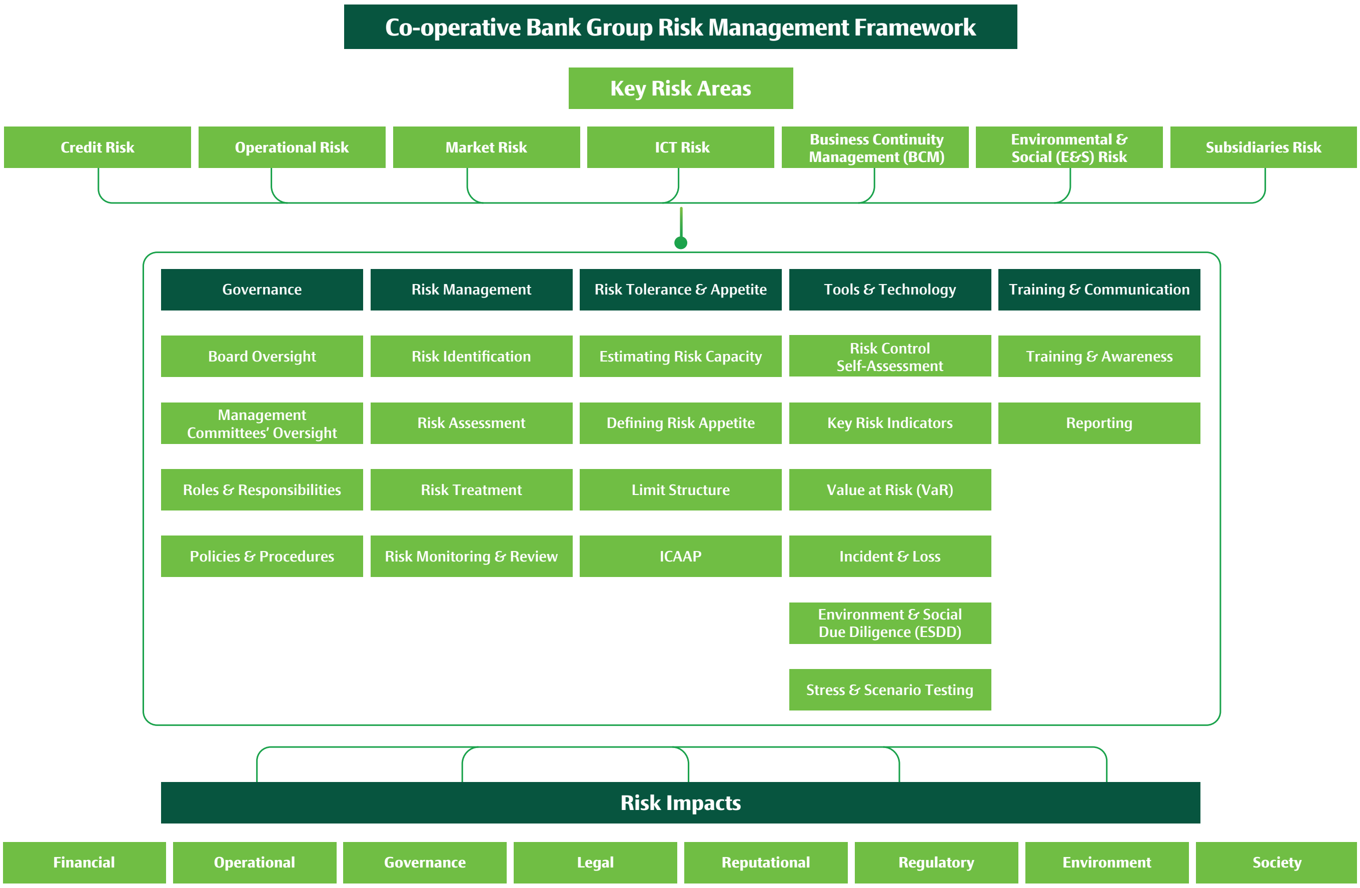
10. Risk Management

Introduction

Co-operative Bank's Enterprise Risk Management (ERM) Framework proactively manages financial, operational, and sustainability risks, including climate-related risks. The framework aligns with regulations, industry best practices, and international sustainability standards to protect stakeholder value and ensure long-term resilience.

Our risk management policies define processes for identifying, analyzing, mitigating, and monitoring risks. These policies undergo regular review and updates to address evolving market conditions, regulatory changes, and emerging risks, including climate change (SDG 13) and ensuring ethical conduct and robust governance (SDG 16).

The ERM Framework, underpinned by strong corporate governance, promotes transparency, accountability, and ethical conduct. Through training, clear standards, and defined procedures, we foster a risk-aware culture where all employees understand their responsibilities.



10.2 Our Risk Universe

The Bank proactively manages the following risks:

Category	Risk Subcategory	Risk Description	Key Risk Indicators (Metrics)	Our Risk Mitigation Strategies
Strategic Risk	**Business strategy risk**	Risk of loss due to ineffective, misaligned, or poorly executed strategic decisions, leading to missed opportunities, market underperformance, or financial losses	▸ Percentage of strategic goals achieved vs. plan (%) ▸ Market share variance (%) ▸ Profit margin deviation (%) ▸ Return on Assets (ROA) (%) ▸ Competitive positioning score	▸ Annual strategic planning process. ▸ Scenario analysis and sensitivity testing ▸ Quarterly performance tracking & realignment based on key performance indicators. ▸ Regular market assessments & benchmarking against key industry peers.
	Innovation risk	Risk of loss from failure to adapt to technological advancements, regulatory changes, or customer expectations, leading to obsolescence or reduced competitiveness.	▸ Innovation pipeline vs. target (No. of new products/services) ▸ Digital adoption rate (%) ▸ Customer retention rate (%) ▸ Time-to-market for new products	▸ Quarterly market research & competitor analysis ▸ Dedicated innovation framework & agile development cycles. ▸ Risk assessment for new products/services ▸ Partnerships with fintech and technology firms
Credit Risk	**Default risk**	Risk of financial loss when a borrower fails to meet their credit obligations, resulting in impaired assets and increased provisions.	▸ Non-performing loans (NPL) ratio (%) ▸ Loan loss provisions (KShs.) ▸ Number of credit rating downgrades ▸ Expected Credit Loss (ECL) estimates (KShs.) ▸ Risk grade migration trends	▸ Robust credit risk framework & scoring models ▸ Comprehensive borrower credit analysis before approval, including an assessment of relevant environmental, social, and governance (ESG) risks, particularly for sectors with high ESG impact. ▸ Strong collateral requirements & periodic valuation checks ▸ Ongoing risk monitoring & early warning detection
	Concentration risk	Risk arising from excessive exposure to a single borrower, sector, geographic region, or product, leading to vulnerability in case of adverse conditions.	▸ Single-obligor concentration ratio (%) ▸ Sector/industry/ geographic concentration ratios (%) ▸ Exposure vs. internal risk limits (KShs.) ▸ Market liquidity stress testing results	▸ Establishment of sector & single-borrower exposure limits ▸ Diversification of lending portfolio across industries/ geographies ▸ Regular exposure monitoring & stress testing for risk resilience
	Counterparty risk	Risk of financial loss due to the failure of a trading or business counterparty to meet contractual obligations, impacting settlements, trading, and liquidity positions	▸ Counterparty creditworthiness score ▸ Credit limit utilization (%) ▸ Settlement risk exposure ▸ Free-settlement trade exposure limits	▸ Strict counterparty credit assessments & monitoring ▸ Credit risk limits and exposure diversification ▸ Netting agreements and collateralized transactions ▸ Real-time monitoring of counterparty creditworthiness

Category	Risk Subcategory	Risk Description	Key Risk Indicators (Metrics)	Our Risk Mitigation Strategies
Liquidity Risk	**Funding risk**	Risk of the bank being unable to meet its short-term funding obligations due to asset-liability mismatches or market disruptions.	▸ Liquidity Coverage Ratio (LCR) (%) ▸ Net Stable Funding Ratio (NSFR) (%) ▸ Deposit run-off rate (%) ▸ Funding gap analysis (KShs.) ▸ Short-term funding reliance (%)	▸ Robust liquidity risk management framework & contingency funding plans ▸ Active monitoring of funding positions & stress testing ▸ Diversified funding sources across different maturities
	Market liquidity risk	Risk of being unable to quickly convert assets into cash without significant price discounts during market stress.	▸ Market liquidity ratio (%) ▸ Proportion of illiquid assets to total assets (%) ▸ Value-at-Risk (VaR) (KShs.) ▸ Bid-ask spread widening (%)	▸ Portfolio limits to maintain adequate liquid assets ▸ Active monitoring of market liquidity conditions via ALCO ▸ Stress testing for market shocks
	Contagion Risk	Risk that liquidity stress in one institution or sector spreads across financial markets, impacting the bank's funding and solvency.	▸ Interbank exposure ratio (%) ▸ Number of interconnected counterparties ▸ External credit rating movements ▸ Systemic risk indicators (%)	▸ Continuous assessment of interbank relationships & systemic exposure ▸ Strict interbank lending limits & counterparty risk controls
Market Risk	**Interest rate risk**	Risk of adverse impact on earnings and asset valuations due to changes in interest rates.	▸ Interest rate gap (KShs.) ▸ Earnings-at-Risk (EaR) (KShs.) ▸ Duration analysis (months/%) ▸ Net Interest Margin	▸ Comprehensive interest rate risk management framework ▸ IRR limits, GAP & duration analysis ▸ Sensitivity analysis & stress testing ▸ Funds Transfer Pricing (FTP) mechanism
	Currency risk	Risk of financial loss due to fluctuations in foreign exchange rates affecting assets, liabilities, and earnings	▸ Net open FX position (KShs.) ▸ Currency VaR (KShs.) ▸ FX profit/loss variance (%) ▸ FX exposure limit breaches	▸ FX exposure limits & monitoring framework ▸ Separation of front/back-office tasks ▸ VaR calculation & back-testing ▸ Skilled staff & technology for currency management
	Equity risk	Fluctuations in equity prices—whether foreign or domestic—could erode portfolio value.	▸ Equity exposure (KShs.) ▸ Net open positions ▸ Equity VaR (KShs.) ▸ Portfolio volatility (%)	▸ Clear risk limits & continuous monitoring ▸ Periodic valuation checks on equity holdings
Operational Risk	**Cybersecurity risk**	Risk of financial and reputational loss due to cyberattacks, data breaches, or IT system failures.	▸ Number of cyber incidents ▸ Data breach impact (KShs.) ▸ System downtime (hours) ▸ Percentage of critical systems with updated security patches	▸ Advanced cybersecurity framework & threat intelligence monitoring ▸ Regular penetration testing & security training for employees ▸ Expansion of Multi-Factor Authentication (MFA) across customer accounts

Category	Risk Subcategory	Risk Description	Key Risk Indicators (Metrics)	Our Risk Mitigation Strategies
Operational Risk (cont)	**Business continuity risk**	Risk of disruption to business operations due to unexpected events.	▸ Downtime (hours) ▸ Lost revenue (KShs.) ▸ Number of continuity incidents	▸ Business Continuity Management (BCM) program ▸ Regular training & drills ▸ Backup systems & frequent testing
	Fraud risk	Risk of loss due to fraudulent activities, both internal and external, leading to financial or reputational damage.	▸ Number/value of fraud incidents (KShs.) ▸ Fraud detection time (days) ▸ Fraud loss ratio (%) ▸ Insider risk alerts	▸ Comprehensive fraud prevention framework ▸ Employee awareness training ▸ Segregation of duties & independent controls
	People risk	Risk of loss from human error, misconduct, or lack of skills	▸ Employee turnover rate (%) ▸ Training hours per employee ▸ Performance/skill gap metrics	▸ Broad HR management policies/framework ▸ Employee engagement & development ▸ Staff code of conduct ▸ Regular performance reviews
	Reputational risk	Risk of loss arising from damage to the Bank's reputation	▸ Customer churn rate (%) ▸ Negative media mentions ▸ Regulatory fines (KShs.)	▸ Reputation risk management framework ▸ Media & social media monitoring ▸ Customer satisfaction surveys
	Customer service risk	Risk of reputational damage from poor customer service	▸ Customer complaint volume ▸ Customer satisfaction index (score) ▸ Negative feedback on social media	▸ Comprehensive customer service framework ▸ Ongoing training & feedback loops ▸ Effective complaint resolution process
	Supply chain risks	Risk of disruption, financial loss, or reputational damage due to failures or issues within the supply chain	▸ Supplier failure rate (%) ▸ Supplier non-compliance incidents ▸ Supply chain disruption duration (days) ▸ Cost increases due to supply chain issues (KShs.) ▸ Number of critical suppliers without a BCP ▸ % of critical suppliers audited for ESG risks	▸ Supplier due diligence and selection process ▸ Supplier relationship management (SRM) program ▸ Diversification of suppliers (where feasible) ▸ Supply chain mapping and risk assessment ▸ Contingency planning for key suppliers ▸ Contractual clauses addressing performance and compliance ▸ Regular supplier audits and performance monitoring
Compliance Risk	**Regulatory risk**	Risk of penalties, legal action, or reputational damage due to non-compliance with laws and regulations.	▸ Number/value of regulatory fines (KShs.) ▸ Compliance breaches ▸ Regulatory audit findings	▸ Regulatory compliance framework with Board oversight ▸ Regular reviews of regulatory requirements ▸ Ongoing compliance training & awareness

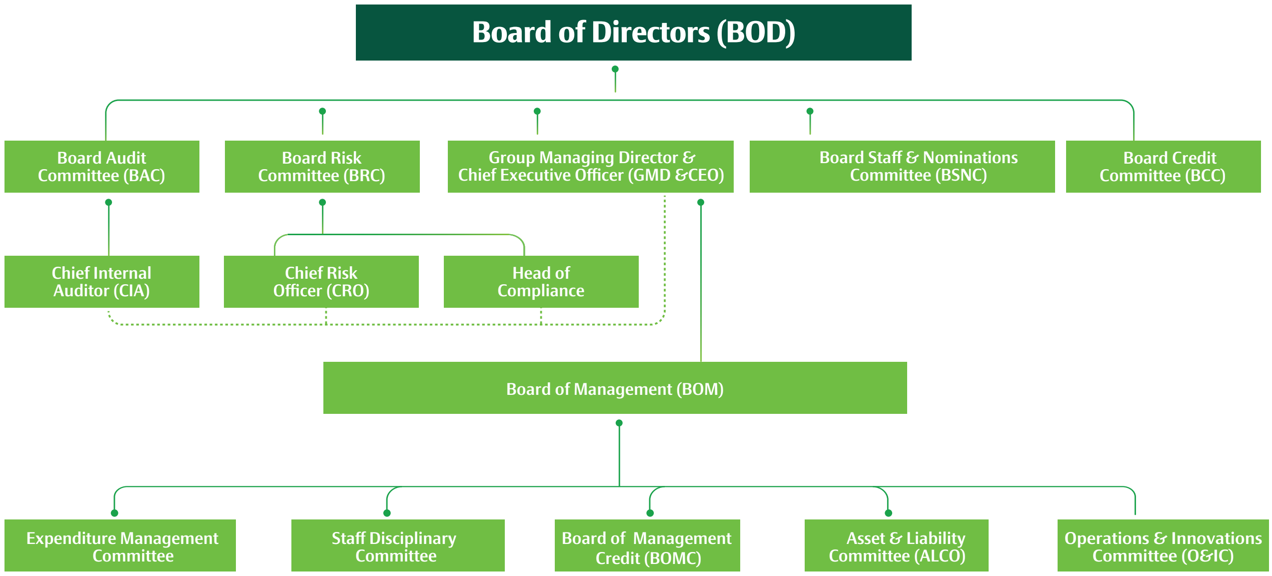
Category	Risk Subcategory	Risk Description	Key Risk Indicators (Metrics)	Our Risk Mitigation Strategies
Compliance Risk (cont)	**Legal risk**	Risk of loss from legal action	▸ Pending legal cases (No.) ▸ Legal penalties (KShs.) ▸ Settlement amounts (KShs.)	▸ Comprehensive legal risk management framework ▸ Continuous review of legal requirements ▸ Regular training for legal staff
	Ethics risk	Risk of reputational damage from unethical behavior	▸ Ethical violations ▸ Negative media coverage ▸ Customer/stakeholder complaints	▸ Strong ethical culture & code of conduct ▸ Comprehensive ethics training ▸ Reinforced tone at the top & consistent disciplinary measures

In addition, the Bank has identified climate-related risks as an emerging risk and has a growing impact on the Bank's activities. The Bank's Climate-related Risk Integration framework will guide how the bank identifies and integrates climate risk management in the banks overall ERM framework.

Category	Risk Subcategory	Risk Description	Key Risk Indicators (Metrics)	Risk Mitigation Strategies to be Adopted
Climate Risk	**Physical Risk**	Risks arising from acute weather events (hurricanes, floods, wildfires) or chronic shifts (higher temperatures, heat waves, droughts, rising sea levels) caused by climate change. These events can damage assets (including real estate), disrupt operations, and increase credit risk for borrowers in affected areas.	▸ Frequency/severity of extreme weather events in key operating regions ▸ Changes in insurance premiums or claims ▸ Property/asset damage assessments ▸ Stress test outcomes under extreme weather scenarios ▸ Impact on collateral valuations (e.g., real estate, plant, inventory)	▸ Integrate physical risk scenarios into stress testing exercises ▸ Enhance credit risk frameworks to account for property/ infrastructure vulnerabilities ▸ Develop contingency and business continuity plans for extreme weather events ▸ Monitor and limit exposures in high-risk geographies
	Transition Risk	Risks arising from the transition to a low-carbon economy, including changes in laws and regulations (e.g., carbon taxes, emissions standards), litigation for failure to mitigate/ adapt, shifts in consumer preferences, and investor demands for greener portfolios.	▸ Regulatory changes affecting high-emission industries ▸ Carbon footprint or emissions intensity of financed assets ▸ Shifts in consumer/ investor sentiment toward sustainable products ▸ Credit default rates in carbon-intensive sectors ▸ Market share of low-carbon alternatives	▸ Set overall lending limits or stricter lending terms for carbon-intensive sectors ▸ Engage with clients on decarbonization pathways ▸ Incorporate climate-related metrics into pricing (credit risk spreads) and ECL calculations ▸ Offer green financing solutions and diversify product offerings

Each will be analyzed under short-, medium-, and long-term horizons. Where exposures are deemed material, they will inform our risk decisions and external reporting.

10.3 Risk Governance



10.3.1 Board Oversight

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It provides strategic direction, approves risk appetite, and ensures that the Enterprise Risk management (ERM) Framework is implemented effectively. The Board is supported by specialized committees with clear mandates

Committee	Responsibility
Board Risk Committee	Oversee the formulation, review, and monitoring of risk policies, including those related to climate and sustainability. It reviews significant risk exposures and ensures the Bank has effective controls to address them
Board Audit Committee	Monitors the effectiveness of the internal control environment, ensuring that financial and non-financial (including sustainability-related) disclosures are accurate and reliable.
Board Credit Committee	Oversee credit risk policies, frameworks, and lending strategies, ensuring alignment with the Bank's overall risk appetite and sustainability objectives.

Each committee reports back to the Board with recommendations and escalates any notable risks or control issues.

10.3.2 Management Responsibilities

Senior Management, led by the Group Managing Director & CEO, spearheads the implementation of Board-approved risk policies in day-to-day operations. Key roles include:

- **Chief Risk Officer (CRO):** Oversees the Risk Management department, develops risk policies, ensures a unified approach to risk identification, measurement, and mitigation across credit, operational, liquidity, and ESG risks.
- **Business & Functional Heads:** Implement risk controls within their respective areas (e.g., lending, treasury, operations, sustainability).
- **ESG Champions committee:** Oversees the development of group-wide policies, processes, and controls to incorporate and the integration climate-related risks into credit, liquidity, market, and operational risk management.
- **ESG Unit (In Finance & Strategy Division):** Integrates environmental and social risk considerations into overall risk assessments and supports accurate sustainability disclosures.

Senior management is accountable for effective risk governance, which includes: Developing and maintaining risk policies, standards, and guidelines, incorporating sustainability and climate-related risks; Allocating resources for control structures, technology, and risk training; monitoring emerging risks, particularly sustainability and climate-related exposures, and advising the Board on necessary updates.

10.3.3 Ongoing Monitoring

- Key Risk Indicators (KRIs): Regularly tracked to detect early warning signals
- Independent Reviews: Internal Audit periodically validates the functioning of controls and alignment with risk policies.

10.3.4 Escalation and Reporting

Significant or emerging risks are escalated immediately from business units to management and ultimately to the Board Risk Committee. Formal reporting on risk exposures, controls, and effectiveness is provided to the Board each quarter—or more frequently when warranted.

10.4 Risk Culture

Co-operative Bank of Kenya fosters a risk culture based on openness, accountability, and continuous learning. This includes:-

- **Clear Communication:** Ensuring all staff understand risk policies, objectives, and escalation procedures.
- **Continuous Training:** Providing comprehensive training on sustainability, climate-related risks, financial crime prevention, and other critical topics.
- **Accountability:** Maintaining zero tolerance for unethical behavior and encouraging early reporting of issues.
- **Values Alignment:** Embedding our core values of trustworthiness, boldness, innovation, collaboration, customer focus, and excellence into all risk management activities.

10.5 Tools and Approaches for Risk Management

Approaches/Tools	Description
Three Lines of Defense Approach	►Front Line (Business Units): Own the risks, adhering to policies and controls. ► Second Line (Risk & Compliance): Provide independent oversight, define frameworks, track Key Risk Indicators (KRIs), and advise on policy. ► Third Line (Internal Audit): Evaluate processes and controls, offering recommendations.
RUniverse: Our Risk Management Information System (RMIS)	►Centralized platform for risk data, remediation tracking, and reporting.
Stress Testing and Scenario Analysis	►Quantitative and qualitative analyses under varied economic and climate scenarios to assess potential impacts on credit, liquidity, and operational risk.
Risk Appetite Statement (RAS)	►Clearly defined parameters for acceptable risk-taking, embedding ESG and climate risk considerations.
Incident and Loss Management	►Formal procedures for investigating risk incidents, disseminating lessons learned, and preventing recurrence.

10.6 Risk Identification and Assessment

We combine qualitative and quantitative techniques to capture a full spectrum of risks:

- **Environmental Scans:** Ongoing monitoring of macroeconomic, regulatory, and technological trends (e.g., CBK updates, changing environmental regulations).
- **Inter-Departmental Reviews:** Workshops where cross-functional teams identify and assess new or heightened exposures.
- **Scenario Analysis & Stress Testing:** Used to project how macro shocks, climate events, or policy shifts could affect portfolios and capital adequacy.
- **Ethics & Conduct Risk Monitoring:** Regular reviews of customer complaints, staff feedback, and compliance audits help detect potential ethical or conduct issues.
- **ESG Risk Assessments:** Integrated into credit approval processes and project evaluations, particularly for sectors with significant environmental or social impacts.

10.7 Risk Prioritization Methodology

We categorize risks based on severity and likelihood, assigning each risk a rating that reflects both monetary and non-monetary impacts. Key steps in prioritization include:

- **Scoring:** Each risk is given a severity (impact) and probability (frequency) score.
- **Heat Mapping:** Risks are visually ranked according to these scores.
- **Action Planning:** High-priority risks are assigned clear mitigation strategies, responsible owners, timelines, and reporting protocols.

10.8 Risk Mitigation and Control Measures

- **Risk Avoidance:** Restrict exposure to sectors or transactions deemed above our risk appetite.
- **Risk Reduction:** Strengthen internal controls, adopt advanced analytics, and enhance staff training.
- **Risk Transfer:** Leverage insurance products and hedging tools as appropriate.
- **Risk Acceptance:** Accept a residual level of risk when it aligns with strategic objectives and remains within defined thresholds.

10.9 Risk Integration and Monitoring

Risk management at Co-operative Bank of Kenya is embedded within critical business activities and decision-making processes. Key integration points include:

- **Strategic Planning:** Risk considerations, including climate factors, inform the corporate strategy and the annual budgeting cycle.
- **Capital Allocation:** The Bank's Internal Capital Adequacy Assessment Process (ICAAP) captures existing and emerging risks, adjusting capital buffers accordingly.
- **Product Development:** Each new product undergoes a rigorous risk assessment prior to launch.
- **Asset-Liability Management (ALM):** Evaluations of liquidity and interest rate positions factor in macro, sectoral, and, where relevant, climate stress test results.
- **ESG Integration:** Regular audits, conducted by the Internal Audit department in collaboration with assess the integration of ESG considerations across relevant departments.

10.10 GHG Emissions Metrics & Roadmap

Co-operative Bank of Kenya measures and manages its Scope 1 and 2 greenhouse gas (GHG) emissions as part of its climate strategy and in reference to the IFRS S2 standard. This section presents our emissions data for 2023 and 2024.

Scope 1 emissions are direct emissions from sources owned or controlled by the Bank.

Scope 2 emissions are indirect emissions from purchased electricity.

Calculations follow the GHG Protocol Corporate Standard using DEFRA emission factors for Scope 1 and a location-based factor from Project EIB for Scope 2. Global Warming Potentials from IPCC AR5 are applied. The organizational boundary covers Co-operative Bank of Kenya (operational control approach). Emissions from staff transport are excluded from this cycle and will be reported in future updates.

The intensity is calculated as total Scope 1 + 2 emissions (in tCO_2e) divided by total assets (in billion KSh), providing a normalized metric of our emissions performance relative to our asset base.

Year	Scope 1 Emissions (tCO_2e)	Scope 2 Emissions (tCO_2e, Location-Based)	Total Scope 1 + 2 (tCO_2e, Location-Based)	Emissions Intensity (tCO_2e per billion KSh)	Key Drivers and Actions
2023	2,119	4,693	6,812	10.13	Scope 1: Refrigerant leakage (77%); diesel use from generators and vehicles. Scope 2: Electricity consumption across branches and operations.
2024	1,861	4,410	6,271	8.43	Scope 1: Refrigerant leakage (72%); diesel use from generators and vehicles. Scope 2: Electricity consumption.
Change	−12.2%	−6.0%	−8.0%	−16.8%	

Analysis and Key Actions:

- **Overall Reduction:** Total Scope 1 and 2 emissions decreased by 8.0% from 6,812 tCO_2e in 2023 to 6,271 tCO_2e in 2024.
- **Emissions Intensity Improvement:** Emissions intensity fell from 10.13 tCO_2e per billion KSh in 2023 to 8.43 tCO_2e per billion KSh in 2024—a 16.8% reduction—demonstrating enhanced operational efficiency.
- **Scope 1 Focus:** The decline in Scope 1 emissions (−12.2%) is mainly due to reduced refrigerant leakage (from 1,628 tCO_2e to 1,332 tCO_2e). However, refrigerant leakage remains the primary source, representing 72% of Scope 1 emissions in 2024. The Bank is advancing a refrigerant management program that includes enhanced leak detection, prompt repairs, improved maintenance, and evaluation of lower-GWP refrigerant alternatives.
- **Diesel Consumption:** Increases in diesel use from generators and vehicles are under review. Preliminary findings indicate that grid instability and increased operational demands are contributing factors. Mitigation measures, such as optimizing generator usage and exploring fuel-efficient vehicles, are being developed.
- **Scope 2 Efficiency:** The 6.0% reduction in Scope 2 emissions reflects lower electricity consumption—from 10,158,936 kWh in 2023 to 9,545,254 kWh in 2024—due to energy efficiency initiatives.

For future target setting, 2024 will serve as the baseline year.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SI VAKO ZA KESHO.
MAKE IT HAPPEN.
Life ijipe,
na sio kesho.
Calling all young, smart and ambitious people.
Form ni YEA! All you need to join the YEA! movement is your ID,
KRA PIN and a minimum opening balance of KES 500.
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11. Human Capital

Co-operative Bank of Kenya's human capital strategy is integral to our long-term sustainability. We foster an inclusive, equitable, and learning-focused culture, attracting, developing, engaging, and retaining a talented workforce while supporting their well-being and professional growth. This approach strengthens both employee satisfaction and business performance

11.1 Overview & Management Approach

The Board of Directors, through its Staff & Nomination Committee, provides oversight of human capital management, ensuring compliance with labor standards and alignment with strategic objectives. The Human Resource (HR) Department implements these policies. We adhere to international labor standards (UDHR, ILO conventions), upholding equal opportunity, fair remuneration, and occupational health and safety (OHS) for all employees. We maintain formal grievance mechanisms and consult with employee representatives, labor unions, and regulators to ensure best practices.

Indicator	2024	2023
Total Employees (Group)	5863	5400
Contract Employees	760	763
Female Staff Members (%)	48%	46%
Male Staff Members (%)	52%	54%
Staff Below 35 Years (%)	51%	36%
Average Work Hours (Permanent/Contract Employees)	41 Hrs/week	41 Hrs/week
Employees Covered by Collective Bargaining Agreements	2,186	1933

11.3 New Hires & Turnover

Employee Turnover

In 2024, we recorded a 5.20% overall turnover rate, reflecting a balance between career mobility and workforce stability. No retrenchment occurred in the period. Below is the turnover by gender:

- **Male: 3.3%**
- **Female: 1.9%**

New Hires

A total of 1,104 new employees joined Co-op Bank in 2024, supporting growth in digital banking, MSME expansion, and branch network optimization. Our recruitment strategy prioritizes diverse talent pipelines, internal promotions, and succession planning.

11.4 Succession Planning

In both 2023 and 2024, over 80% of identified leadership positions had designated successors, reflecting consistent investment in internal talent development.

11.5 Parental Leave & Work Life Balance

Co-operative Bank actively promotes work-life balance through parental leave policies, wellness programs, and mental health support.

Indicator	2024
Number of maternity leave applicants	153
Number of paternity leave applicants	133

We monitor return-to-work rates and career progression to ensure parental responsibilities and professional growth are optimally managed. Beyond statutory leave provisions, we provide flexible work arrangements, and designated lactation rooms for nursing mothers, to enhance employee well-being. Co-op Bank ensures that all eligible parents have full access to paid leave in compliance with labour laws and the Bank's inclusive policies.

11.6 Diversity, Equity & Inclusion

We pursue an inclusive and equitable workplace, ensuring that all employees—regardless of gender, age, or disability—have access to equal opportunities for growth and advancement. In 2024, women accounted for 48% of our workforce, with strong representation across different levels of leaderships:

- Female Representation – Senior Management: 33%
- Female Representation – Board of Directors: 23%
- Employees with Disabilities: 0.83%
- Staff below 35 years: 50.50%

Women in leadership & promotions

Women promoted	2024
Promotions to senior management	43%
Promotions to junior management	48%

We annually track and report on workforce diversity, including gender representation, disability inclusion, and youth employment, while ensuring merit-based, non-discriminatory hiring practices. To continuously improve workplace inclusivity, we conduct:

- Annual diversity reviews, analyzing representation across all departments and job levels.
- Regular workplace equity assessments to identify and address any barriers to career progression.

By maintaining transparent reporting and accountability, we reaffirm our commitment to diversity, equity, and inclusion, ensuring that it remains a core pillar of our talent strategy.

11.6 Employee Welfare and Fair Compensation

Co-operative Bank is committed to fair compensation, comprehensive benefits, and supporting work-life balance to foster employee well-being, engagement, and productivity. Our remuneration structures are competitive, transparent, and equitable, aligning with industry benchmarks.

Fair Pay & Compensation

We continuously assess and refine our pay structures to promote fairness and eliminate pay disparities. Our compensation policies adhere to the principles of meritocracy, and equal pay for equal work

Indicator	2024
Annual Salary Reviews	Conducted
Living Wage Commitment	100%
% of employees with detailed terms before hiring	100%

Employee Benefits & Work-Life Balance

Beyond salaries, we offer a comprehensive benefits package designed to support financial security, physical well-being, and career growth. Our employees benefit from:

Medical & Financial Well-being

- Comprehensive medical insurance, life assurance, and retirement benefits
- Preferential staff lending rates to support home ownership, education, and personal financial goals
- Performance-based bonuses to reward excellence and achievement

Work-Life Balance & Flexibility

- Paid parental leave to support work-family integration
- Support programs for employees with caregiving responsibilities

Wellness & Mental Health Support

- Regular wellness programs, including mental health initiatives, counselling services, and resilience training
- Dedicated Employee Assistance Program (EAP) for financial wellness, stress management, and crisis support

By investing in holistic employee welfare, Co-operative Bank ensures a motivated, engaged, and future-ready workforce, driving sustained business growth and a positive workplace culture.

1.1 7 Training & Development

Co-operative Bank invests significantly in employee training and development to ensure a skilled and adaptable workforce. In 2024, we allocated KES 91.3 million in comprehensive learning initiatives led by the Learning & Management Centre (LMC).

11.7.1 Key Metrics

Indicator	2024
Number of staff trained	4,714
Average learning hours per employee	25.65 hrs
Total eLearning courses completed	50,830
Instructor-Led Training Participants	7,304
eLearning courses completed by women	48%
eLearning courses completed by men	52%

11.7.2 Focus Areas

Leadership Programs:

- **Leadership Tracks:** 20 specialized programs in 2024
- **Staff Undergoing Leadership Training**: 2,648

Professional & Compliance Training:

- **AML & Fraud Training:** 1,974 staff
- **KBA-SFI (Sustainable Finance Initiative) Module:** 59.6% employees completed climate-related risk modules

Client Protection & Ethical Banking Related Courses:

- Confidentiality & Data Sharing: 7,892 completions
- Fraud Awareness & Reporting Procedures: 350
- Avoiding Aggressive Sales Techniques: 119

These courses equip employees to navigate emerging risks (cybercrime, climate change), enhance customer satisfaction, and maintain ethical standards.

11.8 Occupational Health & Safety

We ensure a safe and healthy workplace through a proactive Occupational Health & Safety (OHS) Management System, guided by our Occupational Health & Safety Policy and in full compliance with the Occupational Safety and Health Act (OSHA) and related regulations.

We have 58 dedicated OHS Committees across the Bank, with representatives from each department. These committees meet quarterly to review incident reports, conduct risk assessments, and recommend workplace safety improvements.

We maintain a centralized incident tracking system, capturing all OHS incidents, including near-misses. Employees can also report safety concerns anonymously. We provide regular staff training, fire drills, first-aid training, and evacuation simulations.

Indicator	2024 Data
Number of Wellness Talks (Webinars)	215
Sick off days	23,480
OHS-Specific Budget	KShs. 17,486,120
OHS Training	450 employees
Reportable OHS Incidents	0
Fire Incidents in Branches/Offices	7 (all minor, swiftly managed)
Work-Related Injury Rate	0
Grievances Filed & Resolved	12

Stakeholder Relations

12.1.1 Stakeholder Engagement Overview

Co-operative Bank is committed to proactive and transparent engagement with its key stakeholders. This engagement informs our strategy, risk management, and reporting, ensuring we address stakeholder concerns and create shared value. The Board of Directors and senior management oversee this stakeholder-inclusive approach

Stakeholder Group	Ways We Interact	Key ESG Concerns	How we Respond
Customers	Phone, email, in-person, social media feedback Formal complaint-handling processes via CRM Service surveys, questionnaires, product launches, Fraud alert SMS notifications & digital security advisories Digital financial literacy training - webinars	► Business ethics, customer service quality ► Dispute resolution, fee transparency, credit decisions ► Cybersecurity & data privacy (phishing, unauthorized transactions), ► Reliability of digital channels. ► Product quality and suitability, disability-sensitive facilities ► Financial inclusion (MSMEs, women, youth, rural access ► Transparent credit terms and fair lending practices ► Truthful marketing and advertisement	►Commitment to ethical, transparent business practices (Code of Conduct) ► Enhanced dispute resolution via CRM 365, ensuring 97.8% complaint resolution rate ► Continuous service enhancements (e.g., digital queueing system, 24/7 support escalation) ► Robust cybersecurity protocols ► Products designed to ensure compliance on environmental/social impacts ► Financial inclusion expansion: 16.6% lending is MSME financing ► Accessibility measures for customers with disabilities ► Ethical sourcing and honest marketing, with no complaints regarding breaches of privacy ► Transparent loan disclosure process to prevent over-indebtedness ► Provision of adequate product information
Employees	Dedicated HR business partners, performance discussions Coaching and assistance, complaint-handling hotlines Regular staff meetings, engagement surveys, eLearning	► Financial/health wellness, mental health, work/life balance ► Career growth, role reengineering, recognition ► Open culture, fair performance appraisals, diversity & inclusion ► Safe, accessible workplace, responsible marketing in staff involvement	► Wellness programs, assistance for new parents ► Job rotation, training to align with transformation initiatives ► Fair and transparent compensation tied to performance ► OHS measures, periodic workplace inspections ► Non-discrimination policy fostering diversity and inclusion
Shareholders & Investors	Annual meetings, virtual or in-person Quarterly briefings, press releases, investor relations phone line Industry conferences, summits	► Climate impacts on bank performance ► Social equity, accurate/ timely disclosures ► System stability, cybersecurity ► Governance, ethics, internal controls,	►Transparent financial and non-financial reporting through an active Investor Relations team ►Delivered sustainable returns: KShs 8.8Bn in dividends (Payout Ratio: 34.5%), ROE of 19.7, EPS of 4.34 ►Hosted quarterly performance briefings; maintained compliance with all financial covenants ►Implemented robust ESG framework supporting green lending and climate risk mitigation ►Promoted inclusive financing and philanthropic outreach for underserved communities ►Ensured strong system resilience, data security, and governance in line with best practice.
Co-operative Movement	Virtual & in-person meetings, feedback surveys Engagement with FOSA branches, co-operative Relationship Managers Ongoing training via Co-op Consultancy	► Access to banking, product/ service alignment with co-ops ► Capacity-building, improved customer service	►Mobile and online platforms for easier access ►Paid KShs 5.68Bn in dividends to co-operatives ►Deployed KShs 100M Capacity Building Fund ►Product alignment: Tailored solutions for co-ops (FOSA channels, free co-op training) ►Co-op Consultancy: 3,729 business advisory mandates, building capacity in co-operative boards, staff, and communities ►Dedicated relationship managers addressing co-op-specific inquiries ►Digital access: Integration with Co-op Soko digital platform

Industry Associations	Membership-based forums, conferences, summits	► Collaborative approach to regulatory development ► Meeting customer expectations, fair competition, responsible marketing	► Active membership and engagement with leading bodies such as Kenya Bankers Association (KBA), ICPAK, ICS, ICIFA, KAM, and PIEA, contributing to policy dialogue and regulatory advancement. ►Strategic partnerships for industry development, aligning with national and sectoral transformation agendas. ►Execution of financial literacy campaign drives, promoting responsible banking and inclusion. ►Sponsorship and participation in industry conferences, roundtables, and forums, enabling collaborative conversations around growth, risks, and sustainability. ►Support for staff licensing, networking, and capacity building, ensuring that Co-operative Bank's professionals are aligned with evolving industry standards.
Regulators & Policy Makers	►Submission of periodic regulatory returns and disclosures ►Phone and email consultations ►Policy engagement via industry associations (e.g., KBA, CMA, CBK forums	► Responsible and inclusive banking ► Financial system integrity and cybersecurity ► Compliance with labour, tax, AML/CFT, and competition laws	► Full compliance with regulatory frameworks including CBK, CMA, and KRA guidelines ► Verified Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) controls; monthly CBK reporting ► Implementation of the Kenya Banking Sector Charter, IFRS S1/S2 readiness, and TCFD-aligned climate risk pilot disclosures. ►Conducted stress testing, scenario planning, and crisis management exercises to ensure economic resilience ► Formulated and reviewed ICAAP to enhance capital adequacy planning and risk responsiveness ►Maintained compliance with labour, tax, and competition laws, upholding fair market practices ►Transparent disclosures of both financial and non-financial performance aligned to global standards
Government	► Liaison through our dedicated Government Banking Department ► Engagement through public-private sector dialogues and inter-agency forums ► Provision of banking solutions to County Governments, Ministries, and SAGA	► Support for post-pandemic economic recovery ► Data security and privacy compliance ► Economic inclusion through access to finance ► Transparent and adequate tax contribution	► Paid KES 9.8Bn in current tax for FY2024, contributing to national development ► Provided specialized government banking solutions for Ministries, SAGAs, and County Governments ► Maintained enterprise-wide data privacy protocols and appointed a Data Protection Officer ►Strengthened ties with the Ministry of Co-operatives and MSME Development to boost access to finance and economic empowerment via the Co-operative Movement ► Through Co-op Foundation, awarded 655 new scholarships in 2024, supporting inclusive education access ► Continued to promote financial inclusion in underserved areas, aligned with national development prioritie

Strategic Partners	Meetings, corporate events, conferences Calls and email engagements	▸ Transparency in ESG disclosures ▸ Environmental & social risks in lending ▸ Human rights, governance, compliance	▸ Regularly publishing integrated reports aligned with global standards ▸ Robust ESMS: Updated in 2024 for advanced E&S screening ▸ Collaborations: Partnerships with Water.org, among others, for WASH projects ▸ Maintaining robust internal controls and compliance frameworks ▸ IFC & KfW Lines: Green & social financing expanded
Suppliers	Supplier relationship portal, teleconferencing Tenders, feedback surveys	▸ Contractual compliance, timely payments ▸ Fair negotiations, transparent processes ▸ Adherence to ethical and social standards	▸ Paid KShs 18.5 Billion to suppliers in FY2024, with 90% directed to local vendors ▸ Maintained zero major disputes, with consistent on-time payments and adherence to agreed terms ▸ Enforced fair competition protocols through transparent tendering and ERP-supported procurement ▸ Operationalized an outsourcing policy requiring compliance with ILO Labour Standards, IFC PS2, and Kenyan labor law ▸ Required minimum standards for occupational health & safety, liability insurance, and tax compliance ▸ Promoted open vendor feedback, with no cases of forced, misleading, or coercive practices reported
Communities	Co-op Foundation teams, micro-lending, FOSA channels Business impact analyses, feedback surveys	▸ Access to finance, poverty eradication ▸ Capacity-building, philanthropy (education, environment) ▸ Food security, climate-smart solutions, biodiversity	▸ Co-op Foundation: 655 new scholarship beneficiaries in 2024, total 11,639 supported since 2007 ▸ Climate adaptation: E-Credit lines for smallholder farmers, training in climate-smart farming ▸ Inua Jamii: Social payment facilitation for vulnerable groups ▸ Environmental: Audit of 25 facilities, ~464k kWh energy savings targeted in Year 1 ▸ Tree-planting initiatives - 1.6M trees

12.1.3 External Communications Mechanism (ECM)

Complaint-Handling: CRM complaint resolution stands at 93.88% overall, indicating improved processes for customer grievances.

The ECM operates as follows:

- Receipt and Registration
- Screening and Assessment
- Response and Resolution
- Systemic Improvement

Investor Relations: Engagement of investors through quarterly investor briefings, conferences, one-on-one meetings, calls, and emails.

12.1.4 Feedback Mechanisms & Material Topics

We regularly identify and prioritize material ESG topics (see Chapter 2) based on stakeholder inputs—including internal and external surveys, complaint data, and targeted engagement forums. Specific examples:

Digital Reliability: System and Channels service availability and Uptime averaged 99.49%.

Climate & Social Impact: Partnerships like Water.org or e-credit lines bolster climate adaptation and social solutions, factoring into our committees for integrated decision-making.

13. Community Engagements

13.1 Introduction & Strategic Context

At Co-operative Bank of Kenya, we believe that our success is inextricably linked to the well-being of the communities we serve.

Our commitment to community engagement goes beyond traditional corporate social responsibility; it's woven into the fabric of our Co-operative values and our long-term sustainability strategy.

We strive to be a catalyst for positive change, fostering socio-economic transformation across Kenya by investing in education, financial inclusion, digital empowerment, and environmental stewardship.

13.2 A Foundation of Strong Governance

Our community engagement initiatives are guided by a robust governance framework, ensuring transparency, accountability, and alignment with our overall business objectives and ESG commitments. The Board of Directors provides strategic oversight, with the dedicated ESG Champions Committee monitoring sustainability-related initiatives.

The Co-op Bank Foundation and Co-op Consultancy play crucial roles in implementing our programs, working closely with communities and partners. Furthermore, we are committed to responsible banking practices, as evidenced by the fact that 60% of our employees completed the Kenya Bankers' Sustainable Finance Initiative (SFI) e-learning modules in 2024, deepening our internal understanding of sustainable finance principles.

13.3 Pillars of Impact: Investing in Our Communities

13.3.1 Unlocking Potential: Education and Youth Empowerment

We believe that education is the cornerstone of individual and societal progress. The Co-op Bank Foundation has been instrumental in providing access to quality education for bright but financially disadvantaged students.

Since its inception in 2007, the Foundation has supported over 11,639 students through secondary and university scholarships. In 2024 alone, 595 secondary school students and 56 university students joined the program, benefiting from a comprehensive package that includes tuition, mentorship, and leadership development.

The program's success is reflected in its impressive 96% retention rate, with 91% of our scholars transitioning to university. Beyond scholarships, we also provided 88 internship slots in 2024, offering young professionals valuable hands-on experience in the banking sector.

Unlocking Potential: Education and Youth Empowerment

13.3.2 Building Prosperity: Financial Inclusion and MSME Support

We are deeply committed to fostering financial inclusion and supporting the growth of Micro, Small, and Medium Enterprises (MSMEs), the backbone of the Kenyan economy.

In 2024, we trained 60,200 MSMEs in financial literacy and business management, equipping them with the skills to thrive

We also provided KShs. 21.5 billion in e-credit MSME financing, with a strong focus on supporting women-led enterprises.To foster collaboration and knowledge sharing, we hosted 46 networking forums, reaching 5,410 entrepreneurs, a majority of whom (55%) were women.

Building Prosperity: Financial Inclusion and MSME Support

13.3.3 Embracing the Digital Future: Digital Financial Empowerment

We recognize the transformative power of technology in expanding access to financial services. In 2024, we disbursed KShs. 76.7 billion in E-Credit loans, providing crucial capital to SMEs and individuals through our digital platforms.

Our extensive digital infrastructure, including internet banking is accessible to retail and corporate users, facilitating convenient and secure transactions.

We are also actively promoting digital inclusion at the grassroots level. Our partnership with Wakandi is digitizing informal financial groups (IFGs), streamlining their operations and connecting them to the formal financial system.

The Co-op Bank Soko platform provides a digital marketplace for small-scale farmers and traders, connecting them to essential resources and markets. The platform has over a million registered.

Embracing the Digital Future: Digital Financial Empowerment

13.3.4 Empowering Communities: Community Financial Literacy

Beyond MSMEs, we are committed to empowering all members of the community with essential financial knowledge.

In 2024, we conducted nationwide financial education sessions, reaching SACCO members, youth, and marginalized groups.

These sessions covered crucial topics such as budgeting, savings, responsible borrowing, and investment.

We also engaged with the Kenyan diaspora through forums in London, Dubai, and Toronto, reaching 1,200 participants and providing guidance on remittances and local investment opportunities.

Empowering Communities: Community Financial Literacy

13.3.5 Protecting Our Planet: Environmental and Sustainable Agriculture Programs

We recognize the critical importance of environmental sustainability and are actively supporting climate-smart agriculture and reforestation initiatives.

With partners, we have empowered 93,000 smallholder farmers in 11 counties with access to clean energy solutions, including solar water pumps, biodigesters, and cold storage facilities.

This has not only boosted agricultural productivity but also reduced reliance on fossil fuels. We have also provided green financing to over 30 Co-operative societies for climate-smart projects.

Protecting Our Planet: Environmental and Sustainable Agriculture Programs

13.4 Collaboration for Greater Impact

We believe that partnerships are essential to achieving lasting positive change.

We work closely with a range of organizations, including Water.org (improving water and sanitation), promoting clean energy, and KCEP-CRAL & We-Effect (strengthening Co-operative societies), to maximize our impact and reach.

Right to Left: Aarno Keijzer - Impact Finance Lead, Aqua for All, Francis Musinguzi - Africa Regional Director, Water.org & Mr. Vincent Kihara - Head of Corporate Banking, Co-operative Bank.

During the signing of a Memorandum of Co-operation to finance water and sanitation infrastructure projects in Kenya, to achieve SDG 6 goal on universal access to Water and safe Sanitation by 2030.

13.5 Measuring Our Progress (2024 Key Metrics)

Metric	2024 Figure
New Co-op Foundation Scholarships	595 (Secondary), 56 (University)
Total Foundation Beneficiaries (Since 2007)	11,639
MSME Training	60,200 MSMEs
E-Credit Disbursements	KShs. 76.7B
Women-Led MSME Loan Share	46%
Green Finance Projects	30 Co-operative Societies
Internship Slots Provided	88
Reforestation Coverage (Lusoi)	600 Acres
Farmers Supported	93,000

13.6 Stories of Transformation

Restoring Landscapes, Building Communities:

The Lusoi Reforestation Initiative demonstrates the power of community-led conservation.

This project has not only restored hundreds of acres of degraded land but also created economic opportunities for local communities and protected vital wildlife habitats.

13.7 Listening and Learning: Community Feedback

We are committed to continuous improvement and actively seek feedback from the communities we serve. We use a variety of methods, including surveys, focus groups, and direct consultations, to understand their needs and priorities. Our Customer Experience Monitoring achieved a customer satisfaction score (CSAT) of 88.55% in 2024, with 93.88% of complaints resolved within Service Level Agreements. This feedback is invaluable in shaping our programs and ensuring they remain relevant and impactful.

13.9 The Co-op Foundation: A Legacy of Education

The Co-op Foundation is the cornerstone of our commitment to education and youth empowerment. Since 2007, the Foundation has provided a lifeline to over 11,639 bright but financially disadvantaged students, enabling them to pursue their academic dreams. In 2024, the Foundation continued this vital work, supporting 595 secondary school students, 56 university students, and 4 students in co-operative college.

With a remarkable 91% transition to public universities, the Foundation ensures that students enrolled into the program thrive in their educational journeys through career mentorship and community service.

13.10 Co-op Consultancy: Strengthening the Co-operative Movement

Co-op Consultancy plays a critical role in strengthening the co-operative movement in Kenya, which represents a significant portion of the national economy. Since its establishment in 2002, Co-op Consultancy has provided 3,729 business advisory mandates, focusing on improving performance, governance, and financial sustainability within co-operative societies. In 2024, the consultancy team supported 746 board members, 2,218 co-operatives/saccos employees, and 1,645 sacco members with tailored training and advisory services.

They have also been instrumental in driving digital transformation within the sector, introducing e-platforms and integrated membership databases

Financial & Operational Highlights

14.1 Overall Financial Performance

Co-operative Bank of Kenya demonstrated strong and resilient financial performance in 2024, navigating a mixed economic environment and achieving growth across key indicators. The Bank continued to leverage its digital transformation, strong customer relationships, and prudent risk management to deliver value to its stakeholders.

Key Financial Highlights (2024 vs. 2023):

- **Profit Before Tax (PBT):**
  KShs. 34.8 billion
  (2023: KShs. 32.4 billion), a growth of 7.5%.
- **Profit After Tax (PAT):**
  KShs 25.5 Billion,
  (2023: KShs. 23.2 billion) a 9.8% increase.
- **Total Assets:**
  KShs. 743.2 billion (2023: KShs. 672.5 billion), a growth of 10.7%.
- **Net Loans and Advances:**
  KShs. 373.7 billion
  (2023: KShs. 374.2 billion), remaining relatively stable.
- **Customer Deposits:**
  KShs. 506.1 billion
  (2023: KShs. 451.6 billion), a growth of 12.1%.
- **Shareholders Funds**
  KShs 145.4 Billion.
  (2023: KShs. 113.6 billion), a growth of 28%.
- **Cost-to-Income Ratio:**
  47.2%
  (2023: 47.0%), demonstrating sustainable efficiency.
- **Return On Equity:**
  19.7% (2023 21%) , demonstrating sustainable shareholder returns.

These results reflect the Bank's successful execution of its strategic plan, focus on operational efficiency, and commitment to sustainable growth.

14.2 Key Achievements & Challenges

Key Achievements:

- **Successful Core Banking System Implementation:** Completed the full rollout of the new core banking system across the Group, including Co-op Bank South Sudan, enhancing operational efficiency, customer experience, and digital capabilities.
- **Strong Digital Channel Performance:** 92% of all customer transactions were conducted through alternative channels (mobile, internet, agents, and POS), demonstrating the success of the Bank's digital transformation strategy.
- **MSME Support:** Continued to be a leading bank for Micro, Small, and Medium Enterprises (MSMEs), providing financing, training, and advisory services.
- **Industry Recognition:** Received multiple awards, including being named the Overall Winner at the Kenya Bankers' Catalyst Awards, Best SME Bank in Kenya by The Asian Banker Global MEA, and Bank of the Year in Kenya by the Financial Times Awards. Added to the MSCI Kenya Index.
- **ESG Progress:** Continued to integrate Environmental, Social, and Governance (ESG) considerations into its operations, including climate risk management and sustainable finance initiatives.

Key Challenges:

- **Challenging Economic Environment:** The Kenyan economy experienced a slowdown in 2024, with tighter financial conditions and inflationary pressures impacting consumer spending and business activity.
- **Increased Non-Performing Loans (NPLs):** The Group's NPL ratio increased to 16.8% (2023: 16.7%), reflecting the challenging economic conditions and impacting the broader banking industry. The Bank level NPL was 16.6%. The Bank has active strategies in place to drive the NPL to below industry level.
- **Climate Related Risks:** The increased severity and frequency of droughts and floods affected loan repayment from the bank's agricultural clients.

The Bank proactively addressed these challenges through enhanced credit risk management, portfolio diversification, and continued focus on customer relationship management.

14.3 Distribution of Economic Value

By supporting Co-op Foundation, reinvesting in digital transformation, championing local procurement, and paying fair taxes and dividends, the Bank ensures that value creation reaches all stakeholder segments.

We continue to invest in system upgrades and staff upskilling, ensuring consistent reinvestment year-on-year. Changes in methodology around measuring local supplier

Co-op Bank & Subsidiaries: Value Added Statement

Value Added	2024	2023	% Increase	Notes/Comments
Interest Income, Fees, Commission & Other Revenues	115.50	95.53	20.90%	Strong revenue growth
Less: Net impairment losses on loans & advances	(8.78)	(6.01)	46.10%	Higher impairment losses on macroeconomic headwinds
Less: Interest Paid to Depositors & Cost of Other Services	(45.52)	(31.75)	43.37%	Increased cost of deposits/services
Less: Interest Paid on Borrowings	(4.96)	(5.16)	(3.89%)	Slight decrease in borrowing costs
Add: Share of Profit in Associate	0.82	0.35	137.78%	Significant improvement in associate profit from the group
Wealth Created	**57.07**	**52.96**	**7.76%**	**Overall positive growth**

Distribution of Wealth	2024	2023	% Increase	Notes/Comments
Employees (Salaries, Wages & Benefits)	18.32	16.69	9.77%	Moderate increase in employee costs
Government (Taxes)	9.32	9.18	1.62%	Slight increase in taxes
Shareholders (Dividends)	8.80	8.80	0.00%	Dividends remained stable with Kes. 5.7 Billion going to the Co-operative movement
Retention for Future Growth	16.66	14.39	15.78%	Increased retained earnings to support growth
Depreciation & Amortization	3.79	3.76	1.01%	Minor increase in depreciation/ amortization
Social Capital (Co-op Bank Foundation)	0.17	0.14	18.57%	Increased commitment to the social initiative mainly on education
Total Wealth Distributed	**57.07**	**52.96**	**7.76%**	**Effective wealth distribution**

14.4 Tax Transparency & Governance

Co-operative Bank recognizes taxation as a fundamental component of its contribution to national development and economic stability. Our approach to tax governance ensures compliance with all applicable tax laws while aligning with responsible corporate citizenship. Through transparent tax practices, we contribute to public services, infrastructure development, and economic growth in the communities we serve.

14.4.1 Tax Strategy & Governance

The Bank maintains a structured tax governance framework that ensures full compliance with regulatory requirements while upholding ethical tax practices. Key elements of our tax strategy include:

Board Oversight: Tax compliance and strategy are overseen by the Board through established governance structures, ensuring alignment with business objectives.

Regulatory Compliance: We strictly adhere to all national tax regulations, fulfilling obligations related to corporate income tax, VAT, withholding tax, and other statutory levies.

Risk Management: We maintain strong internal controls to mitigate tax-related risks, including regulatory changes, transfer pricing considerations, and emerging global tax trends.

14.4.2 Tax Contribution & Economic Impact

As a leading financial institution, Co-operative Bank is committed to supporting national economic development through timely tax payments. Our tax contributions include:

Direct Taxes: Corporate income tax, PAYE, and capital gains tax.
Indirect Taxes: VAT, excise duty, and withholding tax remittances.
Other Levies: Contributions to sector-specific funds and regulatory bodies.

Total Tax Contribution

Tax Category	Amount (KShs' 000)
Corporate Income Tax	8,974,080
Pay-As-You-Earn (PAYE)	3,999,377
Other Taxes	7,884,961
Total Tax Contribution	**20,859,318**

14.4.3 Approach to Tax Planning

Our tax planning approach is principled, transparent, and aligned with economic substance. We do not engage in aggressive tax avoidance schemes or transactions lacking genuine commercial purpose. Tax planning is integrated into overall financial decision-making, ensuring that:

- Business activities drive tax outcomes.
- Transfer pricing policies reflect market-based, arm's-length principles.
- All tax incentives and reliefs utilized are within the legal and regulatory framework.

14.4.4 Tax Risk Management & Compliance

To manage tax risks effectively, we:

- Conduct periodic internal reviews and external audits to ensure compliance.
- Maintain active engagement with tax authorities to foster a transparent relationship.
- Continuously monitor legislative changes and their potential impact on operations.

14.4.5 Supporting Sustainable Development

- Our tax contributions help drive economic and social progress, supporting key areas such as:
- Infrastructure & Public Services: Taxes contribute to national development, including roads, healthcare, and education.
- Employment & Income Growth: Through PAYE, we contribute to social welfare and economic stability.
- Financial Inclusion & Community Impact: Our responsible tax practices reinforce trust and long-term partnerships with stakeholders.

GRI 2 Index - General Disclosures (2021)

16.1 About This GRI Content Index

Prepared in accordance with the GRI Standards (2021), Core option

- Reporting period – 1 Jan 2024 to 31 Dec 2024
- Reporting cycle – Annual
- External assurance – None
- Contact for queries – investorrelations@co-opbank.co.ke

GRI 2: General Disclosures (2021)

GRI Code	Reference in the 2024 Integrated Report
2-1 Organizational details	Section 1.7 "Contact Us", p. 3-4 – lists the legal name, headquarters address (Co-operative House, Haile Selassie Ave., Nairobi) and other corporate particulars
2-2 Entities included in sustainability reporting	Section 1.4 "Reporting Scope and Boundaries", p. 3 – explains that the report covers Co-operative Bank of Kenya and identifies subsidiaries such as Kingdom Bank, Co-op Trust, Co-op Bancassurance, Kingdom Securities and Co-operative
2-3 Reporting period, frequency, contact	Section 16.1 "About this GRI Content Index", p. 84 – states the reporting period 1 Jan 2024 – 31 Dec 2024 and cycle Annual; *Section 1.7 "e-mail investorrelations@co-opbank.co.ke
2-4 Restatements of information	"No Restatements"
2-5 External assurance	Sedent & Internal Review", p. 3 – confirms EY audited the financial statements while sustainability data had no external assurance
2-6 Activities, vss relationships	Section 2.7 "Our Business Model & Value Creation", p. 10-14 – outlines the universal-banking activities, customer segments, suppliers, relationships
2-7 Employees	Section 11 "Human Capital" table, p. 74 – reports total *, gender split, contract staff, age profile and turnover
2-8 Workers who are not employees	Same Hump. 74 – discloses Contract Employees 760, distinguishing them from permanent staff as required by GRI 2-8
2-9 Governance structure	Section 5.2.1 "Board Size & Membership", p. 45 – describes a 13-member board and its mix of independent, non-executive and executive directors
2-10 Nomination and selection of the highest governance body	Section 5.2.8 "Board Appointments"
2-11 Chair of the highest governance body	Section 5.2.2 "Chairman and Chief Executive Roles", p. 45
2-12 Oversight of impacts by the highest governance body	Section 5.2.7 "Sustainability Oversight" – Board Risk Committee mandate, p. 46
2-13 Delegation of responsibility for impacts	Section 5.2.7 "Sustainability Oversight" – Director Finance & Strategy + ESG Unit, p. 46
2-14 Governance body's role in sustainability reporting	Section 1.8 "Board Approval and Sign-Off", p. 4 – Board statement approving the Integrated Report
2-15 Conflicts of interest	Section 5.4 "Ethics and Responsible Conduct" – Conflict-of-interest policy, p. 50
2-16 Communication of critical concerns	Section 5.4 "Ethics and Responsible Conduct" – Whistle-blowing channel, p. 50
2-17 Collective knowledge of governance body	Section 5.32 "Ongoing Training and Capacity Building" – four ESG sessions in 2024, p. 47
2-18 Evaluation of governance body performance	Section 5.31 "Annual Evaluations" – self/peer + external facilitation, p. 47
2-19 Remuneration policies	Directors' Remuneration Report – "Directors Remuneration Policy and Strategy", p. 97

2-20 Process to determine remuneration	Section 5.2.5 "Board Staff & Nomination Committee" – oversight of executive compensation framework, p. 46
2-22 Statement on sustainable development strategy	Chairman's Statement p.16; Group MD & CEO Statement pp.26-27 " ...embedding sustainability practices throughout our operations "
2-23 Policy commitments	Ethics & Responsible Conduct (Sect. 5.4) p.50 "Our comprehensive Code of Conduct and Ethics..."
2-24 Embedding policy commitments	Natural Capital & ESG Commitment (Sect. 2.7.6) p.14 "Integrate environmental and social considerations into credit decisions, using our ESMS"
2-25 Processes to remediate negative impacts	Risk Mitigation & Control Measures (Sect. 10.8) p.72 "Incident and Loss Management – formal procedures for investigating risk incidents..."
2-26 Mechanisms for seeking advice & raising concerns	Whistle-blowing mechanism – Ethics & Responsible Conduct (Sect. 5.4) p.50 "The Bank maintains a confidential whistleblowing channel accessible to all employees, customers, and external stakeholders..."
2-27 Compliance with laws and regulations	Sections 10.3, 11.2 "No fines reported"
2-28 Membership associations	Industry Associations (Stakeholder Relations Sect. 12.1.1) p.78 "Active involvement in Kenya Bankers Association initiatives"
2-29 Stakeholder engagement	Stakeholder Relations overview (Sect. 12.1-12.3) pp.76-79 (stakeholder-engagement matrix covering key groups and channels)
2-30 Collective bargaining agreements	Human Capital – Employees (Sect. 11.2) p.73 "Employees Covered by Collective Bargaining Agreements – 2,186"

GRI 3 Index – Material Topics (2021)

GRI Code	Reference in the 2024 Integrated Report
3-1 Process to determine material topics	p. 40 – Section 4.2 "Our 2024 materiality assessment was guided by a structured, primarily internal process..."
3-2 List of material topics	p. 43 – Section 4.3 "The following ten material topics have been identified and prioritised:"
3-3 Management approach for each material topic	p. 44 – Section 4.4 "Below is a table presenting how a material topic may materially impact our financial statements..."
201-1 Direct economic value generated & distributed	p. 83 – Section 14.3 "Co-op Bank & Subsidiaries: Value Added Statement"
204-1 Proportion of spending on local suppliers	p. 78 – Stakeholder Relations "Paid KShs 18.5 Billion to suppliers in FY 2024, with 90 % directed to local vendors"
205-2 Communication & training on anti-corruption	p. 50 – Section 5.4 "We conduct mandatory training for all employees and directors... zero-tolerance approach to bribery, extortion, and all forms of corruption."
205-3 Confirmed incidents of corruption & actions taken	p. 50 - Section 5.4 "Zero incidents of corruption"

Environmental Topics

GRI Disclosure	Reference in the 2024 Integrated Report
302-1 Energy consumption within the organization	Section 10.10 "Total electricity consumption reported as 9.55 million kWh in 2024, down from 10.16 million kWh in 2023."
302-4 Reduction of energy consumption	Section 10.10 "6 % reduction in Scope 2 emissions achieved through energy-efficiency initiatives…"
305-1 Direct (Scope 1) GHG emissions	Section 10.10 "Scope 1 emissions for 2024 were 1,861 tCO_2e."
305-2 Energy-indirect (Scope 2) GHG emissions	Section 10.10 "Scope 2 emissions totalled 4,410 tCO_2e for 2024."
305-3 Other indirect (Scope 3) GHG emissions	Section 10.10 "Not yet measured. Disclosure acknowledges the need for future financed-emissions tracking."
305-4 GHG-emissions intensity	Section 10.10 "8.43 tCO_2e per billion KSh of assets in 2024 (down from 10.13 in 2023)."

Social Topics

GRI Code	Reference in the 2024 Integrated Report
401-1 New employee hires & turnover	Section 11.3 "New Hires & Turnover", p. 75 "A total of 1,104 new employees joined Co-op Bank in 2024… Turnover rate – Male 3.3 %, Female 1.9 %."
401-3 Parental leave	Section 11.5 "Parental Leave", p. 76 "Number of maternity-leave applicants 153; paternity 133."
403-1 OHS management system	Section 11.8 "Occupational Health & Safety", p. 77 "An OHS management system is in place with a dedicated committee, periodic audits and staff training, and is aligned to ILO principles."
403-2 Hazard identification, risk assessment & incident management	Section 11.8, p. 77 "Quarterly risk reviews, near-miss reporting, anonymous channels and SOPs are active."
403-9 Work-related injuries	Section 11.8, p. 77 "Zero reportable injuries. 450 staff trained in emergency and first-aid protocols."
404-1 Average hours of training per employee	Section 11.7 "Learning & Development", p. 76 "Annual average of 25.65 training hours per employee."
404-2 Programmes for upgrading employee skills	Section 11.7, p. 76 "Includes leadership development, e-Learning (50,830 courses), AML compliance, fraud-prevention training."
405-1 Diversity of governance bodies & employees	Section 11.2 "Workforce Profile", p. 74 & Section 4.2 "Board Profile", p. 45 "Board female representation 23 % … Workforce female representation 48 %."
406-1 Incidents of discrimination & corrective actions taken	"No discrimination incidents were reported in the period."
413-1 Operations with local-community engagement	Section 13 "Community Engagements", p. 79 "Highlights MSME empowerment, digital-financial literacy, youth training, community-health support."
418-1 Substantiated complaints regarding customer privacy	"Privacy breaches acknowledged generally" (no numeric disclosure).
419-1 Non-compliance with laws & regulations in the social/economic area	Sections 10.3, 11.2 "No fines or sanctions during the reporting year."

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The Co-operative Bank is regulated by the Central Bank of Kenya

THE CO-OPERATIVE BANK OF KENYA LIMITED AND ITS SUBSIDIARIES

ANNUAL REPORT AND FINANCIAL STATEMENTS

Group Information

FOR THE YEAR ENDED 31 DECEMBER 2024

Registered Office, Principal Place Of Business And Head Office

Co-operative Bank House
L.R. No. 209/4290 (IR No. 27596)
Haile Selassie Avenue
P O Box 48231 - 00100
Tel: 020- 3276000
NAIROBI, KENYA

Subsidiaries

Co-operative Bank of South Sudan Limited

L.R. No. 7 GIV
Tel: +211 913085760
JUBA, SOUTH SUDAN

Kingdom Bank Limited

Kingdom Bank Towers
Argwings Kodhek Rd.
P.O. Box 22741 - 00400
NAIROBI, KENYA

Co-op Trust Investment Services Limited

P.O. Box 48231 - 00100
Tel: 020-3276000
NAIROBI, KENYA

Co-op Bancassurance Intermediary Limited

P.O. Box 48231 - 00100
Tel: 020-3276000
NAIROBI, KENYA

Kingdom Securities Limited

P.O. Box 48231 - 00100
Tel: 020-3276000
NAIROBI, KENYA

Company Secretary

Samuel M Kibugi (Mr)
Co-operative Bank House, Haile Selassie Avenue,
P.O. Box 48231 – 00100
NAIROBI, KENYA

Shares Registrar

The Co-operative Bank of Kenya Limited
Shares Registry Services,
Co-operative Bank House, Haile Selassie Avenue,
P.O. Box 48231 – 00100
NAIROBI, KENYA

Legal Advisors

Various
A list is available at the Bank

Independent Auditor

Ernst & Young LLP
Kenya-Re Towers, Upper-hill
Off Ragati Road
P.O. Box 44286 – 00100
NAIROBI, KENYA

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors submit their report together with the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs of The Co-operative Bank of Kenya Limited and Its Subsidiaries (the "Group") and The Co-operative Bank of Kenya Limited (the "Bank").

1. INCORPORATION

   The company is domiciled in Kenya where it is incorporated as a public company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 89.

2. PRINCIPAL ACTIVITIES

   The Group is engaged in the business of banking, bancassurance intermediation, consultancy, fund management, stock brokerage and investment advisory and is licensed under the Banking Act (Cap 488), Capital Markets Act and Insurance Act. The Company's shares are listed on the Nairobi Securities Exchange.

3. GROUP OPERATIONS

   The financial position and performance of the Bank's subsidiaries, Kingdom Bank Limited, Co-op Trust Investment Services Limited, Co-op Bancassurance Intermediary Limited, Kingdom Securities Limited, and Co-operative Bank of South Sudan Limited have been included in the Group financial statements. Co-op Bancassurance Intermediary Limited offers financial advisory and insurance agency services. Co-op Trust Investment Services Limited is involved in the business of fund management. Kingdom Securities Limited provides stock broking and investment advisory services. Co-operative Bank of South Sudan offers banking and related services. Co-operative Merchant Limited is dormant.

4. RESULTS

   The results of the Group for the year are set out from page 108.

5. RECOMMENDED DIVIDEND

   The directors recommend payment of a first and final dividend of KShs 1.50 (2023: KShs 1.50) for every ordinary share of KShs 1. The dividends will be paid on or about 10 June 2025 to the shareholders registered on the Bank's register at the close of business on 28 April 2025. The register will remain closed for one day on 29th April 2025 for the preparation of dividend warrants.

6. RESERVES

   The movement in the Group's reserves is shown on page 114 of these financial statements.

7. GROUP DIRECTORS

   The directors who held office during the year and to the date of this report are as follows:

The Co-operative Bank of Kenya Limited and Kenyan subsidiaries: -

J. K. Murugu, OGW	Chairman
M. Malonza,MBS, HSC	Vice Chairman
Dr. G. Muriuki, CBS, MBS	Group Managing Director & CEO
L. C. Karissa	Chairman, Staff and Nominations Committee
Margaret Karangatha (Mrs)	Chairperson, Board Credit Committee
Weda Welton (Mrs)	Chairperson, Board Audit Committee
W. Ongoro, HSC	
Wanyambura Mwambia	Representing PS, National Treasury (Chairman, Board Risk Committee) Resigned on 15 May 2024
J. Sitienei	
R. L. Kimanthi	
S. Odhiambo (Mrs)	
P. K. Githendu	
G. K. Mburia	
B. W. Simiyu	
J. N. Njiru	
D. M. Muthigani	
David Kirk Obonyo	Commissioner of Co-operatives
F. Ngone	
G. M'Nairobi	
M. M. Muthingani	
Alice Mwololo (Mrs)	Appointed on 15 May 2024

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2024

7. GROUP DIRECTORS (continued)

Co-operative Bank of South Sudan: -

Eng. William Mayar Wol*	Chairman
Elijah Wamalwa	Managing Director & CEO
Prof. Mathew Gordon Udo*	
Hon. Benjamin Ayali Koyongwa*	Chairman, Staff and Nominations Committee
John K Murugu OGW	Chairperson, Board Credit Committee
Macloud Malonza, MBS, HSC	Chairperson, Board Audit Committee
Dr. Gideon Muriuki, CBS, MBS	
Mr. Zachary K. Chianda	

* South Sudanese

8. BUSINESS REVIEW

The Co-operative Bank of Kenya Limited continues to deliver a broad spectrum of innovative financial solutions, driven by significant investments in multi-channel capabilities, with a strong focus on digital transformation, customer-centricity, and exceptional customer experience, supported by a highly motivated and talented team.

Business Model

Co-op Bank's universal banking model is anchored in diversified customer segments, offering tailored value propositions across various sectors:

- Retail Banking: Serving individuals, youth, high-net-worth clients, and salaried employees with customized solutions.
- MSME Banking: Providing small and medium enterprises with affordable credit and comprehensive advisory services.
- Corporate & Institutional Banking (CIBD): Catering to large corporates, parastatals, NGOs, and government entities with specialized financial services.
- Co-operative Banking Division (CBD): Strengthening financial solutions for SACCOs and co-operative societies by leveraging the Bank's unique sector positioning.
- Co-op Consultancy & Capacity Building: Offering training and advisory services to co-operative societies.
- Fund Management: Managing pension funds, high-net-worth portfolios, and retail investments through unit trusts.
- Stock Brokerage: Promoting financial inclusion through capital market access.
- Leasing Services: Supporting businesses and individual clients with flexible leasing solutions.
- Insurance Brokerage: Facilitating comprehensive insurance services through our bancassurance platform.
- Kingdom Bank: Extending the universal banking model through our Kenyan subsidiary.
- Co-op Bank South Sudan (COBSS): Providing banking services in South Sudan through branches in Juba and Wau.

The Group operates an extensive network across Kenya and the region, supported by a robust digital ecosystem:

- Branch Network: 210 branches (including 5 in South Sudan and 23 under Kingdom Bank) covering all 43 counties in Kenya.
- Self-Service Channels: 617 ATMs and cash deposit machines.
- Agency Banking: Over 16,000 Co-op Kwa Jirani agents.
- Digital Platforms: Serving millions of customers through omnichannel platforms.
- Diaspora Banking: Serving more than 16,000 diaspora customers.
- 24-hour Contact Centre: Providing round-the-clock customer support.

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2024

8. BUSINESS REVIEW (CONTINUED)

Business Model (Continued)

Institutionalized Transformation Towards Operational Excellence

To drive growth and operational efficiency, the Bank engaged McKinsey & Company in 2014 to implement a comprehensive growth and efficiency transformation program, which has yielded significant outcomes over the past decade:

- Cost-to-Income Ratio: Improved to 47.2%, exceeding the targeted 50%.
- Digital Transaction Migration: 92% of all transactions now processed through digital channels.
- Branch Transformation: Reduced customer wait times to an average of 9.5 minutes (target: <15 minutes), supported by enhanced queue management systems.
- Core Banking System (Finacle): Hosting over 1,000 APIs, enabling seamless third-party integrations.
- CRM 365 Implementation: Enhanced lead generation and improved sales pipeline conversions.
- Agency & Merchant Banking Modernization: Strengthened vendor cash management solutions, contributing to deposit growth.
- MSME Transformation: Onboarded over 235,617 clients across gold, silver and bronze packages.
- Agile Methodology Adoption: Implemented agile teams to accelerate execution in key strategic areas.
- Proactive Non-Performing Loan (NPL) Management: Improved collections through credit war rooms and enterprise-wide action plans.
- Digital Co-operative Initiatives: Launched solutions including Sacco MCo-opCash, Co-op Bank Soko, Sacco Link, and Coffee Direct Settlement System (DSS) to enhance the digital journey for co-operatives.

Corporate Strategic Plan (CSP) 2020-2024

The CSP 2020-2024 has been pivotal in driving opportunity optimization, effective risk management, and efficient resource deployment in a dynamic operating environment. As this plan concludes, the Bank has made notable progress under the following strategic themes:

1. Aggressive deepening of our dominance in the Kenya Market
2. Dominant provider of financial services to the Co-operative Movement in Kenya and the region
3. Customer experience that business model. is seamless across all our touch points.
4. Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity.
5. Optimal Enterprise Risk and Compliance in the dynamic environment.
6. Positive impact on Economy, Society & Environment

In 2024, the Board of Directors approved the **"Good to Great" CSP 2025-2029**, which sets the roadmap for the next five years, targeting asset growth beyond Kshs 1 trillion. The strategy focuses on delivering sustainable growth, operational efficiency, and enhanced stakeholder value through:

1. Strengthening dominance in Kenya by optimizing sector and subsector opportunities.
2. Enhancing synergies with the Co-operative Movement.
3. Delivering a seamless, delightful customer experience across all touchpoints.
4. Leveraging digital transformation and innovation for operational efficiency, supported by an engaged workforce.
5. Ensuring optimal enterprise risk management and compliance.
6. Maximizing positive socio-economic and environmental impact.

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2024

8. BUSINESS REVIEW (CONTINUED)

Business Model (Continued)

Operationalizing the "Good to Great" Strategy 2025-2029

From 2025, the operationalization of the "Good to Great" strategy will prioritize the following key enablers designed to ensure market relevance, operational excellence, and robust financial performance:

1. Customer-Centric Solutions: Ensuring relevance, proactivity, and agility to meet evolving customer needs.
2. Exceptional Customer Experience: Deliver seamless, personalized, and delightful customer interactions across all touchpoints.
3. Quality Loan Book Growth: Targeting sustainable growth in Corporate and MSME segments, with a focus on Sales Force Effectiveness (SFE).
4. Emerging Frontiers: Strengthening propositions in Youth and Women banking, as well as advancing Environmental, Social, and Governance (ESG) initiatives.
5. Process Optimization: Streamlining operations to enhance efficiency and service delivery.
6. Operational Excellence: Ensure system uptime, streamlined processes, and robust data security.
7. Digital Transformation: Continuous digitization to enhance value proposition, customer satisfaction and operational efficiency.
8. Subsidiary Synergies: Leverage Group structure to boost SFE, revenue growth and customer satisfaction.

Financial Review

The Group has showcased exceptional resilience in the face of dynamic market challenges maintaining a strong focus on innovation, operational efficiency, and customer satisfaction. Through Strategic and customer centric adaptations, the Group steadily navigated market fluctuations, ensuring steady growth and stability.

The Group's resilience and strong market presence over the years was further augmented by a strong 2024 financial performance driven by continued investment in technology, talent development, and sustainable practices. The growth was headlined by a 10.5% balance sheet growth. The Group's profit before tax grew by 7.5% from KShs 32.4 billion in 2023 to KShs 34.8 billion in 2024. The Group's balance sheet growth was fuelled by a 12% growth in Customer deposits to close at KShs 506.1 billion. Investment in Government securities increased by 15% to KShs 218.9 billion incentivised by increased yields in the market. This strong performance informed the Group's solid capital base with a core capital to risk weighted assets of 17.9%, which is 7.4% above the statutory minimum of 10.5%. Total capital to risk weighted assets was 20.9% against the statutory minimum requirement of 14.5%.

With the current positive and forward-thinking approach fronted through the strategic 2025 -2029, we are well-equipped to seize emerging opportunities and thrive in the evolving market landscape.

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2024

8. BUSINESS REVIEW (CONTINUED)

Macroeconomic and geopolitical uncertainty

High inflation and high interest rates have characterised the current economic environment with associated impacts on foreign exchange rates and other macroeconomic factors. The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures globally initially through a sharp rise in energy prices and then through expanded effects on food and core inflation. A number of IFRS Accounting Standards as issued by the International Accounting Standards Board specifically refer to inflation as one of the assumptions to be considered for measurement purposes. For example, in assessment of asset impairments, which require estimates to be made about future revenue and expenditure.

Central Banks across the world have adjusted the interest rates higher as a factor of higher inflation. Locally the Central Bank of Kenya (CBK) has consistently reviewed the Central Bank Rate (CBR) lower to manage the increase in borrowing costs. The CBK has also reduced on local borrowing which was one of the drivers for increased rates. Both for deposits and borrowings. High interest rates also imply higher discount rates. Many IFRS Standards as issued by the International Accounting Standards Board use discounting to account for the time value of money in measuring non-current assets and liabilities (for example, the fair value measurement of investment properties using discounted cash flows). When interest rates increase, the present value of the assets and liabilities will decrease. This may consequentially affect a number of areas of financial reporting including impairment calculations; provisions; retirement obligations; leases; financial instruments; and revalued tangible and intangible assets.

Climate-related matters and financial reporting

Environmental, Social and Governance (ESG) has become the market trend and a special focus to ensure sustainable development. Stakeholders are increasingly interested in the impact of climate change on companies' business models, cash flows, financial position and financial performance. With the introduction of IFRS 1 and 2, companies are required to actively measure and mitigate the risk based on the clientele. Climate-related risks include both physical risks and transition risks. Physical risks include the risk of loss due to specific weather events (such as storms or wildfires), so-called acute physical risks, and risks due to longer-term changes (such as rising sea levels). Transition risks relate to the risk of financial loss due to the economic transition toward a more sustainable economy.

Companies must consider the impact of climate-related matters when applying IFRS Accounting Standards as issued by the International Accounting Standards Board, as there are a number of areas that may be impacted by climate-related considerations. Some of the key areas of estimates and judgements that may potentially be affected include expected credit losses; fair value measurement; the estimate of the forecasts that support the impairment assessment of fixed assets and goodwill; the recoverability of deferred tax assets and the assessment of going concern. For more information on the disclosed impact on Bank, refer to Note 3 of the financial statements.

9. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

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

10. TERMS OF APPOINTMENT OF THE AUDITOR

Ernst & Young 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. The agreed group auditor's remuneration of KShs 53.036 million has been charged to profit or loss in the year.

11. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on 19 March 2025.

By order of the Board

………………………………………………………..

Dr. G. Muriuki, CBS, MBS

Group Managing Director & CEO

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2024

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

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

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

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

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

Having made an assessment of the Group'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 Company and Group'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 19th March 2025 and signed on its behalf by:

....

J.K. Murugu, OGW

Chairman

....

M. Malonza, MBS, HSC

Vice Chairman

....

Dr. G. Muriuki, CBS, MBS

Group Managing Director & CEO

....

Samuel M. Kibugi

Company Secretary

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2024

The Chairperson of the Board remuneration committee is required to present a statement of the directors' remuneration covering the matters set out below.

Information not subject to audit

Information not subject to audit comprise the following with respect to Directors:

- Directors Remuneration Policy and Strategy.
- Contract of service.
- Statement of voting at the previous general meeting on directors' remuneration.
- Any substantial changes to directors' remuneration during the year

The Group Operations comprises the following:

1. The Co-operative Bank of Kenya Limited
2. Co-op Bancassurance Intermediary Limited – 100% Owned
3. Co-op Trust Investments Services Limited – 100% owned
4. Kingdom Securities Limited – 60% owned
5. Co-operative Bank of South Sudan Limited – 51% owned
6. Kingdom Bank Limited - 90% owned.

The Bank's Directors Remuneration Policy and Strategy

The Board of Directors, as mandated by the shareholders, establish and review remuneration of the Directors from time to time. At every Annual General Meeting (AGM), shareholders pass a resolution authorizing the Board to fix the Directors' remuneration, emoluments and compensation appropriately as per industry practice. At the virtual Annual General Meeting held on 17 May 2024 the shareholders authorized the Board to fix the Directors remuneration.

The Board of Directors (Non-Executive) are not on full time employment by the Bank and the compensation is by way of fees and allowances as here under: -

- Monthly retainer / fee
- Travelling allowance. The group directors who come from upcountry are paid mileage based on distance travelled and night out allowance for hotel accommodation.
- Sitting allowance based on every meeting attended
- Honorarium: Based on the annual group performance, the Board of Directors approves an appreciation honorarium to board members.

The directors are not eligible for pension scheme membership that is applicable to the bank employees/ staff.

Transport Facilitation

The Bank's Chairman, the Bank's Vice Chairman, Vice Chairman of Co-opholdings and the Group Managing Director/CEO are facilitated with official vehicles for business.

Share Options

Post listing at the Nairobi Securities Exchange (NSE), the Bank has not developed a Directors / Employee share ownership program.

Loans to Directors

As at 31 December 2024 loans to Non-executive Directors or companies controlled by Directors amounted to KShs 239.7 million (2023: KShs 168.1 million). All loans to Directors were made in the ordinary course of business and at substantially same terms including collateral as those prevailing at the same time for comparable transactions with other persons. No allowances for impairment were recognized in respect of the loans to Directors. (2023: Nil).

Contract of Service

Directors are appointed in accordance with the Company's Articles of Association. At every Annual General Meeting, one third of Directors are eligible to retire by rotation and may offer themselves for re-election for a term of 3 years. The executive management is on a permanent basis except for the Group Managing Director who is on a five-year renewable contract as per capital Markets Authority (CMA) guidelines.

Statement of voting at the general meeting on Directors' remuneration

In the last AGM held on 17 May 2024, the shareholders unanimously passed a resolution to approve the Directors' remuneration report and the Directors' remuneration policy.

Changes to remuneration for Non-Executive Directors

There was no change in Directors' emoluments in the year. The total sitting allowance increased due to higher number of meetings held in the year 2024 compared to 2023.

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2024

Information subject to audit

Information subject to audit comprise of the amounts of each Directors' emolument and compensation in the relevant years.

Directors Remuneration Schedules

(a) Co-operative Bank of Kenya Limited, Co-op Trust Investment Services Limited and Co-op Bancassurance Intermediary Limited

Amounts in KShs Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Honorarium	Responsibility Allowance	Housing Allowance	CEO Annual Remuneration	Total 2024	Total 2023
John K. Murugu, OGW – Chairman	4.64	1.23	2.99	7.85	6.17	2.98	-	**25.86**	**22.65**
Macloud M. Malonza, MBS, HSC	5.38	2.63	3.48	7.38	4.20	1.80	-	**24.87**	**20.26**
Patrick K. Githendu	2.02	1.92	3.47	6.92	3.00	1.28	-	**18.61**	**14.62**
Wanyambura Mwambia	0.63	0.21	1.38	21.85	-	-	-	**24.07**	**9.28**
Alice Mwololo (Mrs)	0.88	0.88	2.09	2.00	-	-	-	**5.85**	**-**
Lawrence C. Karissa	1.51	1.19	4.01	6.92	-	-	-	**13.63**	**10.82**
Margaret Karangatha (Mrs)	1.51	1.01	2.45	6.92	-	-	-	**11.89**	**9.11**
Weda Welton (Mrs)	1.51	1.00	2.45	6.92	-	-	-	**11.88**	**9.37**
Julius Sitienei	1.51	1.13	3.13	6.92	-	-	-	**12.69**	**9.51**
Benedict Simiyu	1.51	1.30	3.57	6.92	-	-	-	**13.30**	**10.65**
Richard L. Kimanthi	1.51	1.13	3.35	6.92	-	-	-	**12.91**	**9.65**
Wilfred Ongoro, HSC	1.51	1.00	3.14	6.92	-	-	-	**12.57**	**9.49**
Godfrey Mburia	1.51	1.05	3.64	6.92	-	-	-	**13.12**	**9.71**
Scholastica Odhiambo (Mrs)	2.15	1.00	2.54	6.92	-	-	-	**12.61**	**9.73**
James N. Njiru	2.15	1.55	3.26	6.92	-	-	-	**13.88**	**10.03**
David M. Muthigani	2.15	1.30	3.03	6.92	-	-	-	**13.40**	**9.92**
Francis Ngone	2.15	1.25	2.99	6.92	-	-	-	**13.31**	**9.78**
Geoffrey M'Nairobi	2.15	1.30	3.06	6.92	-	-	-	**13.43**	**9.87**
Michael M. Muthigani	2.15	1.30	2.78	6.92	-	-	-	**13.15**	**9.63**
David Kirk Obonyo	2.15	1.09	2.46	6.92	-	-	-	**12.62**	**9.26**
Charles Kamari	-	-	0.40	6.92	-	-	-	**7.32**	**1.73**
Dr. G. Muriuki, CBS, MBS - GMD & CEO	-	-	-	-	6.20	-	166.26	**172.46**	**154.39**
	40.68	**24.47**	**59.67**	**156.72**	**19.57**	**6.06**	**166.26**	**473.43**	**369.46**

Note

The Directors are also entitled to non-cash benefits which include medical insurance and professional indemnity cover.

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2024

Directors Remuneration Schedules (Continued)

(b) Kingdom Bank Limited (90% Owned)

Amounts in KShs Million

Name	Retainer Allowance	Sitting Allowance	Responsibility Allowance	Travelling Facilitation	Total 2024	Total 2023
Margaret Karangatha (Mrs)	2.40	1.02	2.40	-	**5.82**	**5.45**
Macloud M. Malonza, MBS, HSC	1.44	0.43	-	-	**1.87**	**1.95**
Julius Sitienei	1.44	0.51	-	-	**1.95**	**2.03**
Wanyambura Mwambia	1.44	0.39	-	-	**1.83**	**0.56**
Charles Mwembu Kamari	1.44	0.39	-	-	**1.83**	**0.50**
	8.16	**2.74**	**2.40**	**-**	**13.30**	**10.49**

(c) Kingdom Securities Limited (60% Owned)

Amounts in KShs Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Total 2024	Total 2023
Julius Sitienei – Chairman	0.72	0.25	0.58	**1.55**	**1.35**
Patrick K. Githendu	0.36	0.21	0.28	**0.85**	**0.76**
B. M. Ouma - Awiti	0.36	0.21	0.51	**1.07**	**0.98**
Samuel M. Kariuki	0.36	0.21	0.19	**0.76**	**0.56**
	1.80	**0.88**	**1.55**	**4.23**	**3.65**

(d) Co-operative Bank of South Sudan Limited (51% Owned)

Amounts in KShs Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Honorarium	Responsibility Allowance	Housing Allowance and other fees	Total 2024	Total 2023
Eng. William Mayar Wol – Chairman	3.90	0.47	1.07	-	5.70	5.70	**16.84**	**18.06**
John K. Murugu, OGW	2.06	0.41	0.35	-	-	0.19	**3.01**	**3.76**
Prof. Mathew Gordon Udo	1.90	0.40	0.57	-	-	-	**2.87**	**3.10**
Macloud M. Malonza, MBS, HSC	2.06	0.32	0.31	-	-	0.13	**2.82**	**3.55**
Dr. G. Muriuki, CBS, MBS - GMD & CEO	2.06	-	-	-	-	0.36	**2.42**	**2.32**
Hon. Benjamin Ayala Koyongwa	1.95	0.10	0.18	-	-	-	**2.23**	**1.13**
Mr. Zachary Chianda	2.06	0.23	0.27	-	-	0.12	**2.68**	**2.31**
Hon. Angelo Deng Rehan	-	-	-	-	-	-	**-**	**1.13**
	15.99	**1.93**	**2.75**	**-**	**5.70**	**6.50**	**32.87**	**35.36**

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

Five (5) Year Summary of Directors' Emoluments

Amounts in KShs'000	2024	2023	2022	2021	2020
Directors' emoluments	351,361	264,494	235,729	197,849	245,715

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2024

The Bank has undergone tremendous growth transforming from a co-operatives-based sector model to a universal banking model. The Group was for many years a loss-making Bank with no returns to shareholders but has boldly transformed to be one of the top banks in the region with an asset base of KShs 744 billion and a profit before tax of KShs 34.8 billion in a fast changing and highly competitive market environment, thereby maximizing on shareholder value. The Bank is now the largest Co-operative Bank in Africa, and 5th largest company by Market Capitalization at the Nairobi Securities Exchange.

A key pillar of this transformation has been the Board of Directors successfully implementing a performance based bonus reward system applicable to all staff, both management and unionized staff, wherein the individual salary review / increase for the year and the bonus award each year is directly linked to attainment of the Profitability Performance Targets for the year.

Under the performance driven culture, it is noteworthy that the Group has progressively improved profitability from a huge loss of KShs 2.3 billion in year 2000 and an asset base of KShs 22.3 billion to the current profit before tax of over KShs 34.8 billion and asset base of KShs 744 billion.

The Group has successfully implemented a Universal Banking Model and proactively grown market share with diverse offerings. This now includes a strategic investment in CIC Insurance Group, Bancassurance business, A full-fledged subsidiary bank (Kingdom Bank Limited), and leasing through a strategic joint venture (Co-op Bank Fleet Africa Leasing Limited) with Super Group, one of the largest leasing companies globally and listed at both the Johannesburg and Australia Stock Exchange.

The Group has notably, received the following Global Awards/ Recognitions.

2024 Awards

KENYA BANKERS – CATALYST AWARDS 2024

- Most Innovative Bank
- Best in financing Commercial Clients
- Best in financing MSMEs
- 1st Runners up – Best In promoting People with Disability (PWD)
- 2nd Runners Up – Best in promoting Gender Inclusivity

GLOBAL FINANCE

- World's Best Bank Awards 2024: Best Bank in Kenya

CIO 100 AWARDS 2024

- Banking Category – Overall Winner

ASIAN BANKER GLOBAL MEA 2024

- Best SME Bank in Kenya

FT AWARDS 2024

- Bank of the Year (Kenya)

ENVIRONMENTAL FINANCE

- Impact Awards winner 2024

2023 Awards

KENYA BANKERS – CATALYST AWARDS 2023

- Overall Winner – KBA's 2023 Catalyst Awards
- Most innovative Bank
- Best in financing Commercial clients
- Best in promoting gender inclusivity
- Best in Promoting PWD (People With Disability)
- 2nd runners up – Best in Financing MSMEs
- 3rd runners up – Best in Sustainable finance

KENYA BANKERS – CUSTOMER SATISFACTION SURVEY 2023

- Best Bank in Customer Satisfaction

THE MIDDLE EAST AND AFRICA AWARDS 2023

- Best Omnichannel Technology Implementation – By The Asian Banker Global

EMEA FINANCE AFRICAN BANKING AWARDS 2023

- Best Bank – Kenya
- Best Asset Manager, Co-op Trust Investments Services – Kenya

OTHER 2023 AWARDS

- Winner - Environmental and social reporting – Fire Awards
- Winner - Excellence in Banking customer experience 2023
- Winner - Best Women and Youth empowerment Programs – by the CSR 100

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2024

Awards (continued)

2022 Awards

KENYA BANKERS – CATALYST AWARDS 2022

- Overall Winner – Most Sustainable Bank
- Most innovative Bank
- Best in financing Commercial clients
- 1st runners up – Best in Sustainable Finance
- 1st runners up – Best in Covid-19 response
- 2nd runners up – Best in Financing MSMEs

KENYA BANKERS – CUSTOMER SATISFACTION SURVEY 2022

- Best Bank in Customer Satisfaction

AFRICAN BANKER AWARDS 2022

- Best Regional Bank – East Africa

EMEA FINANCE AFRICAN BANKING AWARDS 2022

- Best Bank – Kenya
- Best Asset manager, Co-op trust Investments Services – Kenya

ENERGY MANAGEMENT AWARDS 2022

- Winner - Best New Entrant Award
- 1ST Runners up - Electricity Savings Award – Small Consumers
- 1st Runners Up - Service Sector Award

2020 Awards:

- Best Bank in Kenya by EMEA Finance African Banking Awards 2020
- Best Bank in Kenya by Financial Times Banker awards 2020

2021 Awards

EMEA FINANCE AFRICAN BANKING AWARDS 2021

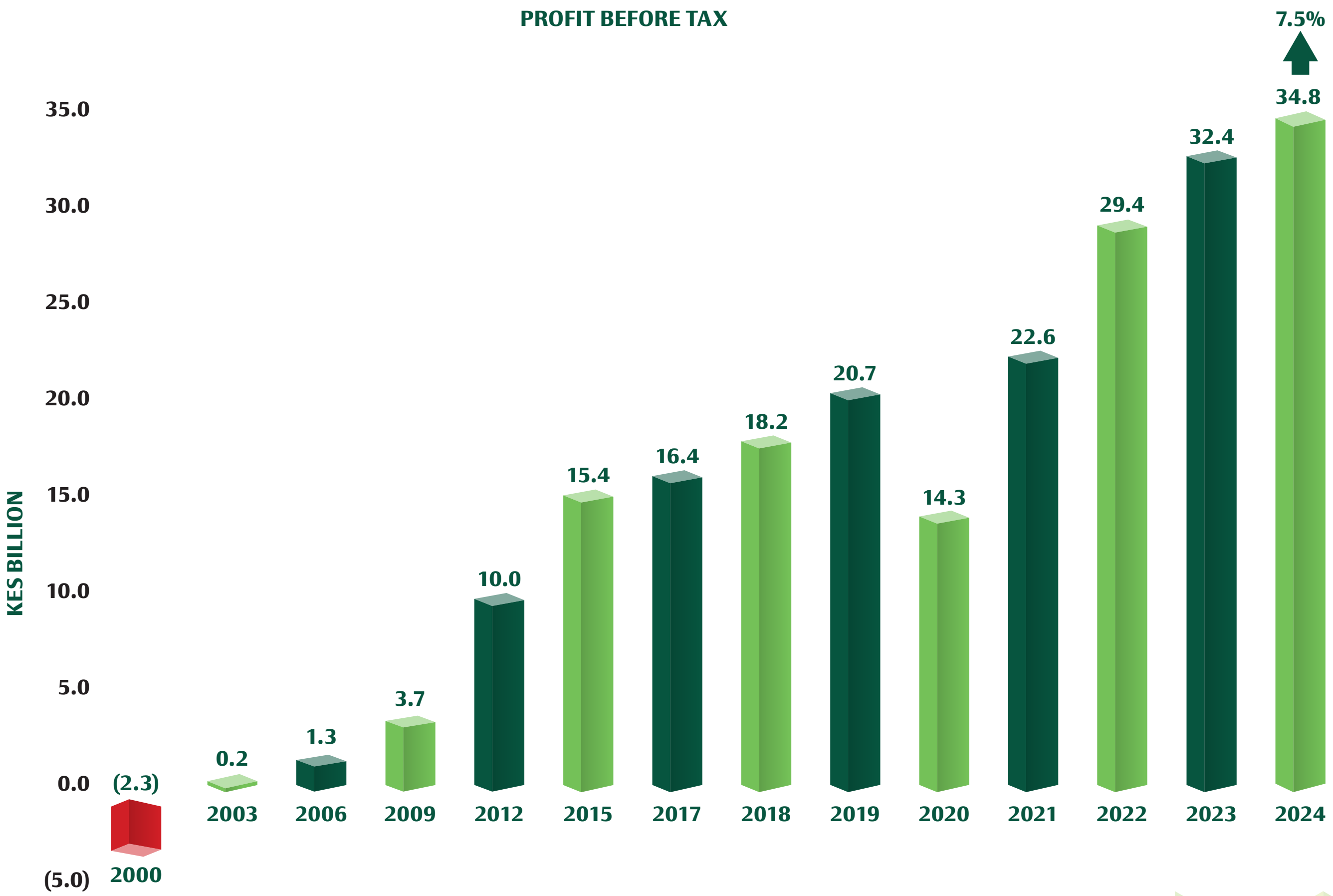
- CEO of the year – Pan Africa
- Best Bank – Kenya
- Financial inclusion – Pan Africa
- Best Asset manager, Co-op trust Investments Services - Kenya
- GLOBAL SME FINANCE AWARDS 2021
- Honorary Mention - Product innovation of the year 2021
- VISA Awards 2021
- Best SME Acquirer solution Roll-out
- Best contactless champion – Issuing bank
- Most financially Inclusive Bank

2019 Awards:

- Kenya Bankers Association, in its 2019 Catalyst Awards,
- Overall Winner
- Winner Client Case Study – Financing SMEs
- 1st runner up Best in Sustainable Finance
- 1st runner up Bank Case Study – Bank Operations
- 1st runner up Financing the informal sector
- 2nd runner up Client Case Study – Commercial
- 2nd runner up Most innovative bank
- Best Bank in Sustainable Finance in Kenya by the Kenya Association of Manufacturers Awards 2019
- Winner: Environmental Sustainability Reporting by ICPAK FIRE Awards 2019
- Product innovation of the year by global SME Finance Awards 2019
- Best Bank in Kenya by EMEA Finance African Banking Awards 2019

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2024



Amounts in KShs Million	Salaries	Bonus/ Gratuity	Fees, Other allowances and Honorarium
Board of Directors	-	-	351.4
Executive Management*	701.3	618.0	-
Group MD & CEO	172.5	302.3	-

* Executive management comprises of the Group Managing Director, the Divisional Directors and Managing Directors of the subsidiaries.

By the Order of the Board.

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Samuel M. Kibugi
Company Secretary

Report of the Independent Auditor to the Shareholders of The Co-operative Bank of Kenya Limited

Report On The Audit Of The Consolidated And Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of The Co-operative Bank of Kenya Limited (the "Bank" or "Company") and its subsidiaries (together, the "Group") set out on pages 108 to 234 , which comprise of the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Report of the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matter Description	How the matter was addressed in the Audit
Expected Credit Losses (ECLs) on loans and advances to customers. As disclosed in Note 13(a) to the financial statements, as at 31 December 2024, the Group had recognised an allowance for expected credit losses (ECLs) on loans and advances of KShs 49.09 billion (2023: KShs 42.80 billion) charged on gross loans and advances of KShs 429.13 billion (2023: KShs 423.37 billion). The ECLs are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Group to make significant judgements in the consideration of the following variables: ► determining the criteria for a significant increase in credit risk ('SICR'). ► the application of future macro-economic variables reflecting a range of future conditions. ► assessment of the Probability of Default (PD) and the Loss Given Default (LGD). ► assessment and forecast of expected future cash flows from impaired (stage 3) loans and advances to customers and assessment of the financial condition of the counterparty estimated recoverability and collateral realisation. Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates require management to prepare disclosures to explain the key judgments and the key inputs into the ECL computations. These disclosures include those in Notes 2(m), 3 and 13(c) to the consolidated financial statements.	We performed the following procedures: - ► We obtained an understanding of the Company's process for estimating the ECL including the governance process over the expected credit losses modelling. ► We assessed the completeness and reasonableness of the ECL models including whether the assumptions applied, and the functioning and application of the models were in accordance with IFRS 9. ► We assessed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information. ► Assessed the reasonableness of management's assumptions in the determination of the PD and LGDs for stage 1 and stage 2, and the determination of the expected future cash flows related to defaulted loans and advances in stage 2 and 3, including the value of collateral. ► We evaluated the reliability of data sources including collateral valuation used in the ECL calculations. This included reviewing loan files to check where appropriate, if the inputs agreed to the supporting documentation. ► We assessed whether disclosures made in the financial statements agreed to the audited balances and information and whether they were in accordance with IFRS 9.

Report of the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matter Description	How the matter was addressed in the Audit
Reporting in hyperinflationary economies by Co-operative Bank of South Sudan Limited South Sudan had been considered hyperinflationary since 2011 and continues to be hyperinflationary. In October 2023, the International Monetary Fund World Economic Outlook (IMF WEO) revised the 3-year cumulative rate of inflation as of December 2022 down to 67%. However, the IMF WEO as of October 2024 forecast 3-year cumulative rates of inflation of 368% and 534% for 2024 and 2025, respectively, and a 12-month rate of inflation of 216% for 2024. As a result, the financial statements of Co-operative Bank of South Sudan Limited, which are included in the Group financial statements, have been restated to reflect the changes in general purchasing power of the South Sudanese Pound as required by *International Accounting Standard 29 Financial Reporting in Hyperinflationary Economies (IAS 29).* The main inputs used in restatement of Co-operative Bank of South Sudan financial statements are the consumer price index (CPI) between 2023 and 2024 and conversion coefficient derived from the CPI. The conversion coefficient derived from the consumer price index (CPI) in the Republic of South Sudan and the corresponding CPI are disclosed in Note 33(d). We consider this to be a key audit matter due to the effect of the restatement on the Group financial statements as a result of adjusting Co-operative Bank of South Sudan financial statements to reflect the general change in purchasing power. In addition, a change in the CPI for the year may result to a material change in the restated non-monetary items and consequently, the Group's performance for the year.	Our audit procedures included: ► We assessed the accuracy of restated financial statements for Co-operative Bank of South Sudan by reviewing the IAS 29 workings prepared by management and evaluated the reasonableness of the inputs used. ► We assessed whether the Co-operative Bank of South Sudan Limited has treated the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements. ► We assessed whether the Group has translated the restated Co-operative Bank of South Sudan Limited's balances in accordance with IAS 21 for consolidation purposes. ► We assessed whether the Group financial statement disclosures appropriately reflect the impact of hyperinflation reporting in Co-operative Bank of South Sudan Limited and meet the requirements of IFRS Accounting Standards.

Report of the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matter Description	How the matter was addressed in the Audit
Impairment of goodwill The group acquired 90% shareholding in Kingdom Bank Limited, formerly Jamii Bora Bank, on 5 August 2020 in a deal valued at KShs 1 billion, leading to recognition of goodwill of KShs 3.294 billion in the books of the group consolidated financial statements. On an annual basis, the Group tests whether the goodwill has suffered any impairment in accordance with the Group's accounting policy on goodwill and IAS 36 Impairment of Assets. No impairment was recognised in relation to the cash-generating units ("CGUs") to which the goodwill has been allocated due to the recoverable amounts of respective CGUs exceeding their carrying amounts. Management used the Discounted Cash Flow (DCF) approach in performing the impairment assessment by discounting the forecasted free cashflows. A comparative approach of Discount Dividend Model (DDM) was also used to evaluate the reasonableness of the value in use for the CGU. DDM approach discounts the expected earnings to shareholders (i.e. the dividends stream) at the equity required rate of return while maintaining the group's regulatory capital requirements. We considered the impairment assessment of goodwill to be a matter of most significance to our current year audit due to the level of judgement applied by management in performing the impairment assessments, including determining the key assumptions. Refer to accounting policy Note 2(i) and Note 15.	Our audit procedures included the following: - ► We obtained an understanding of the process followed in determining cash-flow projections, including management's considerations for current market conditions. ► We involved our valuation specialists in assessing the methodology and assumptions used in the goodwill impairment assessment in respect to compliance with the Company's policies and IFRS Accounting Standards. ► With the assistance of our valuation specialists determined an auditor's estimate of the recoverable amount and compared our results with management's results. ► We evaluated the adequacy of the disclosures relating to the impairment of goodwill in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises of the Directors' Report, as required by the Companies Act, 2015, of Kenya, *Corporate Information, Statement of Directors' Responsibilities and the Directors' Remuneration Report,* which we obtained prior to the date of this report and the rest of the other information in the Integrated Report, which is expected to be made available to us after that date, other than the consolidated or the separate financial statements and our auditor's report thereon.

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

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

Report of the Audit of the Consolidated and Separate Financial Statements (Continued)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group 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 and Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group 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.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Report of the Audit of the Consolidated and Separate Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

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

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

Report On Other Matters Prescribed By The Companies Act, 2015, Of Kenya

Report of the Directors

In our opinion the information given in the report of the directors on pages 90 to 94 is consistent with the consolidated and separate financial statements.

Directors' Remuneration Report

In our opinion the auditable part of the directors' remuneration report on page 96 to 101 has been properly prepared in accordance with the Companies Act, 2015, of Kenya.

CPA Nancy Muhoya, Practising Certificate Number 2158
Engagement partner responsible for the independent audit
For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya
21st March 2025

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
ASSETS			
Cash and balances with Central Banks	8	34,783,864	32,492,671
Deposits and balances due from banks	9	52,162,735	27,275,130
Debt instruments at fair value through other comprehensive income	10(a)	104,187,397	98,695,811
Equity instruments at fair value through other comprehensive income	10(b)	408,134	385,479
Loans and advances to customers	13(a)	373,732,927	374,227,421
Debt instruments at amortised cost	14	114,282,288	91,741,759
Other assets	12	35,068,438	20,880,479
Income tax recoverable	25(b)	-	654,776
Investments in associates	16	3,656,036	2,711,086
Leasehold land	18	31,473	32,083
Property and equipment	19(a)	8,540,562	7,048,168
Right-of-use assets	20(i)	3,992,799	4,079,075
Intangible assets	17(a)	2,218,489	2,670,704
Deferred tax asset	21	6,830,998	6,338,746
Goodwill	15 (b)	3,294,000	3,294,000
TOTAL ASSETS		**743,190,140**	**672,527,388**
LIABILITIES			
Deposits and balances due to banks	22	2,801,077	4,457,278
Customer deposits	23(a)	506,112,147	451,642,048
Loans and borrowings	24	55,406,100	67,334,316
Income tax payable	25(b)	230,128	-
Other liabilities	27	32,440,102	33,734,161
Provisions	26	230,576	284,379
Government grants	28	351,037	369,513
Derivative financial instruments	11	367,277	1,396,103
TOTAL LIABILITIES		**597,938,444**	**559,217,798**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Share capital	29	5,867,180	5,867,180
Share premium	30	1,911,926	1,911,926
Revaluation reserve	31(a)	1,599,661	1,621,428
Retained earnings	31(b)	128,583,636	111,887,781
Fair value reserve	31(c)	(1,789,920)	(16,956,216)
Statutory reserve	31(d)	53,059	53,490
Foreign currency translation reserve	31(e)	2,728	2,728
Proposed dividends	32	8,800,770	8,800,770
		145,029,040	**113,189,087**
Non-controlling interest		222,656	120,503
TOTAL EQUITY		**145,251,696**	**113,309,590**
TOTAL LIABILITIES AND EQUITY		**743,190,140**	**672,527,388**

The financial statements were approved by the Board of Directors on 19th March 2025 and signed on its behalf by

J. K. Murugu, OGW - Chairman ....

M. Malonza MBS, HSC - Vice Chairman ....

Dr. G. Muriuki, CBS, MBS - Group Managing Director & CEO ....

S. M. Kibugi - Company Secretary ....

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
Interest and similar income calculated using the effective interest method	34	86,249,958	69,066,068
Interest and similar expense calculated using the effective interest method	35	(34,729,225)	(23,844,906)
NET INTEREST INCOME		**51,520,733**	**45,221,162**
Fees and commission income	36	23,100,441	22,379,996
Fees and commission expense	36	(267,415)	(143,141)
NET FEES AND COMMISSION INCOME		**22,833,026**	**22,236,855**
Net trading income	37	4,974,885	3,181,189
Amortisation of government grants	28	18,476	18,476
Other operating income	38	1,428,474	1,025,228
TOTAL OTHER INCOME		**6,421,835**	**4,224,893**
OPERATING INCOME		**80,775,594**	**71,682,910**
Credit loss expense on loans and advances	13(c)	(8,784,125)	(6,008,158)
Credit loss write back on other financial assets	41	644,304	575,475
Amortisation of intangible assets	17(a)	(960,578)	(978,123)
Amortisation of leasehold land	18	(610)	(610)
Depreciation of property and equipment	19(a)	(1,398,248)	(1,315,595)
Depreciation of right-of-use assets	20(i)	(1,434,434)	(1,461,825)
Employee costs	39	(18,322,558)	(16,690,249)
Other operating expenses	40	(16,561,398)	(13,785,702)
OPERATING EXPENSES		**(46,817,647)**	**(39,664,787)**
OPERATING PROFIT		**33,957,947**	**32,018,123**
Share of profit of associates	16	822,372	345,725
PROFIT BEFORE TAX		**34,780,319**	**32,363,848**
Income tax expense	25(a)	(9,323,974)	(9,175,483)
PROFIT FOR THE YEAR		**25,456,345**	**23,188,365**
Profit attributable to:			
Equity holders of the parent		25,432,927	23,023,816
Non-controlling interest		23,418	164,549
		25,456,345	**23,188,365**
Basic earnings per share (KShs)	42	4.33	3.92
Diluted earnings per share (KShs)	42	4.33	3.92

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
PROFIT FOR THE YEAR		**25,456,345**	**23,188,365**
Other comprehensive income that will be reclassified to the income statement			
Fair value gain on debt instruments at fair value through other comprehensive income	43	15,337,802	(8,361,591)
Share of other comprehensive income of associates	16	1,463,569	-
Income tax relating to components of other comprehensive income	21	(9,322)	-
Total items to be reclassified to profit or loss		**16,792,049**	**(8,361,591)**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**16,792,049**	**(8,361,591)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**42,248,394**	**14,826,774**
Total comprehensive income attributable to:			
Equity holders of the parent		42,098,940	14,763,503
Non-controlling interest		149,454	63,271
		42,248,394	**14,826,774**

Bank Statement of Financial Position

AS AT 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
ASSETS			
Cash and balances with Central Bank of Kenya	8	30,444,256	28,015,013
Deposits and balances due from banks	9	47,027,095	21,729,052
Debt instruments at fair value through other comprehensive income	10(a)	90,382,274	84,804,458
Equity instruments at fair value through other comprehensive income	10(b)	338,263	313,755
Loans and advances to customers	13(a)	356,257,992	360,387,386
Debt instruments at amortised cost	14	106,884,614	84,345,718
Other assets	12	32,482,194	21,145,427
Income tax recoverable	25(b)	-	790,836
Investments in subsidiaries	15 (a)	3,884,925	3,884,925
Investments in associates	16	706,444	706,444
Leasehold land	18	31,473	32,083
Property and equipment	19(b)	7,071,192	5,732,438
Right-of-use assets	20(i)	3,464,902	3,608,049
Intangible assets	17(b)	2,016,187	2,595,668
Deferred tax asset	21	6,831,659	6,163,371
TOTAL ASSETS		**687,823,470**	**624,254,623**
LIABILITIES			
Deposits and balances due to banks	22	4,476,324	5,752,083
Customer deposits	23(a)	478,183,582	432,548,298
Derivative financial instruments	11	367,277	1,396,103
Loans and borrowings	24	39,584,754	47,086,007
Income tax payable	25(b)	563,960	-
Other liabilities	27	29,437,111	30,637,174
Provisions	26	222,146	274,687
Government grants	28	351,037	369,513
TOTAL LIABILITIES		**553,186,191**	**518,063,865**
EQUITY			
Share capital	29	5,867,180	5,867,180
Share premium	30	1,911,926	1,911,926
Revaluation reserve	31(a)	1,427,364	1,448,823
Retained earnings	31(b)	117,140,230	102,921,832
Fair value reserves	31(c)	(510,191)	(14,759,773)
Proposed dividends	32	8,800,770	8,800,770
TOTAL EQUITY		**134,637,279**	**106,190,758**
TOTAL LIABILITIES AND EQUITY		**687,823,470**	**624,254,623**

The financial statements were approved by the Board of Directors on 19th March 2025 and signed on its behalf by:-

J. K. Murugu, OGW - Chairman ....

M. Malonza, MBS, HSC - Vice Chairman ....

Dr. G. Muriuki, CBS, MBS - Group Managing Director & CEO ....

S. M. Kibugi - Company Secretary ....

Bank Statement of Profit or Loss

AS AT 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
Interest and similar income calculated using the effective interest method	34	80,716,308	64,475,772
Interest and similar expense calculated using the effective interest method	35	(32,469,553)	(22,802,596)
NET INTEREST INCOME		**48,246,755**	**41,673,176**
Fees and commission income	36	20,357,608	19,819,867
Fees and commission expense	36	(267,415)	(143,141)
NET FEES AND COMMISSION INCOME		**20,090,193**	**19,676,726**
Net trading income	37	4,099,341	2,877,509
Amortisation of government grants	28	18,476	18,476
Other operating income	38	959,968	698,942
TOTAL OTHER INCOME		**5,077,785**	**3,594,927**
OPERATING INCOME		**73,414,733**	**64,944,829**
Credit loss expense on loans and advances	13(c)	(8,350,075)	(5,541,095)
Credit loss writeback on other financial assets and commitments	41	653,641	260,167
Amortisation of intangible assets	17(b)	(932,441)	(955,761)
Amortisation of leasehold land	18	(610)	(610)
Depreciation of property and equipment	19(b)	(1,286,546)	(1,222,171)
Depreciation of right-of-use assets	20(i)	(1,299,224)	(1,362,454)
Employee costs	39	(16,557,685)	(15,247,267)
Other operating expenses	40	(14,338,584)	(11,259,181)
OPERATING EXPENSES		**(42,111,524)**	**(35,328,372)**
PROFIT BEFORE TAX		**31,303,209**	**29,616,457**
Income tax expense	25(a)	(8,315,113)	(8,142,963)
PROFIT FOR THE YEAR		**22,988,096**	**21,473,494**
Basic earnings per share (KShs)	42	3.92	3.66
Diluted earnings per share (KShs)	42	3.92	3.66

Bank Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
PROFIT FOR THE YEAR		**22,988,096**	**21,473,494**
Other comprehensive income that will be reclassified to the income statement			
Financial assets at fair value through other comprehensive income	43	14,258,904	(7,363,660)
Income tax relating to components of other comprehensive income		(9,322)	-
Total items to be reclassified to profit or loss		**14,249,582**	**(7,363,660)**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**14,249,582**	**(7,363,660)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**37,237,678**	**14,109,834**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Attributable to equity holders of the Bank KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
At 1 January 2024		**5,867,180**	**1,911,926**	**1,621,428**	**53,490**	**(16,956,216)**	**2,728**	**8,800,770**	**111,887,781**	**113,189,087**	**120,503**	**113,309,590**
Profit/ (loss) for the year		-	-	-	-	-	-	-	25,432,927	25,432,927	23,418	25,456,345
Other comprehensive income		-	-	-	-	16,666,013	-	-	-	16,666,013	126,036	16,792,049
Total comprehensive income		**-**	**-**	**-**	**-**	**16,666,013**	**-**	**-**	**25,432,927**	**42,098,940**	**149,454**	**42,248,394**
Transfer of excess depreciation		-	-	(31,072)	-	-	-	-	31,072	-	-	-
Deferred tax on excess depreciation	21	-	-	9,322	-	-	-	-	-	9,322	-	9,322
Transfer from statutory reserve		-	-	-	-	-	-	-	-	-	69,005	69,005
Revaluation reserve adjustment		-	-	291	-		--	-	-	291	-	291
Exchange difference on hyperinflationary economy		-	-	(307)	(431)	(1,499,717)	-	-	32,626	(1,467,829)	(116,306)	(1,584,135)
2023- Dividends paid	31	-	-	-	-	-	-	(8,800,770)	-	(8,800,770)	-	(8,800,770)
Proposed dividends	31	-	-	-	-	-	-	8,800,770	(8,800,770)	-	-	-
At 31 December 2024		**5,867,180**	**1,911,926**	**1,599,661**	**53,059**	**(1,789,920)**	**2,728**	**8,800,770**	**128,583,636**	**145,029,040**	**222,656**	**145,251,696**

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Attributable to equity holders of the Bank KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
At 1 January 2023		**5,867,180**	**1,911,926**	**1,652,990**	**67,286**	**(8,698,411)**	**2,728**	**8,800,770**	**97,685,796**	**107,290,265**	**268,930**	**107,559,195**
Profit/ (loss) for the year		-	-	-	-	-	-	-	23,023,816	23,023,816	164,549	23,188,365
Other comprehensive income		-	-	-	-	(8,260,313)	-	-	-	(8,260,313)	(101,278)	(8,361,591)
Total comprehensive income		**-**	**-**	**-**	**-**	**(8,260,313)**	**-**	**-**	**23,023,816**	**14,763,503**	**63,271**	**14,826,774**
Transfer of excess depreciation		-	-	(31,072)	-	-	-	-	31,072	-	-	-
Deferred tax on excess depreciation	21	-	-	9,322	-	-	-	-	-	9,322	-	9,322
Transfer from statutory reserve		-	-	-	-	-	-	-	-	-	69,005	69,005
Exchange difference on hyperinflationary economy		-	-	(9,812)	(13,796)	2,508	-	-	(52,133)	(73,233)	(280,703)	(353,936)
2022- Dividends paid	31	-	-	-	-	-	-	(8,800,770)	-	(8,800,770)	-	(8,800,770)
Proposed dividends	31	-	-	-	-	-	-	8,800,770	(8,800,770)	-	-	-
At 31 December 2023		**5,867,180**	**1,911,926**	**1,621,428**	**53,490**	**(16,956,216)**	**2,728**	**8,800,770**	**111,887,781**	**113,189,087**	**120,503**	**113,309,590**

Bank Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2024		**5,867,180**	**1,911,926**	**1,448,823**	-	**(14,759,773)**	**8,800,770**	**102,921,832**	**106,190,758**
Profit/ (loss) for the year		-	-	-	-	-	-	22,988,096	22,988,096
Other comprehensive income		-	-	-	-	14,249,582	-	-	14,249,582
Total comprehensive income		**-**	**-**	**-**	-	**14,249,582**	**-**	**22,988,096**	**37,237,678**
Transfer of excess depreciation		-	-	(31,072)	-	-	-	31,072	-
Deferred tax on excess depreciation	21	-	-	9,322	-	-	-	-	9,322
Revaluation reserve adjustment	21	-	-	291	-	-	-	-	291
2023- Dividends paid	31	-	-	-	-	-	(8,800,770)	-	(8,800,770)
Proposed dividends	31	-	-	-	-	-	8,800,770	(8,800,770)	-
At 31 December 2024		**5,867,180**	**1,911,926**	**1,427,364**	**-**	**(510,191)**	**8,800,770**	**117,140,230**	**134,637,279**

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2023		**5,867,180**	**1,911,926**	**1,470,573**	-	**(7,396,113)**	**8,800,770**	**90,218,036**	**100,872,372**
Profit/ (loss) for the year		-	-	-	-	-	-	21,473,494	21,473,494
Other comprehensive income		-	-	-	-	(7,363,660)	-	-	(7,363,660)
Total comprehensive income		**-**	**-**	**-**	-	**(7,363,660)**	**-**	**21,473,494**	**14,109,834**
Transfer of excess depreciation		-	-	(31,072)	-	-	-	31,072	-
Deferred tax on excess depreciation	21	-	-	9,322	-	-	-	-	9,322
2023- Dividends paid	31	-	-	-	-	-	(8,800,770)	-	(8,800,770)
Proposed dividends	31	-	-	-	-	-	8,800,770	(8,800,770)	-
At 31 December 2023		**5,867,180**	**1,911,926**	**1,448,823**	**-**	**(14,759,773)**	**8,800,770**	**102,921,832**	**106,190,758**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
Cash flows generated from operating activities:			
Cash generated from operating activities	44	79,407,832	51,114,979
Interest paid	20(ii)	(368,948)	(377,494)
Income tax paid	25(b)	(9,732,503)	(9,691,486)
Net cash generated from operating activities		**69,306,382**	**41,046,000**
INVESTING ACTIVITIES			
Purchase of property and equipment	19(a)	(3,007,520)	(1,588,272)
Purchase of intangible assets	17(a)	(515,197)	(1,136,938)
Proceeds from disposal of property and equipment		12,647	2,629
Purchase of investments at amortised cost	14	(70,585,750)	(74,008,250)
Maturity of investments at amortised cost	14	48,362,110	57,180,099
Net cash used in investing activities		**(25,733,710)**	**(19,550,732)**
FINANCING ACTIVITIES:			
Proceeds from borrowings	24	7,657,908	16,030,174
Repayment of borrowings	24	(15,912,341)	(8,200,095)
Dividends paid to equity holders of the parent		(8,800,770)	(8,800,770)
Repayment of principal portion of lease liabilities	20(ii)	(1,496,218)	(1,284,558)
Net cash used in financing activities		**(18,551,421)**	**(2,255,249)**
Net movement in cash and cash equivalents		25,021,251	19,240,019
Cash and cash equivalents at the beginning of the year		40,059,215	20,666,001
Effect of foreign exchange difference		(93,953)	153,196
Cash and cash equivalents at 31 December	**44**	**64,986,512**	**40,059,215**

Interest received during the year amounted to KShs 86.4 billion (2023: KShs 69.1 Billion) while interest paid amounted to KShs 34.8 billion (2023: KShs 16.6 billion) and dividend received amounted to Ksh 87.07 million (2023: Kshs 86.67 million).

Bank Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 KShs'000	2023 KShs'000
Cash flows from operating activities:			
Cash from operating activities	44	70,804,384	46,205,406
Interest paid	20(ii)	(323,654)	(339,308)
Tax paid	25(b)	(8,429,790)	(9,117,672)
Net cash generated from operating activities		**62,050,940**	**36,748,426**
Cash flows used in investing activities:			
Purchase of property and equipment	19(b)	(2,630,271)	(1,434,184)
Purchase of software	17(b)	(354,619)	(1,111,461)
Proceeds from disposal of property and equipment		12,647	1,980
Purchase of investments at amortised cost	14	(70,585,750)	(74,008,250)
Maturity of investments at amortised cost	14	48,363,743	57,053,817
Net cash used in investing activities		**(25,194,250)**	**(19,498,098)**
Cash flows (used in)/ generated from financing activities:			
Proceeds from borrowings	24	8,404,026	15,646,180
Repayment of borrowings	24	(9,417,507)	(5,168,032)
Dividends paid		(8,800,770)	(8,800,770)
Repayment of principal portion of lease liabilities	20(ii)	(1,316,581)	(1,138,765)
Net cash (used in) / generated from financing activities		**(11,130,832)**	**538,613**
Net movement in cash and cash equivalents		25,725,858	17,788,941
Cash and cash equivalents at the beginning of the year		32,200,291	14,411,350
Cash and cash equivalents at 31 December	44	**57,926,149**	**32,200,291**

Interest received during the year amounted to KShs 80.7 billion (2023: KShs 64.48 billion), interest paid amounted to KShs 32.47 billion (2023: KShs 22.80 billion) and dividend received amounted to KShs 87.07 million (2023: KShs 86.67 million)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

1. CORPORATE INFORMATION

The Co-operative Bank of Kenya Limited is a financial institution incorporated in Kenya under the Companies Act, 2015 as a public limited liability company, licensed under the Kenyan Banking Act (Chapter 488) and domiciled in Kenya. The consolidated financial statements comprise the Bank and its subsidiaries, together referred to as the "Group". The Group is primarily involved in corporate and retail banking, investment and asset management services in various parts of Kenya and Juba, South Sudan. The address of its registered office is as disclosed on page 89. The Bank's equities are listed on the Nairobi Stock Exchange (NSE).

The consolidated financial statements for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Directors on 19 March 2025.

Information on subsidiaries has been disclosed in Note 15 of the financial statements.

2. MATERIAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated and separate financial statements are prepared on the historical cost basis, except for:

- derivative financial instruments
- other financial assets and liabilities held for trading
- financial assets and liabilities designated at fair value through profit or loss (FVPL)
- debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

The consolidated financial statements are presented in Kenya Shillings (KShs) and all values are rounded to the nearest thousands, except when otherwise indicated. The Group has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

(b) Statement of compliance

The consolidated and separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Kenyan Companies Act, 2015.

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

The Group's consolidated and separate financial statements, except for cashflow statement, have been prepared using the accrual basis of accounting.

The preparation of financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

(c) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Bank and its subsidiaries and associates as at 31 December 2024. Control is achieved by the Group over an investee if and only if the Group has:

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of profit or loss and statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(d) Changes in accounting policies and disclosures

(i) New standards, amendments and interpretations effective and adopted during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Changes in accounting policies and disclosures

(i) New standards, amendments and interpretations effective and adopted during the year (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments did not have a material impact on the Group's financial statements.

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

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments did not have a material impact on the Group's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments did not have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Changes in accounting policies and disclosures

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2024

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These are summarised below;

New standards or amendments	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18, 'Presentation and Disclosure in Financial Statements'	1 January 2027
IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'	1 January 2027
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards— Volume 11	1 January 2026

Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

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

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should such transactions arise.

Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities. The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted subject to any endorsement process.

The Group is currently assessing the impact of these amendments on the financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2024 (continued)

IFRS 18, 'Presentation and Disclosure in Financial Statements'

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

The Group is assessing the expected impact on the financial statements as well as the relevant adoption strategies in case of significant impact.

IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'

This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.

A subsidiary is eligible if:

- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards

The Group is assessing the expected impact on the financial statements as well as the relevant adoption strategies in case of significant impact.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The disclosure requirements in the amendments are intended to assist 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.

The amendments are not expected to have a material impact on the Group's financial statements.

Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7

In December 2024, the Board issued Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). The amendments include:

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

The amendments are not expected to have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2024 (continued)

Annual Improvements - Volume 11

The following improvements were finalised in July 2024 effective 1 January 2026:

Standards	Amendments
IFRS 1 First-time Adoption of International Financial Reporting Standards	**Hedge Accounting by a First-time Adopter** Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.
IFRS 7 Financial Instruments: Disclosures	**Gain or Loss on Derecognition** The amendments update the language on unobservable inputs in paragraph B38 of IFRS 7 and include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement.
Guidance on implementing IFRS 7 Financial Instruments: Disclosures	Paragraph IG14 of the Guidance on implementing IFRS 7 has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.
IFRS 9 Financial Instruments	**Lessee Derecognition of Lease Liabilities** Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. **Transaction Price** Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'.
IFRS 10 Consolidated Financial Statements	**Determination of a 'De Facto Agent'** Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in paragraph B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendments are intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.
IAS 7 Statement of Cash Flows	**Cost Method** - Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

The adoption of these amendments are not expected to have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Recognition of interest income

i) The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost and at fair value through OCI and financial liabilities at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income.

ii) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note (e)(i) above. Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in Net trading income.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

iii) Presentation of interest income

Interest revenue calculated using the effective interest rate (EIR) method is presented separately on the face of the Statement of profit or loss t, where it is differentiated and presented separately from interest revenue calculated using other methods.

The Group has also elected to present its interest expense in a manner consistent and symmetrical with interest income. Therefore, it separates interest expense on liabilities measured at amortised cost from other interest expensed. The Group's accounting policies in respect of interest income/expense and the effective interest method are set out in note 2(e) (i) and (ii) above.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Fee and commission income

The Group and the Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's and Bank's revenue contracts do not typically include multiple performance obligations.

When the Group and the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group and the Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include fund management, custody and share registration fees, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's and Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

Fund management fees: These fees are earned for the provision of fund management services, which include portfolio diversification and rebalancing. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Management fees are invoiced monthly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the month. Revenue from management fees is therefore generally recognised at the end of each month.

Custody fees: The Group and the Bank earns a fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. Custody fees are invoiced monthly based on a fixed percentage of the value of the funds under custody at the end of the month. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. Revenue from custody services is therefore generally recognised at the end of each month.

Share registration fees: The Group and the Bank earns fees from maintenance of clients' share registers and processing of dividend pay-outs. Share registration fees are invoiced quarterly based on a fixed amount. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. Revenue from share registration services is therefore generally recognised at the end of each quarter.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Fee and commission income (continued)

Fee and commission income from services where performance obligations are satisfied at a point in time

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from brokerage, bancassurance, consultancy and training services.

The Group typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Brokerage fees: The Group buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Group's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

Bancassurance fees: These fees are received for issuance of insurance covers on behalf of the appointed insurance company. The Group's performance obligation is to issue insurance cover notes and remit the premiums collected every month. The Group recognises revenue as per the fixed rates of commission per premium per insurance class.

Consultancy fees: These fees arise from provision of advisory services and Front Office Services Activities (FOSA). The Group's performance obligation is to conduct the assignment and issue a report. The Group recognises revenue after the report has been issued as per the fees agreed in the consultancy agreements.

Training fees: These fees arise from training services rendered to Savings and Credit Co-operative Societies. The Group's performance obligation is to complete the training of the courses specified in the training invites in the period specified. Payment for the training is typically due at the end of the training. The Group recognises revenue after the training has been attended as per the fees indicated in the training invites.

(g) Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading and foreign exchange differences arising from foreign currency transactions.

(h) Property, equipment and right-of-use assets

Recognition and measurement

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Any revaluation surplus is recognised as other comprehensive income in the revaluation reserve (a separate component of equity), except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve. Revaluation surpluses are not distributable. Land and buildings are revalued after every 3 years by approved external valuers.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Property, equipment and right-of-use assets (continued)

Recognition and measurement (continued)

Other categories of property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes costs incurred to acquire the asset, costs incurred to bring the asset to working condition for its intended use and the cost of replacing part of an item of property and equipment when that cost is incurred, if the recognition criteria are met. Additions and improvements that result in future benefits are capitalised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs incurred to keep assets in normal operating condition are recognised in profit or loss as incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

Depreciation

Depreciation is calculated on a straight- line basis over the useful life of the asset as follows:

Buildings	40 years	2.5%
Fixtures	8 years	12.5%
Furniture and equipment	5 years	20.0%
Motor vehicles	5 years	20.0%
Office machinery	5 years	20.0%
Computers	5 years	20.0%

Leasehold land is depreciated over the remaining period of the lease. Buildings on leasehold land are depreciated over the remaining period of the lease subject to a maximum of forty years.

The asset's residual values, useful lives and methods of depreciation are reviewed, at each financial year end and prospectively adjusted as a change in estimate, if appropriate.

(i) Business combinations and goodwill

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Business combinations and goodwill (continued)

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

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

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

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

(j) Intangible assets

The Group's other intangible assets comprise the value of computer software licenses and separately identifiable intangible items acquired in business combinations.

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition a\t cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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 either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. 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.

See categorisation below of the Group's intangible assets useful lives:

- Computer software licenses – Finite useful lives (5 years)
- NSE trading right – Indefinite useful lives

(1) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (continued)

(2) Other intangible assets

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Other intangible assets consist of the NSE trading right and Business rights. The Business rights relate to the costs incurred in negotiating of the business arrangement with the Government of South Sudan. Under the agreement, the Group acquired certain rights that are identifiable e.g., business relationships with the government and co-operative movement.

NSE trading right, which gave participants the right to trade at Nairobi Securities Exchange (NSE) was initially measured at cost and classified as an intangible asset with an indefinite useful life. After initial recognition, the seat was carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. The revaluation was non-recurring due to non-volatility of the fair values of the NSE seat.

Effective September 2014 and upon demutualization of Nairobi Securities Exchange (NSE), the NSE Seat was replaced with a trading right which gives participants a right to trade at NSE. The trading right serves the same function as the Seat. The trading right was attached a value of KShs 25 million by NSE Board, which has been taken as its fair value. After the demutualisation the shares were replaced by a right to trade.

The trading right is carried as an intangible asset with an indefinite useful life at the value of KShs 25 million, less any subsequent accumulated impairment losses. The right is not subject to annual renewal and can be transferred to another party. Management tests the trading right for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the right may be impaired. The Group bases its impairment calculation on market information and the value of the right when a transaction between two parties takes place.

The value is based on available data from binding sales transactions, conducted at arm's length. In determining the fair value, recent market transactions are taken into account. Any impairment losses are accounted for through profit or loss. Refer to note 2(s) on impairment of non-financial assets.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(k) Investments in associates

An associate is an entity over which the Group and the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group and the Bank's investments in its associates are accounted for using the equity method and at cost in the separate financial statements.

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

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the consolidated Statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is the entity's proportionate share of the associate's profit after tax.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Investments in associates (continued)

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the consolidated Statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

(l) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 20 and are subject to impairment in line with the Bank's policy as described in Note 2 (s) Impairment of non-financial assets.

Lease Liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in other payables (note 27) and a further detailed disclosure under note 20 (ii).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(m) Financial assets

Initial recognition and measurement

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

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

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

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

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

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in categories:

- Debt Instruments at amortised costs
- Debt Instruments at Fair Value through OCI
- Derivatives at fair value through profit or loss
- Equity Instruments at Fair Value through OCI

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

And

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

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

The Group's financial assets at amortised cost includes loans and advances to customers, due from banks financial investments at amortised cost, Cash and balances with Central Bank and other assets.

The details of these conditions are outlined below.

Business model assessment

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

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The ECL calculation for Debt instruments at FVOCI is explained in Note 9.

The Group's debt instruments at fair value through OCI includes investments in treasury bonds and corporate bonds included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Derivative financial instruments

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group. Over–the–counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk.

Changes in fair value of any derivative instruments are recognised immediately in the profit or loss. Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become assets or liabilities as a result of fluctuations in foreign exchange rates relative to their terms.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

Derivative financial instruments (continued)

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.

Financial guarantee, letter of credit and undrawn loan commitment

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. These are written by the Group to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event the customer defaults. Financial guarantee contracts are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

i) Overview of the Expected Credit Loss (ECL) principles

The Group records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments and other financial assets held at FVPL are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note m (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 3(a).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 3(a).

Based on the above process, the Group categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

- **Stage 1:** When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 3(a). The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

ii) The calculation of ECLs

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

- *Probability of Default (PD):* The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in Note 3(a).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

The calculation of ECLs (continued)

- *Exposure at Default (EAD):* The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in in Note 3(a).
- Loss Given Default (LGD): The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3(a).

When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2'). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out below. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below.

The mechanics of the ECL method are summarised below:

Stage 1:

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2:

When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3:

For loans considered credit-impaired (as defined in Note 3(a), the Group recognises the lifetime expected credit losses for these loans, with the PD set at 100%.

Loan commitments and letters of credit

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised in other liabilities. The mechanics of ECL for loan commitments and letters of credit are same as above.

Financial guarantee contracts

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit and loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

iii) Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

iv) Credit cards and other revolving facilities (Overdraft)

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 3(a) on a collective basis. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

v) Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Inflation Rate "Inflation"
- Brent Crude Oil in USD/Barrel "Oil"
- Lending Rate "Lending"

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 4(a).

vi) Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

vii) Forborne and modified loans

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk, as set out in Note 3 (a). The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of 6 months has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

If modifications are substantial, the loan is derecognised as disclosed in note 2 (n) below.

(n) Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipient.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Derecognition of financial assets (continued)

Derecognition other than for substantial modification (continued)

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(o) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

(p) Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount of the secured asset and fair value less costs to sell and reported within 'Non-current assets held for sale'. The bank did not have repossessed assets in the current year (2023: nil).

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

(q) Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has designated derivative assets and derivative liabilities as at fair value through profit or loss to account for the gain/loss between the contract and market value of the derivatives.

Financial liabilities at amortised cost

(i) Customer deposits

Customer deposits include call, fixed, current account and savings deposits. The fair value of savings, deposits and current accounts with no specific maturity is assumed to be the amount payable on demand at end of the reporting period, i.e. their carrying amounts at this date. The fair values of term deposits are estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those being valued. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.

(ii) Deposits from/ to other banks

Deposits from other banks include inter-bank placements, items in the course of collection and deposits. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

(iii) Other borrowed funds

Borrowings are financial liabilities and measured initially at fair value and subsequently at amortised cost using the effective interest rate method.

Derecognition

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

(r) Provisions

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

(s) Offsetting

Financial assets and liabilities are offset, and the net amount reported in the consolidated and separate statement of financial position if the amount is not material, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has no offset arrangements.

(t) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or 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 groups of assets. When 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(u) Foreign currency

(i) Functional and presentation currency

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, which is the group's presentation currency.

(ii) Transactions

Transactions in foreign currencies are translated at the rates ruling on the transaction dates. Monetary balances in foreign currencies are translated at the Central Bank of Kenya rates ruling at the reporting date. Any resulting gains or losses on exchange are dealt with in profit or loss in the period in which they arise. Non-monetary items carried at cost are translated using the exchange rate at the date of the initial transactions, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy as at 31 December 2024) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities of foreign subsidiaries are translated into Kenya Shillings at the rate of exchange ruling at the reporting date;

(ii) income and expenses for each statement of comprehensive income are translated at the weighted average exchange rates for the period; and

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currency (continued)

(iii) Group companies (continued)

(iii) exchange differences are recognised in other comprehensive income and accumulated in equity in the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

Hyper-inflationary economy

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with criteria in International Accounting Standards (IAS) 29-Financial Reporting in Hyperinflationary Economies.

On consolidation, the statements of profit or loss and financial position of foreign operations whose functional currency is the currency of a hyperinflationary economy are translated into the group's functional currency at the closing rate at the reporting date. The exchange differences arising on translation for consolidation are recognised directly through equity.

Where the functional currency is changed to a currency that is not under hyperinflationary economy, the exchange difference arising on translation is recognised through translation reserve. Judgment has been used in the various assumptions used such as the consumer price indices for the various years due to limitation of data available. The financials were restated from 2016 to 2024 excluding 2023 using consumer price index (CPI) figures derived from South Sudan Consumer Price Index (CPI) compiled by the National Bureau of Statistics, South Sudan. Refer to Note 33(d).

(v) Employee benefits

The Group operates a defined contribution retirement scheme for its employees. The assets of the scheme are held in a separate trustee administered fund which is funded by contributions from both the Group and employees. The Group's contributions to the scheme are charged to profit or loss in the year to which they relate. The Group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are limited to KShs 200 per employee per month in 2022. However, following the enactment of the NSSF Act 2013, starting February 2023 the contributions to NSSF will be at 12% of the employee pensionable earnings i.e. 6% employee and 6% employer. Further, the 12% contribution will be categorized as follows:

(i) Tier I Contributions – 12% of the employee pensionable earnings (6% employee and 6% employer) up to the Lower Earnings Limit (LEL).

(ii) Tier II Contributions – 12% of employee pensionable earnings (6% employee and 6% employer) between the Lower Earnings Limit (LEL) and the Upper Earnings Limit (UEL).

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services (i.e. free medical check-ups, counselling and medical complementary follow-ups)

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

(w) Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss. Current tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset

(ii) or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(iii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period. Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the Kenya Revenue Authority (KRA), in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to tax authorities is included as part of accounts receivables or payables in the Statement of financial position.

(x) Grants

Grants are recognised where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to other income in equal annual amounts over the expected useful life of the related asset.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as other income in the period in which it becomes receivable.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Cash and cash equivalents

Cash and cash equivalents comprise balances with maturities of less than 91 days from the date of acquisition and include cash and balances with Central Bank of Kenya (excluding restricted balances - cash reserve ratio), items in the course of collection and deposits and balances due from banking institutions. For the purpose of the consolidated and separate statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

(z) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until they have been ratified at the Annual General Meeting and are subsequently recognised as a liability.

(aa) Fiduciary assets

Assets and income arising thereon with related undertakings to return such assets to customers are excluded from these financial statements when the Group acts in a fiduciary capacity such as nominee or agents.

(ab) Fair value

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

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

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as land and buildings. The bank's panel of Valuers is selected through a competitive bidding process. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuation is carried out every three years after which the valuation reports are evaluated for reasonability by the bank's internal valuers before adoption.

Staff loans Fair value

The Group fair values staff loans granted at interest rates lower than the prevailing market interest rates, in accordance with relevant accounting standards, such as IFRS (International Financial Reporting Standards). The staff loans are initially recognized at the amount advanced to the employee.

The Fair Value is calculated by discounting the future cash flows (loan repayments) at the market interest rate for a similar loan with the similar terms and conditions (e.g., a comparable loan from a financial institution to a non-employee). The difference between the fair value of the loan and the nominal amount advanced is accounted for as:

- An Employee benefit expense under staff costs in the financial statement and
- On the balance sheet, the staff loans are adjusted to recognise the fair value as opposed to nominal amount.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated and separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

The Group's management has made an assessment of the ability of individual entities within the group to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group entities 's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 7.

Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 2 (e), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to Central Bank's base rate and other fee income/expense that are integral parts of the instrument.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and therefore allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Determination of general price index

The restatement of the financial statements for Co-operative Bank of South Sudan has been calculated by means of conversion factors derived from South Sudan Consumer Price Index (CPI) compiled by the National Bureau of Statistics, South Sudan which the directors have determined to be the more reliable. Refer to the Consumer Price Index applied in note 33 (d).

Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation and arbitration arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see Note 49(c).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impact of climate risk on accounting judgments and estimates

Where appropriate, the Group considers climate-related matters in its estimates and assumptions, which may increase their inherent level of uncertainty. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Group's counterparties and the underlying collateral limit the impact of this exposure. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments.

The items and considerations that are most directly impacted by climate-related matters are:

- **Expected credit losses (ECL):** Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. An analysis was performed of the exposure of counterparties to these climate risks, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. Furthermore, the underlying collaterals for the assets are not expected to be impacted by climate risk as the assets are not in high-risk geographical areas and also have EPC ratings largely in compliance with current regulations. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

- **Classification of ESG-linked (or sustainability-linked) loans and bonds:** For loans and bonds with sustainability-linked features, the Bank determines whether the instrument passes the solely payments of principal and interest test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements.

- **Fair value measurement:** The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. Consequently, the Bank concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

4. FINANCIAL RISK MANAGEMENT

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 Risk & Finance Committee, which is responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees, with exception of Board Audit Committee, 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 Board Audit Committee is responsible for monitoring compliance with the Group's risk policies and procedures, and for reviewing their adequacy. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk controls and procedures, the results of which are reported to the Board Audit committee.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (Continued)

The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risks
d) Operational risks

Below is the information about the Group'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 is no significant difference between the Group and Bank balances in assessment of the various risks facing the Group.

a) 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, other banks and investment securities and cash and balances with central bank. 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 its Board's Risk and Finance Committee. A separate Credit Risk Department, reporting to the Board's Risk and Finance Committee, is responsible for oversight of the Group's credit risk, including:

1. 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.
2. Establishing the authorisation structure for the approval and renewal of credit facilities.
3. Reviewing and assessing credit risk.
4. 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.
5. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types.
6. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Board's Risk and Finance 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.

Climate risk considerations

The effect of climate risk on credit risk was assessed, and the impact in the current year was determined to not be material at 31 December 2024. Refer to Note 3 for further details on the judgements made as part of this assessment.

While collateral is an important means to mitigate against credit risk, the Group's primary policy is to issue loans after establishing capacity of the customer to repay. Facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant and machinery among others.

The table shows the maximum exposure to credit risk by for loans and advances. All other financial assets are unsecured. The table also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) **Credit risk (continued)**

Management of credit risk (continued)

Group

2024	Maximum exposure to credit risk	Land & buildings deposits	Cash & other pledges	Motor vehicles	Hypotheca-tion of stock	Debentures & guarantees	Equities & Shares	Other chattels	Total Collateral	Net exposure	Associated ECL
Loans and advances to customers	373,732,927	317,995,586	7,467,367	66,282,835	5,677,952	238,858,748	1,767,642	16,823,775	654,873,905	**(281,140,978)**	49,087,231
Deposits and balances due from banking institutions	52,162,735	-	-	-	-	-	-	-	-	**52,162,735**	63,329
Debt instruments at amortised cost	114,282,288	-	-	-	-	-	-	-	-	**114,282,288**	316,889
Debt & equity instruments at fair value through other comprehensive income	104,780,595	-	-	-	-	-	-	-	-	**104,780,595**	593,198
Other assets	15,172,282	-	-	-	-	-	-	-	-	**15,172,282**	96,487
Balances with Central Bank	34,783,864	-	-	-	-	-	-	-	-	**34,783,864**	9,523
Total	**694,914,691**	**317,995,586**	**7,467,367**	**66,282,835**	**5,677,952**	**238,858,748**	**1,767,642**	**16,823,775**	**654,873,905**	**40,040,786**	**50,166,657**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) **Credit risk (continued)**

Management of credit risk (continued)

Group (continued)

2023	Maximum exposure to credit risk	Land & buildings deposits	Cash & other pledges	Motor vehicles	Hypothecation of stock	Debentures & guarantees	Equities & Shares	Other chattels	Total Collateral	Net exposure	Associated ECL
Loans and advances to customers	374,227,421	274,259,329	7,653,796	64,385,452	1,909,959	212,660,173	819,648	13,036,666	574,725,024	**(200,497,602)**	42,798,124
Deposits and balances due from banking institutions	27,275,130	-	-	-	-	-	-	-	-	**27,316,305**	41,175
Debt instruments at amortised cost	91,741,759	-	-	-	-	-	-	-	-	**91,855,403**	1,043,715
Debt & equity instruments at fair value through other comprehensive income	98,695,811	-	-	-	-	-	-	-	-	**98,695,811**	19,458
Other assets	7,111,804								-	**7,111,804**	120,461
Balances with Central Bank	32,492,671	-	-	-	-	-	-	-	-	**22,122,309**	35,687
Total	**631,544,596**	**274,259,329**	**7,653,796**	**64,385,452**	**1,909,959**	**212,660,173**	**819,648**	**13,036,666**	**574,725,023**	**46,604,030**	**44,058,620**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) **Credit risk (continued)**

Management of credit risk (continued)

Bank

2024	Maximum exposure to credit risk	Land & buildings deposits	Cash & other pledges	Motor vehicles	Hypotheca-tion of stock	Debentures & guarantees	Equities & Shares	Other chattels	Total Collateral	Net exposure	Associated ECL
Loans and advances to customers	356,257,992	302,416,381	3,853,945	63,449,028	5,101,077	238,179,660	1,591,600	16,469,243	631,060,934	**(274,802,942)**	47,431,915
Deposits and balances due from banking institutions	47,027,095	-	-	-	-	-	-	-	-	**47,027,095**	6,429
Debt instruments at amortised cost	106,884,614	-	-	-	-	-	-	-	-	**106,884,614**	857,860
Debt & equity instru-ments at fair value through other compre-hensive income	99,081,290	-	-	-	-	-	-	-	-	**99,081,290**	19,458
Other assets	25,874,063	-	-	-	-	-		-	-	**25,874,063**	-
Balances with Central Bank	30,444,256	-	-	-	-	-	-	-	-	**30,444,256**	-
Total	**665,569,310**	**302,416,381**	**3,853,945**	**63,449,028**	**5,101,077**	**238,179,660**	**1,591,600**	**16,469,243**	**631,060,934**	**34,508,376**	**48,315,662**

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) **Credit risk (continued)**

Management of credit risk (continued)

Bank (continued)

2023	Maximum exposure to credit risk	Land & buildings deposits	Cash & other pledges	Motor vehicles	Hypotheca-tion of stock	Debentures & guarantees	Equities & Shares	Other chattels	Total Collateral	Net exposure	Associated ECL
Loans and advances to customers	360,387,386	259,974,435	6,585,024	63,421,487	1,580,402	209,974,779	631,626	12,518,429	554,686,182	**(194,298,796)**	40,613,665
Deposits and balances due from banking institutions	21,729,052	-	-	-	-	-	-	-	-	**21,729,052**	2,749
Debt instruments at amortised cost	84,345,718	-	-	-	-	-	-	-	-	**84,345,718**	1,174,750
Debt & equity instruments at fair value through other comprehensive income	84,804,458	-	-	-	-	-	-	-	-	**84,804,458**	1,423,671
Other assets	7,231,965	-	-	-	-	-		-	-	**7,231,965**	-
Balances with Central Bank	28,015,013	-	-	-	-	-	-	-	-	**28,015,013**	-
Total	**586,513,592**	**259,974,435**	**6,585,024**	**63,421,487**	**1,580,402**	**209,974,779**	**631,626**	**12,518,429**	**554,686,182**	**31,827,410**	**43,214,835**

The fair value of collateral above are undiscounted to cater for time to realisation and have not considered the haircuts required by prudential guidelines. Hence the balances are higher than the gross carrying amount of loans and advances.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

Management of credit risk (continued)

i) Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the accounting policies on note 2(m).

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intra day payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also has an early warning system, (EWS), which considers a variety of parameters that may indicate unlikeliness of the customer to pay. EWS accounts are carefully reviewed and decisions made that result in treating customer as either stage 2 or stage 3 for ECL calculations such parameters include:

- Changes in account turnovers
- Adverse industry information
- Missed covenants and conditions especially of financial information or ratios
- Missed monthly payments
- Reduced monthly payments
- The borrower requesting emergency funding from the Group
- Bouncing cheques
- A material decrease in the borrower's turnover or the loss of a major customer
- Suspension of the debtor at the primary exchange because of rumours or facts about financial difficulties
- The borrower having past due liabilities to public creditors or employees.
- Increase of frequency of overdraft.
- Several requests on restructure.
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor filing for bankruptcy application/protection
- Employee retrenchment
- Diversion of funds

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

The Group's internal rating and PD estimation process

The Group's Credit risk division operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rated from AAA to F using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behaviour. Where practical, we also build on information from credit reference bureaus. The internal credit grades are assigned based on these Basel III based grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate historically collected loss behaviour data and forward-looking information and the IFRS 9 Stage classification of the exposure.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

(i) Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, investment banks and stockbrokers. For these relationships, the Group's credit department analyses available information such as financial information and other external data, e.g., the rating of credit reference bureaus, ratings by moody or other credible agencies and assigns the internal rating, as shown in the table below.

(ii) Corporate and Co-operatives, small and medium business lending

For above segments of customers, the borrowers are assessed by specialised credit risk analysis employees of the Group. The credit risk assessment is based on a mix of expert assessment and credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Group and the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated on basis of behaviours opposed to using an application score and are being migrated to digital channels for more efficient management.

(iii) Consumer lending and other retail advances

Consumer lending comprises unsecured personal loans, credit cards, salary advances, asset finance and mortgages. These products are assessed on basis of product probability of default history and are driven for ECL by an automated tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

(iv) The Group's and the Bank's internal credit rating grades

Grade	Classification
1	Normal
2	Watch
3	Substandard
4	Doubtful
5	Loss

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments.

To calculate the EAD for a Stage 1 loan, the Group and the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Exposure at default (continued)

The Group and the Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's and the Bank's models.

Loss given default

For corporate financial instruments, LGD values are assessed at the end of every month, reviewed and approved by the Bank's specialized risk department. The risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

For Corporate, Co-operatives, Small and Medium lending as well as Asset finance and mortgages, the value of securities and expected future cash flows as well as recovery histories are taken into consideration in arriving as specific loss given default to apply to the ECL calculations.

The Group and the Bank segments its retail lending products like unsecured loans, credit cards, mobile loans into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data.

Under IFRS 9, LGD rates are estimated for the stage 1, stage 2 and stage 3 IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and where possible, calibrated through back testing against recent recoveries.

The Group and the Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2 and Stage 3 IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Group and the Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group and the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Group and the Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

When estimating ECLs on a collective basis for a group of similar assets, the Group and the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

The Bank and Group did not make any changes to its portfolio classification arising from the pandemic. The grouping of portfolios is detailed below.

Grouping financial assets measured on a collective basis

The Group and the Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Group and the Bank calculates ECL on an individual basis include:

- Top 50 Corporate
- Composite (SME, MCU, Asset Finance, Mortgage Finance, Corporate Loans)
- Overdraft
- Mobi-Loans
- Credit Card
- Guarantee
- Letters of Credit
- SACCO & Agri Business

Asset classes where the Group and the Bank calculates ECL on a collective basis include:

- Retail unsecured

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Significant increase in credit risk (continued)

The Group and the Bank consolidates these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Repayment Type
- Repayment Frequency
- Contract Start Date
- Date of First Repayment
- Expiry date
- Product Type
- Effective Interest Rate
- Days Past Due Band

Analysis of inputs to the ECL model under multiple economic scenarios

The macroeconomic factor forecasts - for the three scenarios, best estimate, optimistic and downturn - are used to create forecasted values for each of the principal components. These factors are first differenced and lagged, where applicable, and then standardised. Thereafter, the principal components are derived through vector multiplication of the principal components, using the weights for each factor. Lastly, for each scenario, the forecasted index is constructed using the weights.

Data on inflation interest rates etc is obtained from Central Bank of Kenya website and Kenya Bureau of Statistics to come up with the various scenarios that is used to overlay the ECLs.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for “Subsequent years” represent a long-term average and so are the same for each scenario.

Macroeconomic Overlays

	Upside	Base	Downside
Year 1	1.240109	1.023765	1.305455
Year 2	1.258345	1.054773	1.291073
Year 3	1.195688	1.075684	1.226786
Year 4	1.202606	1.085737	1.233884
Year 5	1.216451	1.094737	1.248089

Probability weightings

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called ‘worst case’ or ‘stress case’ scenarios. Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario.

	2024	2023
Base case	40%	40%
Upside	20%	20%
Downside	40%	40%

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Credit quality analysis

An analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, are analysed under a separate category under Note 49.

Group	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	KShs'000	KShs'000	KShs'000	KShs'000
Gross carrying amount as at 1 January 2024	**308,623,637**	**48,644,582**	**66,105,185**	**423,373,404**
New financial assets originated or purchased	84,241,434	16,093,981	4,492,854	**104,828,269**
Financial assets that have been derecognised (excluding write-off)	(67,704,322)	(19,665,351)	(8,214,874)	**(95,584,547)**
Transfer to Stage 1	3,488,012	(2,864,872)	(623,140)	-
Transfer to Stage 2	(5,348,255)	5,420,788	(72,533)	-
Transfer to Stage 3	(3,690,068)	(7,365,326)	11,055,394	-
Write offs	-	(156,260)	(2,140,201)	**(2,296,461)**
Other changes	(999,406)	(586,867)	397,549	**(1,188,724)**
Gross carrying amount as at 31 December 2024	**318,611,032**	**39,520,675**	**71,000,234**	**429,131,941**
Impairment allowance as at 1 January 2024	**8,255,937**	**9,774,270**	**24,767,917**	**42,798,124**
New financial assets originated or purchased	2,047,547	9,769,147	4,184,954	**16,001,648**
Financial assets that have been derecognised (excluding write-off)	(1,605,324)	(3,546,782)	(1,381,204)	**(6,533,310)**
Transfer to Stage 1	1,353,347	(1,140,979)	(212,368)	-
Transfer to Stage 2	(1,111,291)	1,137,462	(26,171)	-
Transfer to Stage 3	(3,661,439)	(3,991,807)	7,653,246	-
Write offs	-	(156,260)	(2,140,201)	**(2,296,461)**
Other changes	(692,104)	(127,832)	337,166	**(482,770)**
Impairment allowance as at 31 December 2024	**4,216,673**	**11,687,219**	**33,183,339**	**49,087,231**
Net carrying Amount as at 31 December 2024	**314,394,359**	**27,833,456**	**37,816,895**	**380,044,710**

* Other changes mainly relates to foreign exchange differences and impact of ECL transfers .

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is KShs 2.3 billion (2023: KShs 1.4 billion).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Credit quality analysis (continued)

Group (continued)	Stage 1 12-month ECL KShs'000	Stage 2 Lifetime ECL KShs'000	Stage 3 Lifetime ECL KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2023	**294,587,633**	**36,481,803**	**52,534,604**	**383,604,040**
New financial assets originated or purchased	120,022,517	36,571,808	16,090,636	**172,684,961**
Financial assets that have been derecognised (excluding write-off)	(98,915,584)	(25,375,690)	(9,585,816)	**(133,877,090)**
Transfer to Stage 1	3,243,351	(2,135,370)	(1,107,981)	-
Transfer to Stage 2	(3,956,128)	4,587,667	(631,539)	-
Transfer to Stage 3	(7,945,384)	(2,099,686)	10,045,070	-
Write offs	-	-	(1,440,805)	**(1,440,805)**
Other changes*	1,587,232	614,050	201,014	**2,402,296**
Gross carrying amount as at 31 December 2023	**308,623,637**	**48,644,582**	**66,105,183**	**423,373,402**
Impairment allowance as at 1 January 2023	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**
New financial assets originated or purchased	7,834,304	14,745,662	1,007,869	**23,587,835**
Financial assets that have been derecognised (excluding write-off)	(1,342,849)	(9,535,006)	(6,656,536)	**(17,534,391)**
Transfer to Stage 1	174,570	(100,457)	(74,113)	-
Transfer to Stage 2	(334,381)	543,749	(209,368)	-
Transfer to Stage 3	(3,308,639)	(209,829)	3,518,468	-
Write offs	-	-	(1,440,805)	**(1,440,805)**
Other changes	37,096	87,004	64,585	**188,685**
Impairment allowance as at 31 December 2023	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**
Net carrying Amount as at 31 December 2023	**300,367,699**	**38,870,313**	**41,337,266**	**380,575,278**

Other financial assets

	Stage 1 12-month ECL KShs'000	Stage 2 Lifetime ECL KShs'000	Stage 3 Lifetime ECL KShs'000	Total KShs'000
Deposits and balance due from banks - at amortised cost:				
- Gross carrying amount	52,226,074	-	-	52,226,074
- ECL	63,339	-	-	63,339
Net carrying amount as at 31 December 2024	**52,162,735**	**-**	**-**	**52,162,735**
Government Securities:				
- Gross carrying amount	220,217,659	-	-	220,217,659
- ECL	1,747,974	-	-	1,747,974
Net carrying amount as at 31 December 2024	**218,469,685**	**-**	**-**	**218,469,685**
Other Sundry Debtors:				
- Gross carrying amount	35,151,203	-	-	35,151,203
- ECL	82,765	-	-	82,765
Net carrying amount as at 31 December 2024	**35,068,438**	**-**	**-**	**35,068,438**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Credit quality analysis (continued)

Other financial assets

Group (continued)	Stage 1 12-month ECL KShs'000	Stage 2 Lifetime ECL KShs'000	Stage 3 Lifetime ECL KShs'000	Total KShs'000
Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	27,316,305	-	-	**27,316,305**
- ECL	41,175	-	-	**41,175**
Net carrying amount as at 31 December 2023	**27,275,130**	**-**	**-**	**27,275,130**
Government Securities:				
- Gross carrying amount	193,097,345	-	-	**193,097,345**
- ECL	2,659,775	-	-	**2,659,775**
Net carrying amount as at 31 December 2023	**190,437,570**	**-**	**-**	**190,437,570**
Other Sundry Debtors:				
- Gross carrying amount	20,976,680	-	-	**20,976,680**
- ECL	96,201	-	-	**96,201**
Net carrying amount as at 31 December 2023	**20,880,479**	**-**	**-**	**20,880,479**
Bank				
Gross carrying amount as at 1 January 2024	**297,544,675**	**47,407,885**	**62,396,348**	**407,348,908**
New financial assets originated or purchased	76,727,782	15,861,530	4,158,486	**96,747,798**
Financial assets that have been derecognised (excluding write-off)	(64,171,639)	(19,559,214)	(7,777,499)	**(91,508,352)**
Transfer to Stage 1	3,900,820	(2,866,842)	(1,033,978)	-
Transfer to Stage 2	(5,148,923)	5,417,095	(268,172)	-
Transfer to Stage 3	(3,705,047)	(7,273,615)	10,978,662	-
Write-offs	-	(156,260)	(1,375,565)	**(1,531,825)**
changes*	(847,790)	(81,287)	(125,762)	**(1,054,839)**
Gross carrying amount as at 31 December 2024	**304,299,878**	**38,749,292**	**66,952,520**	**410,001,690**
Impairment allowance as at 1 January 2024	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**
New financial assets originated or purchased	1,835,874	9,727,123	4,007,690	**15,570,687**
Financial assets that have been derecognised (excluding write-off)	(1,519,281)	(3,562,194)	(1,201,792)	**(6,283,267)**
Transfer to Stage 1	1,326,327	(1,120,234)	(206,093)	-
Transfer to Stage 2	(1,094,361)	1,119,125	(24,764)	-
Transfer to Stage 3	(3,644,235)	(3,964,805)	7,609,040	-
Write offs	-	(156,260)	(1,375,565)	**(1,531,825)**
Other changes*	(832,068)	(63,399)	(41,878)	**(937,345)**
Impairment allowance as at 31 December 2024	**3,891,585**	**11,624,310**	**31,916,020**	**47,431,915**
Net carrying Amount as at 31 December 2024	**300,408,293**	**27,124,982**	**35,036,500**	**362,569,775**

* Other changes relate to foreign exchange differences and other Loan and ECL movements not listed in the movement.

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is KShs 1.6 billion (2023: KShs 186 million).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Credit quality analysis (continued)

Bank (continued)	Stage 1 12-month ECL KShs'000	Stage 2 Lifetime ECL KShs'000	Stage 3 Lifetime ECL KShs'000	Total KShs'000
Gross carrying amount as at 1 January 2023	**289,557,659**	**35,389,334**	**47,479,846**	**372,426,839**
New financial assets originated or purchased	113,189,984	36,400,928	15,835,126	**165,426,038**
Financial assets that have been derecognised (excluding write-off)	(96,881,151)	(24,911,282)	(9,123,149)	**(130,915,582)**
Transfer to Stage 1	3,166,758	(2,098,708)	(1,068,050)	-
Transfer to Stage 2	(3,759,492)	4,347,688	(588,196)	-
Transfer to Stage 3	(7,900,101)	(1,981,092)	9,881,193	-
Write-offs	-	-	(185,970)	**(185,970)**
Other changes	171,018	261,017	165,548	**597,583**
Gross carrying amount as at 31 December 2023	**297,544,675**	**47,407,885**	**62,396,348**	**407,348,908**
Impairment allowance as at 1 January 2023	**4,630,561**	**4,127,746**	**26,128,293**	**34,886,600**
New financial assets originated or purchased	7,531,410	14,695,708	447,552	**22,674,670**
Financial assets that have been derecognised (excluding write-off)	(932,779)	(9,435,735)	(6,591,556)	**(16,960,070)**
Transfer to Stage 1	120,575	(82,353)	(38,222)	-
Transfer to Stage 2	(296,433)	471,983	(175,550)	-
Transfer to Stage 3	(3,284,602)	(207,805)	3,492,407	-
Write offs	-	-	(185,970)	**(185,970)**
Other changes	50,597	75,410	72,428	**198,435**
Impairment allowance as at 31 December 2023	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**
Net carrying Amount as at 31 December 2023	**289,725,346**	**37,762,931**	**39,246,966**	**366,735,243**

Other financial assets

Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	47,033,524	-	-	47,033,524
- ECL	6,429	-	-	6,429
Net carrying amount as at 31 December 2024	**47,027,095**	**-**	**-**	**47,027,095**
Government Securities:				
- Gross carrying amount	197,868,371	-	-	197,868,371
- ECL	1,677,937	-	-	1,677,937
Net carrying amount as at 31 December 2024	**196,190,434**	**-**	**-**	**196,190,434**
Other Sundry Debtors:				
- Gross carrying amount	32,490,663	-	-	32,490,663
- ECL	8,469	-	-	8,469
Net carrying amount as at 31 December 2024	**32,482,194**	**-**	**-**	**32,482,194**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Credit quality analysis (continued)

Other financial assets (continued)

Bank (continued)	Stage 1 12-month ECL KShs'000	Stage 2 Lifetime ECL KShs'000	Stage 3 Lifetime ECL KShs'000	Total KShs'000
Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	21,731,801	-	-	21,731,801
- ECL	2,749	-	-	2,749
Net carrying amount as at 31 December 2023	**21,729,052**	**-**	**-**	**21,729,052**
Government Securities:				
- Gross carrying amount	171,748,597	-	-	171,748,597
- ECL	2,598,421	-	-	2,598,421
Net carrying amount as at 31 December 2023	**169,150,176**	**-**	**-**	**169,150,176**
Other Sundry Debtors:				
- Gross carrying amount	21,170,316	-	-	21,170,316
- ECL	24,889	-	-	24,889
Net carrying amount as at 31 December 2023	**21,145,427**	**-**	**-**	**21,145,427**

Collateral and other credit enhancements

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

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties
- For asset finance, charge over the asset
- For MCU charge over chattels

The Group and the Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

i) Impairment assessment (continued)

Collateral and other credit enhancements

In the normal course of business, the Group and the Bank do not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
(i) Categorised by loans & advances:				
Stage 3/Doubtful & loss categories	21,982,843	30,674,697	15,980,326	25,297,022
Stage 3/ Sub-standard category	77,685,170	57,268,666	73,668,985	56,459,080
Stage 1&2 / Normal & watch categories	555,205,892	488,916,579	541,411,622	472,930,080
	654,873,905	**576,859,942**	**631,060,933**	**554,686,182**
(ii) Categorised by nature of collateral:				
Land & buildings	317,995,586	275,450,562	302,416,381	259,974,435
Cash & other pledges	7,467,367	8,094,816	3,853,945	6,585,024
Motor vehicles	66,282,835	64,385,452	63,449,028	63,421,487
Hypothecation of stock	5,677,952	1,909,959	5,101,077	1,580,402
Debentures & guarantees	238,858,748	213,162,837	238,179,660	209,974,779
Equities & Shares	1,767,642	819,648	1,591,600	631,626
Other chattels	16,823,775	13,036,668	16,469,242	12,518,429
	654,873,905	**576,859,942**	**631,060,934**	**554,686,182**

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group and the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it may remain in this category or may be re-graded depending on performance after restructuring. Note 13 (b) shows the movement of loan between stage 1,2 and 3. The carrying amount of renegotiated financial assets that would otherwise be past due or impaired is as KShs 2,690,423 (2023: KShs 9,867,733).

ii) Concentration of Risk

Concentration indicates the relative sensitivity of the Group's and Bank's performance to developments affecting a particular industry or geographical location. Excessive concentration arises when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

ii) Concentration of Risk (continued)

To avoid excessive concentration of risk, the Group's and the Bank's policies and procedures include specific guidelines that ensure maintenance of a diversified portfolio across bank products, industry sectors, geographic spread, credit ratings, customer segments and exposure to single or related counterparties. Concentrations of credit risk which have been identified are controlled and managed accordingly.

Loans and advances:		**Group**		**Bank**
	2024	**2023**	**2024**	**2023**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
(i) Concentration by sector:				
Agriculture	8,390,694	6,682,061	8,250,582	6,666,677
Manufacturing, energy & water	18,713,286	20,630,529	18,650,100	20,474,104
Financial services	37,857,749	37,421,545	37,460,138	36,178,695
Tourism & hospitality	2,298,974	3,637,971	2,181,735	2,700,049
Wholesale and retail trade	59,455,201	56,150,372	53,214,410	52,743,612
Transport and communication	37,144,005	42,223,701	35,778,617	41,074,449
Real Estate, building & construction	43,106,680	45,689,515	40,984,366	42,992,711
Consumer & household	222,165,353	210,937,708	213,481,742	204,518,611
	429,131,941	**423,373,402**	**410,001,690**	**407,348,908**
Less: staff loans amortisation	(6,311,783)	(6,347,857)	(6,311,783)	(6,347,857)
	422,820,158	**417,025,545**	**403,689,907**	**401,001,051**
(ii) Concentration by business:				
Corporate	119,573,848	126,669,258	119,117,270	124,769,886
Mortgage & Asset Finance	67,129,434	66,842,368	65,007,120	64,145,564
Small, Medium and Microenterprises	56,593,914	52,130,028	48,987,735	47,574,016
Retail	179,575,543	172,844,324	170,770,475	165,987,402
Agribusiness	6,259,202	4,887,424	6,119,090	4,872,040
	429,131,941	**423,373,402**	**410,001,690**	**407,348,908**
Less: staff loans amortisation	(6,311,783)	(6,347,857)	(6,311,783)	(6,347,857)
	422,820,158	**417,025,545**	**403,689,907**	**401,001,051**

Write-off policy

As disclosed in note 13, The Group and the Bank writes off a loan balance as and when Board of Directors 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 will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

iii) Settlement Risk

The Group's and the Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash or other assets as contractually agreed. For some transactions, settlement risk is mitigated by conducting settlements through a settlement/clearing agent to ensure that a transaction is settled only when both parties have fulfilled their contractual obligations. Where this arrangement is not available, this risk is controlled through settlement limits which form part of the credit approval and limit monitoring process under the Group's and Bank's risk management mechanisms. This requires transaction-specific or counterparty-specific assessment to ensure the Group and the Bank deals with highly rated counterparties and implements other measures such as holding collateral.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk

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

Management of liquidity risk

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

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then 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 Bank 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. In addition to internally set liquidity buffers and trigger ratios, compliance with the regulatory framework is also monitored consistently. Liquidity management is regularly reviewed in order to ensure appropriate reactions to shifts in general conditions, and special importance is attached to diversification of liquidity resources. All liquidity policies and procedures are subject to review and approval by Board Risk & Finance Committee which also receives regular risk reports.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

Exposure to liquidity risk

The table below analyses the Group's and Banks assets and liabilities into relevant groupings based on the remaining period at 31 December to the un-discounted contractual cash flows:

GROUP 31 December 2024 FINANCIAL ASSETS	Available immediately and up to 1 month KShs'000	1-3 months KShs'000	3-12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Total KShs'000
Cash and balances with Central Bank of Kenya	34,783,864	-	-	-	-	**34,783,864**
Deposits and balances due from banks	31,994,327	20,168,408	-	-	-	**52,162,735**
Investment in financial instruments	2,012,528	10,101,697	22,817,336	115,549,399	144,369,400	**294,850,360**
Loans and advances to customers	44,576,001	6,253,070	26,279,338	161,562,643	278,193,910	**516,864,962**
Other assets	612,546	16,675,365	8,014,182	-	-	**25,302,093**
Total undiscounted financial assets	**113,979,266**	**53,198,540**	**57,110,856**	**277,112,042**	**422,563,310**	**923,964,014**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	2,283,906	517,171	-	-	-	**2,801,077**
Customers' deposits	364,744,948	64,882,899	78,720,797	1,317,171	-	**509,665,815**
Loans and borrowings	836,654	928,514	2,057,468	20,542,211	42,164,483	**66,529,330**
Lease liability	116,193	242,206	1,174,519	3,150,095	716,973	**5,399,986**
Derivative	-	-	367,277	-	-	**367,277**
Other liabilities	11,405,578	17,024	-	116,385	-	**11,538,987**
Total undiscounted financial liabilities	**379,387,279**	**66,587,814**	**82,320,061**	**25,125,862**	**42,881,456**	**596,302,472**
Net liquidity gap at 31 December 2024	**(265,408,013)**	**(13,389,274)**	**(25,209,205)**	**251,986,180**	**379,681,854**	**327,661,542**
Liabilities not recognised in statement of financial position (Note 49)	**5,404,909**	**8,941,689**	**27,343,390**	**6,388,548**	**623,334**	**48,701,870**

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period to which the guarantee could be called. The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

BANK 31 December 2024	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cash and balances with Central Bank of Kenya	30,444,256	-	-	-	-	**30,444,256**
Deposits and balances due from banks	27,541,875	19,485,220	-	-	-	**47,027,095**
Investment in financial instruments	2,012,528	10,101,697	22,817,336	105,881,968	132,530,590	**273,344,119**
Loans and advances to customers	42,824,471	5,673,943	25,162,500	143,961,273	278,193,910	**495,816,097**
Amounts due from related parties	-	-	59,062	-	-	**59,062**
Other assets	612,546	16,675,365	7,663,998	-	-	**24,951,909**
Total undiscounted financial assets	**103,435,676**	**51,936,225**	**55,702,896**	**249,843,241**	**410,724,500**	**871,642,538**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	4,476,324	-	-	-	-	**4,476,324**
Customers' deposits	348,805,077	59,459,830	71,730,962	1,248,003	-	**481,243,872**
Loans and borrowings	836,654	-	-	13,887,729	34,678,769	**49,403,152**
Lease liability	110,280	224,385	1,035,564	2,671,011	716,973	**4,758,213**
Derivative	-	-	367,277	-	-	**367,277**
Other liabilities	10,652,996	-	1,999,478	-	-	**12,652,474**
Total undiscounted financial liabilities	**364,881,331**	**59,684,215**	**75,133,281**	**17,806,743**	**35,395,742**	**552,901,312**
Net liquidity gap at 31 December 2024	**(261,445,655)**	**(7,747,990)**	**(19,430,385)**	**232,036,498**	**375,328,758**	**318,741,226**
Liabilities not recognised in statement of financial position (Note 49)	**5,515,276**	**9,124,276**	**26,272,518**	**6,519,001**	**636,062**	**48,067,133**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

GROUP 31 December 2023 FINANCIAL ASSETS	Available immediately and up to 1 month KShs'000	1-3 months KShs'000	3-12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Total KShs'000
Cash and balances with Central Bank of Kenya	29,982,617	2,510,054	-	-	-	**32,492,671**
Deposits and balances due from banks	22,848,242	4,829,678	-	-	-	**27,677,920**
Investment in financial instruments	2,004,560	11,483,204	15,426,314	102,493,585	134,736,549	**266,144,212**
Loans and advances to customers	37,207,916	15,311,367	26,917,180	166,739,944	269,475,674	**515,652,081**
Other assets	650,637	-	-	6,227,396	-	**6,878,033**
Total undiscounted financial assets	**92,693,972**	**34,134,303**	**42,343,494**	**275,460,925**	**404,212,223**	**848,844,917**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	5,752,083	628,047	-	-	-	**6,380,130**
Customers' deposits	335,563,894	60,106,605	57,023,492	328,632	-	**453,022,623**
Loans and borrowings	4,874,105	59,049	2,356,896	14,440,318	60,796,745	**82,527,113**
Lease liability	115,456	282,716	1,206,657	1,878,575	1,970,623	**5,454,027**
Derivative	-	-	1,396,103	-	-	**1,396,103**
Other liabilities	7,413,300	-	3,088	-	-	**7,416,388**
Total undiscounted financial liabilities	**353,718,838**	**61,076,417**	**61,986,236**	**16,647,525**	**62,767,368**	**556,196,384**
Net liquidity gap at 31 December 2023	**(261,024,866)**	**(26,942,114)**	**(19,642,742)**	**258,813,400**	**341,444,855**	**292,972,533**
Liabilities not recognised in statement of financial position (Note 49)	**1,305,247**	**3,465,124**	**9,236,070**	**6,914,156**	**149,756**	**21,070,354**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

BANK 31 December 2023 FINANCIAL ASSETS	Available immediately and up to 1 month KShs'000	1-3 months KShs'000	3-12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Total KShs'000
Cash and balances with Central Bank of Kenya	28,015,013	-	-	-	-	**28,015,013**
Deposits and balances due from banks	18,974,973	2,754,079	-	-	-	**21,729,052**
Investment in financial instruments	2,004,560	11,483,204	13,926,314	76,714,218	134,690,411	**238,818,707**
Loans and advances to customers	36,543,292	14,559,653	25,228,184	153,202,210	269,475,674	**499,009,013**
Amounts due from related parties	-	-	104,515	-	-	**104,515**
Other assets	650,502	-	-	6,350,606	-	**7,001,108**
Total undiscounted financial assets	**86,188,340**	**28,796,936**	**39,259,013**	**236,267,034**	**404,166,085**	**794,677,408**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	5,752,083	-	-	-	-	**5,752,083**
Customers' deposits	328,351,680	50,505,097	54,583,802	275,892	-	**433,716,471**
Loans and borrowings	2,585,135	-	-	5,355,430	51,813,888	**59,754,453**
Lease liability	115,456	233,355	1,066,581	1,417,357	1,970,623	**4,803,372**
Derivative	-	-	1,396,103	-	-	**1,396,103**
Other liabilities	7,412,856	-	9,106	-	-	**7,421,962**
Total undiscounted financial liabilities	**344,217,210**	**50,738,452**	**57,055,592**	**7,048,679**	**53,784,511**	**512,844,444**
Net liquidity gap at 31 December 2023	**(258,028,870)**	**(21,941,516)**	**(17,796,579)**	**229,218,355**	**350,612,431**	**281,832,964**
Liabilities not recognised in statement of financial position (Note 49)	**1,270,203**	**3,372,090**	**8,988,093**	**6,728,519**	**145,736**	**20,504,640**

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

	2024 %	2023 %	2022 %
At 31 December	54.8	52.0	42.2
Average for the year	51.9	51.3	44.7
Maximum for the year	54.8	52.3	47.4
Minimum for the year	48.0	50.3	42.2
Statutory minimum ratio	20.0	20.0	20.0

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Bank's income or 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.

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are managed on a mark to market basis. Overall authority for market risk is vested in Asset and Liability Committee (ALCO). Risk Management Department is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Exposure to market risk – trading portfolios

The Bank measures its market risk exposure for the trading portfolio through marking to market monthly.

Exposure to interest rate risk – non- trading portfolios

The principal risk to which held to maturity 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 re-pricing bands to minimise the impact of movements in market interest rates on its net interest margin. Maturity gap analysis of assets and liabilities, whereby interest rate re-pricing based on time (periodic) buckets is used to measure potential income effects arising from interest rate changes. The Bank critically evaluates overall risk and return profiles and objectives, including monitoring compliance through ALCO in conjunction with Risk Management Department for day-to-day activities.

i. Exposure to interest rate risk

The Bank carries interest rate fluctuations risk on its operations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. As comprehensively highlighted above, the Bank has constituted various policies managed by different departments to manage and monitor the risks on a day-to-day basis.

Interest rate benchmark reform

A fundamental reform by the Financial Stability Board of major interest rate benchmarks was undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The GBP, EUR and JPY LIBOR rates and the one-week and two-month USD LIBOR rates were discontinued as at 31 December 2021. The USD LIBOR rate was discontinued post 30 June 2023.

By the end of 2024 the Group had successfully completed the transition of the majority of its IBOR exposure to RFRs. In particular, prior to the cessation of some synthetic LIBORs the Group had completed the transition of all affected exposures.

The IBOR reform exposes the Group to various risks, which the relevant teams have been managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to interest rate risk (continued)

The table below summarises the exposure to interest rate risks. Included in the table are the group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The sensitivity computations assume that financial assets maintain a constant rate of return from one year to the next. The Group bases its sensitivity analysis on the interest sensitivity gap. However, the sensitivity analysis has been performed only on interest-bearing financial assets and liabilities that are subject to/ could be subject to interest rate changes.

GROUP 31 December 2024	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		KShs'000
ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	34,783,864	**34,783,864**
Deposits and balances due from banks	29,952,823	22,209,912	-	-	-	-	**52,162,735**
Investment in financial instruments	1,992,602	9,807,473	21,525,789	102,693,369	82,858,586	-	**218,877,819**
Loans and advances to customers	43,576,314	6,601,375	24,803,239	124,595,317	173,871,194	285,488	**373,732,927**
Other assets	-	-	-	-	-	15,172,282	**15,172,282**
Total assets	**75,521,739**	**38,618,760**	**46,329,028**	**227,288,686**	**256,729,780**	**50,241,634**	**694,729,627**
LIABILITIES							
Deposits and balances due to banks	2,283,906	517,171	-	-	-	-	**2,801,077**
Customers' deposits	114,588,484	64,081,890	76,812,163	1,170,819	-	249,458,791	**506,112,147**
Loans and borrowings	832,492	914,792	544,005	11,467,407	26,675,976	14,971,428	**55,406,100**
Other liabilities	-	-	-	-	-	11,538,987	**11,538,987**
Lease liabilities	225,349	236,467	1,040,324	2,564,598	470,146	-	**4,536,884**
Total liabilities	**117,930,231**	**65,750,320**	**78,396,492**	**15,202,824**	**27,146,122**	**275,969,206**	**580,395,195**
Interest sensitivity gap	**(42,408,492)**	**(27,131,560)**	**(32,067,464)**	**212,085,862**	**229,583,658**	**(225,727,572)**	**114,334,432**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to interest rate risk (continued)

BANK 31 December 2024	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	30,444,256	**30,444,256**
Deposits and balances due from banks	27,541,875	19,485,220	-	-	-	-	**47,027,095**
Investment in financial instruments	1,992,602	9,807,473	21,525,789	81,447,668	82,831,619	-	**197,605,151**
Loans and advances to customers	42,400,466	5,508,683	23,738,208	110,739,441	173,871,194	-	**356,257,992**
Other assets	-	-	-	-	-	25,874,063	**25,874,063**
Total assets	**71,934,943**	**34,801,376**	**45,263,997**	**192,187,109**	**256,702,813**	**56,318,319**	**657,208,557**
LIABILITIES							
Deposits and balances due to banks	4,476,324	-	-	-	-	-	4,476,324
Customers' deposits	105,123,581	58,725,758	69,981,426	1,109,336	-	243,243,481	478,183,582
Loans and borrowings	832,492	-	-	12,076,286	26,675,976	-	39,584,754
Other liabilities	-	-	-	-	-	12,652,474	12,652,474
Lease liabilities	109,323	218,646	983,909	2,115,652	470,146	-	3,897,676
Total liabilities	**110,541,720**	**58,944,404**	**70,965,335**	**15,301,274**	**27,146,122**	**255,895,955**	**538,794,810**
Interest sensitivity gap	**(38,606,777)**	**(24,143,028)**	**(25,701,338)**	**176,885,835**	**229,556,691**	**(199,577,636)**	**118,413,747**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to interest rate risk (continued)

GROUP 31 December 2023	Available immediately and up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	32,492,671	**32,492,671**
Deposits and balances due from banks	22,581,366	3,202,266	-	-	-	1,491,498	**27,275,130**
Investment in financial instruments	1,984,713	11,148,742	14,638,032	78,841,219	84,210,343	-	**190,823,049**
Loans and advances to customers	36,839,521	14,489,476	25,446,704	126,222,585	170,833,580	395,555	**374,227,421**
Other assets	-	-	-	-	-	7,111,804	**7,111,804**
Total assets	**61,405,600**	**28,840,484**	**40,084,736**	**205,063,804**	**255,043,923**	**41,491,528**	**631,930,075**
LIABILITIES							
Deposits and balances due to banks	3,829,231	628,047	-	-	-	-	**4,457,278**
Customers' deposits	108,468,060	52,451,187	55,632,922	292,117	-	234,797,762	**451,642,048**
Loans and borrowings	2,353,213	-	544,005	6,555,498	39,856,837	18,024,763	**67,334,316**
Other liabilities	-	-	-	-	-	7,416,388	**7,416,388**
Lease liabilities	224,957	281,618	1,128,340	1,616,272	1,494,028	-	**4,745,215**
Total liabilities	**114,875,461**	**53,360,852**	**57,305,267**	**8,463,887**	**41,350,865**	**260,238,913**	**535,595,245**
Interest sensitivity gap	**(53,469,861)**	**(24,520,368)**	**(17,220,531)**	**196,599,917**	**213,693,058**	**(218,747,385)**	**96,334,830**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to interest rate risk (continued)

BANK 31 December 2023	**Available immediately and up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non- interest bearing**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	28,015,013	**28,015,013**
Deposits and balances due from banks	18,974,973	2,754,079	-	-	-	-	**21,729,052**
Investment in financial instruments	1,984,713	11,148,742	13,138,032	59,010,937	84,181,507	-	**169,463,931**
Loans and advances to customers	36,181,477	14,135,585	23,800,174	117,847,854	168,422,296	-	**360,387,386**
Other assets	-	-	-	-	-	7,231,965	**7,231,965**
Total assets	**57,141,163**	**28,038,406**	**36,938,206**	**176,858,791**	**252,603,803**	**35,246,978**	**586,827,347**
LIABILITIES							
Deposits and balances due to banks	5,752,083	-	-	-	-	-	**5,752,083**
Customers' deposits	101,371,024	49,881,577	53,252,490	245,237	-	227,797,970	**432,548,298**
Loans and borrowings	2,572,274	-	-	4,656,896	39,856,837	-	**47,086,007**
Other liabilities	-	-	-	-	-	7,421,962	**7,421,962**
Lease liabilities	-	-	-	-	-	4,094,559	**4,094,559**
Total liabilities	**109,695,381**	**49,881,577**	**53,252,490**	**4,902,133**	**39,856,837**	**239,314,491**	**496,902,909**
Interest sensitivity gap	**(52,554,218)**	**(21,843,171)**	**(16,314,284)**	**171,956,658**	**212,746,966**	**(204,067,513)**	**89,924,438**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to interest rate risk (continued)

Interest rate risk sensitivity analysis

With all other variables held constant, the effect of 1% increase or decrease in interest rates on financial assets and liabilities on the group profit before tax and equity would be as follows:

Group	2024 Carrying amount KShs'000	1% increase	1% decrease	2023 Carrying amount KShs'000	1% increase	1% decrease
ASSETS						
Loans and advances to customers	**373,447,439**	3,734,474	(3,734,474)	**373,831,866**	3,738,319	(3,738,319)
LIABILITIES						
Loans and borrowings	**40,434,672**	(404,347)	404,347	**49,309,553**	(493,096)	493,096
Effect on profit before tax		**3,330,127**	**(3,330,127)**		**3,245,223**	**(3,245,223)**
Effect on equity on items other than FVOCI		**2,331,089**	**(2,331,089)**		**2,271,656**	**(2,271,656)**
Debt instruments at fair value through other comprehensive income	**104,187,397**	1,041,874	(1,041,874)	**98,695,811**	986,958	(986,958)
Effect on equity		**3,372,963**	**(3,372,963)**		**3,258,614**	**(3,258,614)**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to interest rate risk (continued)

Bank	**2024**			**2023**		
	Carrying amount KShs'000	**1% increase**	**1% decrease**	**Carrying amount KShs'000**	**1% increase**	**1% decrease**
ASSETS						
Loans and advances to customers	**356,257,992**	3,562,580	(3,562,580)	**360,387,386**	3,603,874	(3,603,874)
LIABILITIES						
Loans and borrowings	**39,584,754**	(395,848)	395,848	**47,086,007**	(470,860)	470,860
Effect on profit before tax		**3,166,732**	**(3,166,732)**		**3,133,014**	**(3,133,014)**
Effect on equity on items other than FVOCI		**2,216,712**	**(2,216,712)**		**2,193,110**	**(2,193,110)**
Debt instruments at fair value through other comprehensive income	**90,382,274**	903,823	(903,823)	**84,804,458**	848,045	(848,045)
Effect on equity		**3,120,535**	**(3,120,535)**		**3,041,155**	**(3,041,155)**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

i. Exposure to currency risk

Currency risk is the potential for losses as a result of adverse exchange rate movements during a period in which the group has an open position, either spot or forward, or a combination of the two, in an individual foreign currency. Currently, the Group operates in 13 foreign currencies (namely USD, GBP, JPY, CHF, AUD, CAD, SEK, NOK, DKK, INR, ZAR, EUR and AED), but USD is the most significant exposure. The Group strives to minimize the potential impact of movements in exchange rates on its risk bearing capacity by having currency position and stop loss limits. The key risk indicators which are used pro-actively to manage and monitor foreign exchange risk are also developed.

The table below summarises foreign currency exposure to the Group as at close of period.

GROUP

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	129.29	162.27	134.29	0.82	142.67	6.87	-	
31 December 2024	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**
Foreign Currency Assets:								
Cash and balances with banks abroad	31,148,775	330,553	7,516,467	35,404	99,499	20,467	118,264	**39,269,429**
Loan and advances to customers	33,744,171	152,208	73,034	-	-	-	-	**33,969,413**
Other foreign assets	26,134,066	11,276	1,178	-	-	12,901	(4)	**26,159,417**
Total statement of financial position items	**91,027,012**	**494,037**	**7,590,679**	**35,404**	**99,499**	**33,368**	**118,260**	**99,398,259**
Items not recognized in statement of financial position*	16,538,776	105,977	3,027,515	92,462	-	-	292,584	**20,057,314**
Total Foreign assets	**107,565,788**	**600,014**	**10,618,194**	**127,866**	**99,499**	**33,368**	**410,844**	**119,455,573**
Foreign Currency Liabilities:								
Deposits	43,159,005	312,022	2,014,225	105,785	21,869	1,792	10,013	**45,624,711**
Loan and borrowings	32,793,330	-	4,028,697	-	-	-	-	**36,822,027**
Other foreign liabilities	1,016,320	64,000	653,728	417	-	-	4,620	**1,739,085**
Total statement of financial position items	**76,968,655**	**376,022**	**6,696,650**	**106,202**	**21,869**	**1,792**	**14,633**	**84,185,823**
Items not recognized in statement of financial position*	27,585,750	243,495	3,649,012	21,078	51,452	25,907	292,594	**31,869,288**
Total Foreign liabilities	**104,554,405**	**619,517**	**10,345,662**	**127,280**	**73,321**	**27,699**	**307,227**	**116,055,111**
Net Exposure at 31 December 2024	**3,011,383**	**(19,503)**	**272,532**	**586**	**26,178**	**5,669**	**103,617**	**3,400,462**

* This comprises of the letters of credits, guarantees, forwards and swaps

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

ii) Exposure to currency risk (continued)

BANK

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	129.29	162.27	134.29	0.82	142.67	6.87	-	
31 December 2024	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**
Foreign Currency Assets:								
Cash and balances with banks abroad	26,825,012	303,147	7,473,136	35,404	99,499	20,467	117,940	**34,874,605**
Loan and advances to customers	30,396,128	152,208	73,034	-	-	-	-	**30,621,370**
Other foreign assets	24,708,023	11,276	-	-	-	12,901	(4)	**24,732,196**
Total statement of financial position items	**81,929,163**	**466,631**	**7,546,170**	**35,404**	**99,499**	**33,368**	**117,936**	**90,228,171**
Items not recognized in statement of financial position*	16,538,776	105,977	3,027,515	92,462	-	-	292,584	**20,057,314**
Total Foreign assets	**98,467,939**	**572,608**	**10,573,685**	**127,866**	**99,499**	**33,368**	**410,520**	**110,285,485**
Foreign Currency Liabilities:								
Deposits	35,659,823	301,603	1,979,316	105,785	21,869	1,792	10,013	**38,080,201**
Loan and borrowings	32,793,330	-	4,028,697	-	-	-	-	**36,822,027**
Other foreign liabilities	-	64,000	653,728	417	-	-	4,620	**722,765**
Total statement of financial position items	**68,453,153**	**365,603**	**6,661,741**	**106,202**	**21,869**	**1,792**	**14,633**	**75,624,993**
Items not recognized in statement of financial position*	27,585,750	243,495	3,649,012	21,078	51,452	25,907	292,594	31,869,288
Total Foreign liabilities	**96,038,903**	**609,098**	**10,310,753**	**127,280**	**73,321**	**27,699**	**307,227**	**107,494,281**
Net Exposure at 31 December 2024	**2,429,036**	**(36,490)**	**262,932**	**586**	**26,178**	**5,669**	**103,293**	**2,791,204**

* This comprises of the letters of credits, guarantees, forwards and swaps

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

ii) Exposure to currency risk (continued)

The table below summarises foreign currency exposure to the Group as at close of period.

GROUP

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	156.418	199.8047	173.7797	1.11	186.9094	8.4402	-	
31 December 2023	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**
Foreign Currency Assets:								
Cash and balances with banks abroad	21,381,390	434,104	7,993,059	146,825	59,078	12,177	105,519	**30,132,152**
Loan and advances to customers	45,696,801	213,117	130,914	-	-	-	-	**46,040,832**
Other foreign assets	31,588,076	2,183	6,040	2,954	-	-	-	**31,599,253**
Total statement of financial position items	**98,666,267**	**649,404**	**8,130,013**	**149,779**	**59,078**	**12,177**	**105,519**	**107,772,237**
Items not recognized in statement of financial position*	17,718,146	99,112	3,975,527	62,399	178	422,010	251,418	**22,528,790**
Total Foreign assets	**116,384,413**	**748,516**	**12,105,540**	**212,178**	**59,256**	**434,187**	**356,937**	**130,301,027**
Foreign Currency Liabilities:								
Deposits	44,069,443	613,576	2,639,396	161,813	4,001	2,917	57,385	**47,548,531**
Loan and borrowings	31,647,955	-	5,213,391	-	-	-	-	**36,861,346**
Other foreign liabilities	7,280,923	67,321	22,961	4	(9)	-	4,271	**7,375,471**
Total statement of financial position items	**82,998,321**	**680,897**	**7,875,748**	**161,817**	**3,992**	**2,917**	**61,656**	**91,785,348**
Items not recognized in statement of financial position*	33,446,380	60,114	3,990,999	62,399	-	422,010	240,145	**38,222,047**
Total Foreign liabilities	**116,444,701**	**741,011**	**11,866,747**	**224,216**	**3,992**	**424,927**	**301,801**	**130,007,395**
Net Exposure at 31 December 2023	**(60,288)**	**7,505**	**238,793**	**(12,038)**	**55,264**	**9,260**	**55,136**	**293,632**

* This comprises of the letters of credits, guarantees, forwards and swaps

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

ii) Exposure to currency risk (continued)

BANK

CURRENCY TYPE	USD	GBP	EURO	JPY	CHF	ZAR	OTHERS	TOTAL
EXCHANGE RATE	156.418	199.8047	173.7797	1.11	186.9094	8.4402	-	
31 December 2023	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**	**KShs`000**
Foreign Currency Assets:								
Cash and balances with banks abroad	17,208,618	415,801	7,976,272	146,825	59,078	12,177	104,987	**25,923,758**
Loan and advances to customers	42,029,155	213,117	130,914	-	-	-	-	**42,373,186**
Other foreign assets	29,761,587	2,183	6,040	2,954	-	-	-	**29,772,764**
Total statement of financial position items	**88,999,360**	**631,101**	**8,113,226**	**149,779**	**59,078**	**12,177**	**104,987**	**98,069,708**
Items not recognized in statement of financial position*	17,718,146	99,112	3,975,527	62,399	178	422,010	251,418	**22,528,790**
Total Foreign assets	**106,717,506**	**730,213**	**12,088,753**	**212,178**	**59,256**	**434,187**	**356,405**	**120,598,498**
Foreign Currency Liabilities:								
Deposits	36,682,563	601,299	2,615,414	161,813	4,001	2,917	57,385	**40,125,392**
Loan and borrowings	31,647,955	-	5,213,391	-	-	-	-	**36,861,346**
Other foreign liabilities	5,909,095	67,321	22,961	4	(9)	-	4,271	**6,003,643**
Total statement of financial position items	**74,239,613**	**668,620**	**7,851,766**	**161,817**	**3,992**	**2,917**	**61,656**	**82,990,381**
Items not recognized in statement of financial position*	32,880,666	60,114	3,990,999	62,399	-	422,010	240,145	**37,656,333**
Total Foreign liabilities	**107,120,279**	**728,734**	**11,842,765**	**224,216**	**3,992**	**424,927**	**301,801**	**120,646,714**
Net Exposure at 31 December 2023	**(402,773)**	**1,479**	**245,988**	**(12,038)**	**55,264**	**9,260**	**54,604**	**(48,216)**

* This comprises of the letters of credits, guarantees, forwards and swaps.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

ii) Exposure to currency risk (continued)

Currency risk sensitivity analysis

With all other variables held constant, the effect of 10% appreciation or depreciation of the shilling against major trading currencies on profit before tax and equity would be as follows: -

GROUP

	2024			2023		
	Carrying amount KShs'000	10% appreciation	10% depreciation	Carrying amount KShs'000	10% appreciation	10% depreciation
Foreign Currency Assets						
USD	**107,565,788**	(10,756,579)	10,756,579	**116,384,413**	(11,638,441)	11,638,441
GBP	**600,014**	(60,001)	60,001	**748,516**	(74,852)	74,852
EURO	**10,618,194**	(1,061,819)	1,061,819	**12,105,540**	(1,210,554)	1,210,554
JPY	**127,866**	(12,787)	12,787	**212,178**	(21,218)	21,218
CHF	**99,499**	(9,950)	9,950	**59,256**	(5,926)	5,926
ZAR	**33,368**	(3,337)	3,337	**434,187**	(43,419)	43,419
Other currencies	**410,844**	(41,084)	41,084	**356,937**	(35,694)	35,694
		(11,945,557)	**11,945,557**		**(13,030,104)**	**13,030,104**
Foreign currency liabilities						
USD	**104,554,405**	10,455,441	(10,455,441)	**116,444,701**	11,644,470	(11,644,470)
GBP	**619,517**	61,952	(61,952)	**741,011**	74,101	(74,101)
EURO	**10,345,662**	1,034,566	(1,034,566)	**11,866,747**	1,186,675	(1,186,675)
JPY	**127,280**	12,728	(12,728)	**224,216**	22,422	(22,422)
CHF	**73,321**	7,332	(7,332)	**3,992**	399	(399)
ZAR	**27,699**	2,770	(2,770)	**424,927**	42,493	(42,493)
Other currencies	**307,227**	30,723	(30,723)	**301,801**	30,180	(30,180)
		11,605,512	**(11,605,512)**		**13,000,740**	**(13,000,740)**
Effect on profit before tax		**340,046**	**(340,046)**		**29,363**	**(29,363)**
As percentage (%) of profit before tax		**0.98%**	**(0.98%)**		**0.09%**	**0.09%**
Effect on equity (profit after tax)		**238,032**	**(238,032)**		**20,554**	**(20,554)**
As percentage (%) of equity		**0.16%**	**(0.16%)**		**0.02%**	**(0.02%)**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) **Market risk (continued)**

ii) Exposure to currency risk (continued)

Currency risk sensitivity analysis (Continued)

BANK

	2024			2023		
	Carrying amount KShs'000	10% appreciation	10% depreciation	Carrying amount KShs'000	10% appreciation	10% depreciation
Foreign Currency Assets						
USD	**98,467,939**	(9,846,794)	9,846,794	**106,717,506**	(10,671,751)	10,671,751
GBP	**572,608**	(57,261)	57,261	**730,213**	(73,021)	73,021
EURO	**10,573,685**	(1,057,369)	1,057,369	**12,088,753**	(1,208,875)	1,208,875
JPY	**127,866**	(12,787)	12,787	**212,178**	(21,218)	21,218
CHF	**99,499**	(9,950)	9,950	**59,256**	(5,926)	5,926
ZAR	**33,368**	(3,337)	3,337	**434,187**	(43,419)	43,419
Other currencies	**410,520**	(41,052)	41,052	**356,405**	(35,641)	35,641
		(11,028,550)	**11,028,550**		**(12,059,851)**	**12,059,851**
Foreign currency liabilities						
USD	**96,038,903**	9,603,890	(9,603,890)	**107,120,279**	10,712,028	(10,712,028)
GBP	**609,098**	60,910	(60,910)	**728,734**	72,873	(72,873)
EURO	**10,310,753**	1,031,075	(1,031,075)	**11,842,765**	1,184,277	(1,184,277)
JPY	**127,280**	12,728	(12,728)	**224,216**	22,422	(22,422)
CHF	**73,321**	7,332	(7,332)	**3,992**	399	(399)
ZAR	**27,699**	2,770	(2,770)	**424,927**	42,493	(42,493)
Other currencies	**307,227**	30,723	(30,723)	**301,801**	30,180	(30,180)
		10,749,428	**(10,749,428)**		**12,064,672**	**(12,064,672)**
Effect on profit before tax		**279,120**	**(279,120)**		**4,821**	**(4,821)**
As percentage (%) of profit before tax		**0.89%**	**(0.89%)**		**0.02%**	**(0.02%)**
Effect on equity (profit after tax)		**195,384**	**(195,384)**		**3,375**	**(3,375)**
As percentage (%) of equity		**0.15%**	**(0.15%)**		**0.00%**	**(0.00%)**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Operational Risk

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

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

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

(i) requirements for appropriate segregation of duties, including the independent authorisation of transactions

(ii) requirements for the reconciliation and monitoring of transactions

(iii) compliance with regulatory and other legal requirements

(iv) documentation of controls and procedures

(v) requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified

(vi) requirements for the reporting of operational losses and proposed remedial action

(vii) development of contingency plans

(viii) training and professional development

(ix) ethical and business standards

(x) risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of regular reviews undertaken by both the Internal Audit and Compliance departments. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee and senior management of the Bank.

Risk Management is charged with the role of overall planning, coordination, and monitoring of operational risk from a centralized operational risk management department. The department is responsible for collecting and collating all data on operational risk loss events, risk indicators, and developing risk matrices aimed at reducing the Bank's Operational Risk Capital Charge.

e) Climate-related risk

Climate-related risks are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e., credit, liquidity, market, and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis. The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts, and rising sea levels. Transition risks arise because of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products, and services due to changes in consumer behaviour and investor demand.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Climate-related risk (continued)

Central to our climate risk management is our Chief Risk Officer (CRO), who oversees risk management plans and formulates necessary policies, ensuring the integration of climate-related risks in our risk management framework. The Risk department is responsible for; identifying risk factors and assessing their potential impact on the Group's financial statements; and allocating responsibilities for managing each identified risk factor. In addition, the Bank has re-evaluated its model landscape to incorporate climate-related risks and their impact on borrower's credit risk. In the current year, the Bank has also enhanced its data collection systems to help it achieve its climate related aims. For instance, the Bank has introduced mechanisms to collect information relating to clients' exposure to transition and physical risk, and to rate such exposure, in order to understand the impact of climate-related risk on corporate clients in affected sectors. The Bank has also made significant progress in the development of climate risk scenarios that will be used to assess the impact of climate risk on forward-looking information; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

Refer to Note 3 for details of accounting judgements, estimates and assumptions the Bank has made in relation to climate-related risks.

f) Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Group incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Group, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

5. CAPITAL MANAGEMENT

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for the Banking industry as a whole. The statutory minimum core capital is KShs 1 billion. In implementing current capital requirements, the Central Bank of Kenya requires the Bank to maintain a 14.5% prescribed ratio of total capital to total risk-weighted assets. Banks in Kenya are also required to maintain a capital conservation buffer of 2.5% over and above the minimum capital requirements. The Bank has already met this requirement

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

a) Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

b) Tier 2 capital, which includes 25% of asset revaluation reserves which have received prior Central Bank approval, subordinated debt and other capital instruments approved by Central Bank.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

5. CAPITAL MANAGEMENT (CONTINUED)

Regulatory capital (continued)

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the year.

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

	2024	2023
Tier I Capital:	**KShs'000**	**KShs'000**
Ordinary share capital	5,867,180	5,867,180
Share premium	1,911,925	1,911,925
Retained earnings	117,140,227	102,921,832
Other reserves	351,036	369,512
Less: Investments in equity of other institutions & deferred tax	(10,476,584)	(9,294,290)
Core Capital	**114,793,784**	**101,776,159**
Tier II Capital:		
Revaluation reserves (25%)	356,841	362,206
Term subordinated debt	18,747,442	25,033,888
Supplementary capital	**19,104,283**	**25,396,094**
Total regulatory capital	**133,898,067**	**126,658,247**
Total risk weighted assets	**639,757,936**	**570,279,516**
Capital ratios:		
Core capital to Total deposit liabilities (CBK minimum 10.5%)	23.78%	23.10%
Core capital to Total risk weighted assets (CBK minimum 10.5%)	17.94%	17.76%
Total capital to Total risk weighted assets (CBK minimum 14.5%)	20.93%	22.21%

The increase of the Tier 1 qualifying capital in the year of 2024 is mainly due to the contribution of the current-year profit. The increase of the risk-weighted assets reflects the expansion of the business in SMEs in 2024.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

5. CAPITAL MANAGEMENT (CONTINUED)

Regulatory capital (continued)

Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Group Risk and Group Credit, and is subject to review by the Group Credit Committee or ALCO as appropriate. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision-making. Account also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer-term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6. SEGMENT REPORTING

For management purposes, the Bank is organised into two main operating segments based on products and services as follows:

1. Retail Banking: Includes loans deposits and other transactions and balances with retail customers.
2. Wholesale Banking: Includes loans deposits and other transactions and balances with corporate and institutional customers
3. Group Functions: This relates to segments which do not fall into the categories of retail or wholesale banking. These mainly comprises of support departments such as ICT, Finance and shared services among others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed on a group basis and are not allocated to operating segments.

The Group's segment operations are all financial with a majority of revenues deriving from interest. The management relies primarily on net interest revenue to assess the performance of the segment. Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not gross income and expenses. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2024 or 2023.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

6. SEGMENT REPORTING (CONTINUED)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments. All the revenue shown is from external customers.

Profit or loss for the year ended

	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
31 December 2024				
Interest income	10,811,384	33,603,533	41,835,041	86,249,958
Interest expense	(22,732,678)	(8,243,497)	(3,753,050)	(34,729,225)
Net interest income	(11,921,294)	25,360,036	38,081,991	51,520,733
Non-funded income	14,612,173	17,038,112	(2,395,424)	29,254,861
Operating income	**2,690,879**	**42,398,148**	**35,686,567**	**80,775,594**
Depreciation	(23,742)	(190,050)	(2,618,889)	(2,832,681)
Amortization	(31,422)	(80,992)	(848,774)	(961,188)
Other operating expenses	(1,576,213)	(5,950,080)	(35,497,484)	(43,023,777)
Share of profit in associates	-	-	822,372	822,372
Profit before tax	**1,059,502**	**36,177,026**	**(2,456,208)**	**34,780,320**
Income tax expense	-	-	(9,323,974)	(9,323,974)
Profit after tax	**1,059,502**	**36,177,026**	**(11,780,182)**	**25,456,346**
31 December 2023				
Interest income	9,004,175	32,821,863	27,240,030	69,066,068
Interest expense	(9,330,642)	(8,273,594)	(6,240,670)	(23,844,906)
Net interest income	(326,467)	24,548,269	20,999,360	45,221,162
Non-funded income	5,239,411	16,456,235	4,766,102	26,461,748
Operating income	**4,912,944**	**41,004,504**	**25,765,462**	**71,682,910**
Depreciation	(23,993)	(702,416)	(2,051,011)	(2,777,420)
Amortization	(58,053)	(114,448)	(806,232)	(978,733)
Other operating expenses	(854,262)	(6,541,882)	(28,512,490)	(35,908,634)
Share of profit in associates	-	-	345,725	345,725
Profit before tax	**3,976,636**	**33,645,758**	**(5,258,546)**	**32,363,848**
Income tax expense	-	-	(9,175,483)	(9,175,483)
Profit after tax	**3,976,636**	**33,645,758**	**(14,434,029)**	**23,188,365**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

6. SEGMENT REPORTING (CONTINUED)

Statement of financial position as at 31 December 2024

	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Assets:				
Segment assets	110,158,344	284,890,334	-	395,048,678
Unallocated assets	-	-	348,141,462	348,141,462
Total assets	**110,158,344**	**284,890,334**	**348,141,462**	**743,190,140**
Liabilities and equity:				
Segment liabilities and Equity	200,422,766	286,498,685	-	486,921,451
Unallocated liabilities and Equity	-	-	256,268,689	256,268,689
Total liabilities and equity	**200,422,766**	**286,498,685**	**256,268,689**	**743,190,140**

Statement of financial position as at 31 December 2023

	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Assets:				
Segment assets	113,023,138	276,737,476	-	389,760,614
Unallocated assets	-	-	282,766,774	282,766,774
Total assets	**113,023,138**	**276,737,476**	**282,766,774**	**672,527,388**
Liabilities and equity:				
Segment liabilities and Equity	158,067,187	272,943,884	-	431,011,071
Unallocated liabilities and Equity	-	-	241,516,317	241,516,317
Total liabilities and equity	**158,067,187**	**272,943,884**	**241,516,317**	**672,527,388**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

6. SEGMENT REPORTING (CONTINUED)

Geographical information

The Group's operations are within the two geographical segments of Kenya and South Sudan. The table below contains segmental information provided to the Board of Management for the year ended 31 December 2024.

Profit or loss for the year ended	**Kenya**	**South Sudan**	**Total**
31 December 2024	**KShs'000**	**KShs'000**	**KShs'000**
Interest income	85,660,768	589,190	**86,249,958**
Interest expense	(34,656,362)	(72,863)	**(34,729,225)**
Net interest income	51,004,406	516,327	**51,520,733**
Non-funded income	27,638,534	1,616,327	**29,254,861**
Operating income	**78,642,940**	**2,132,654**	**80,775,594**
Depreciation	(2,753,635)	(79,656)	**(2,833,291)**
Amortization	(945,104)	(15,474)	**(960,578)**
Other operating expenses	(40,997,316)	(1,162,489)	**(42,159,805)**
Loss on net monetary position	-	(734,656)	**(734,656)**
Operating profit	**33,946,885**	**140,379**	**34,909,636**
Share of profit in associate	822,372	-	**822,372**
Profit before tax	**34,769,257**	**140,379**	**34,087,264**
Income tax expense	(9,141,802)	(41,793)	**(9,323,974)**
Profit for the year	**25,627,455**	**(171,109)**	**25,585,662**
Statement of financial position			
Segment assets			
Non-current assets	546,604,144	5,702,469	**552,306,613**
Current assets	187,075,502	4,526,269	**191,601,771**
	733,679,646	10,228,738	**743,190,140**
Segment liabilities	**589,194,939**	**9,172,328**	**598,367,267**
Equity	**144,484,708**	**1,056,408**	**145,541,116**

Profit or loss for the year ended	**Kenya**	**South Sudan**	**Total**
31 December 2023	**KShs'000**	**KShs'000**	**KShs'000**
Interest income	68,567,491	498,577	69,066,068
Interest expense	(23,799,491)	(45,415)	(23,844,906)
Net interest income	44,768,000	453,162	45,221,162
Non-funded income	25,384,063	1,077,685	26,461,748
Operating income	**70,152,063**	**1,530,847**	**71,682,910**
Depreciation	(2,701,056)	(76,974)	(2,778,030)
Amortization	(973,285)	(4,838)	(978,123)
Other operating expenses	(34,750,895)	(1,157,739)	(35,908,634)
Loss on net monetary position	-	-	-
Operating profit	**31,726,827**	**291,296**	**32,018,123**
Share of profit in associate	345,725	-	345,725
Profit before tax	**32,072,552**	**291,296**	**32,363,848**
Income tax expense	(9,083,617)	(91,866)	(9,175,483)
Profit for the year	**22,988,935**	**199,430**	**23,188,365**
Statement of financial position			
Segment assets			
Non-current assets	507,232,197	6,446,100	513,678,297
Current assets	154,725,071	4,124,020	158,849,091
	661,957,268	10,570,120	672,527,388
Segment liabilities	**549,966,179**	**9,251,619**	**559,217,798**
Equity	**111,991,088**	**1,318,502**	**113,309,590**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE OF ASSETS AND LIABILITIES

a. Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes treasury and corporate bonds listed in Nairobi Securities exchange (NSE).

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy. This hierarchy requires the use of observable market data where available. The Group considers relevant and observable market prices in its valuations where possible:

GROUP

As at 31 December 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Assets measured at fair value:				
Free hold land and buildings	-	-	3,106,048	**3,106,048**
Debt instruments at FVOCI				
Treasury bonds	104,187,397	-	-	**104,187,397**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	408,134	**408,134**
Loans and advances				
Directors and staff loans	-	6,311,783	-	**6,311,783**
Assets for which fair values are disclosed (Note 7(b))				
Debt Instruments at Amortised cost				
Treasury bonds	89,104,981	-	-	**89,104,981**
Treasury bills	24,281,380	-	-	**24,281,380**
Corporate bonds		895,927	-	**895,927**
Liabilities for which fair values are disclosed (Note 7(b))				
Loans and borrowings	-	6,459,809	-	**6,459,809**
Derivatives	-	367,277	-	**367,277**

As at 31 December 2023				
Assets measured at fair value:				
Free hold land and buildings	-	-	3,083,653	**3,083,653**
Debt instruments at FVOCI				
Treasury bonds	98,695,811	-	-	**98,695,811**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	385,479	**385,479**
Derivatives				
Loans and advances	-	6,347,857	-	**6,347,857**
Directors and staff loans	-	-	3,083,653	**3,083,653**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

a. Determination of fair value and fair value hierarchy (continued)

GROUP (continued)

As at 31 December 2023	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets for which fair values are disclosed (Note 7(b))				
Debt Instruments at Amortised cost				
Treasury bonds	75,153,703	-	-	**75,153,703**
Treasury bills	15,198,350	-	-	**15,198,350**
Corporate bonds		1,389,706	-	**1,389,706**
Liabilities for which fair values are disclosed (Note 7(b))				
Loans and borrowings	-	8,287,532	-	**8,287,532**
Derivatives	-	1,396,103	-	**1,396,103**

BANK

As at 31 December 2024	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets measured at fair value:				
Free hold land and buildings	-	-	2,307,300	**2,307,300**
Debt instruments at FVOCI				
Treasury bonds	90,382,274	-	-	**90,382,274**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	338,263	**338,263**
Loans and advances				
Directors and staff loans	-	6,311,783	-	**6,311,783**
Assets for which fair values are disclosed (Note 7(b))				
Debt Instruments at Amortised cost				
Treasury bonds	82,502,980	-	-	**82,502,980**
Treasury bills	24,065,500	-	-	**24,065,500**
Corporate bonds	-	895,927	-	**895,927**
Liabilities for which fair values are disclosed (Note 7(b))				
Loans and borrowings	-	6,459,809	-	**6,459,809**
Derivatives	-	367,277	-	**367,277**

As at 31 December 2023	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets measured at fair value:				
Free hold land and buildings	-	-	2,307,300	**2,307,300**
Debt instruments at FVOCI				
Treasury bonds	84,804,458	-	-	**84,804,458**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	-	-	313,755	**313,755**
Loans and advances				
Directors and staff loans	-	6,347,857	-	**6,347,857**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

a. Determination of fair value and fair value hierarchy (continued)

BANK (continued)

As at 31 December 2023	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets for which fair values are disclosed (Note 7(b))				
Debt Instruments at Amortised cost				
Treasury bonds	67,757,662	-	-	67,757,662
Treasury bills	15,198,350	-	-	15,198,350
Corporate bonds	-	1,389,706	-	1,389,706
Liabilities for which fair values are disclosed (Note 7(b))				
Loans and borrowings	-	8,287,532	-	8,287,532
Derivatives	-	1,396,103	-	1,396,103

The transfers between levels 1 and 2 in the year are disclosed on Note 7(e).

b. Fair value of financial assets and liabilities not carried at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's and Company's statement of financial position at their fair value, other than those with carrying amounts that are reasonable approximation of fair values.

	2024		2023	
GROUP	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Amortised cost				
Treasury bonds and bills	113,386,361	122,987,214	90,352,053	87,529,275
Financial liabilities:				
Loans and borrowings				
Fixed-rates borrowings	6,093,534	4,158,738	6,762,420	4,205,807
BANK				
Financial assets:				
Amortised cost				
Treasury bonds and bills	106,568,480	115,781,477	82,956,012	80,332,970
Financial liabilities:				
Loans and borrowings				
Fixed-rates borrowings	6,093,534	4,158,738	6,762,420	4,205,807

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

(iii) Assets for which fair value approximates carrying amounts

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to inter-bank placements, demand deposits, and savings accounts without a specific maturity and treasury bills at amortised cost (previously, held to maturity).

(iv) Government securities

Government debt securities include both long-term treasury bonds and short-term treasury bills with fixed rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Group uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate the fair value in which instances the Group classifies those securities as Level 2. The Group does not have Level 3 government securities where valuation inputs would be unobservable.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

c. Fair value of financial assets and liabilities not carried at fair value (continued)

(iv) Debt securities issued by financial institutions and other debt securities

These include corporate bonds which are standard fixed rate securities. The Group uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. Corporate bonds are generally Level 2 instruments.

(v) Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Group classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

(vi) Loans and borrowings

The estimated fair value of fixed interest-bearing loans is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

d. Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, are as shown below

Asset	Valuation Technique	Significant unobservable inputs	Range (Weighted Average)	Sensitivity of the input to fair value
Free hold land and building	DCF method	Estimated rental value per s.q.m. per month	KShs 30	+/-1% (2023: +/-1%) = Fair value change of +/- KShs 23million (2023: 23million)
		Rent growth p.a.	3%	
		Long-term vacancy rate	5%	
		Discount rate	5%	
Unquoted-equity instruments	DCF method	Long term growth rate	5%	+/-1% (2023: +/-1%) = Fair value change of +/- KShs 0.3million (2023: +/- Nil)
		Discount rate (WACC)		

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

e. Transfers between Level 1 and Level 2

There were no transfers between Level 1 and 2 in the year (2023: NIL)

f. Reconciliation of fair value measurement of unquoted equity instruments classified as FVOCI

	Bank	
	2024	2023
	KShs'000	KShs'000
At 1 January	313,755	313,157
Purchase	-	-
Remeasurement recognised through OCI	24,508	598
At December	**338,263**	**313,755**

8. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Cash on hand	10,691,646	10,372,273	9,095,783	8,709,925
Central Bank of Kenya:				
Restricted balances (Cash Reserve Ratio)	21,420,402	19,129,438	20,164,177	18,196,999
Unrestricted balances available for use by the Group	1,361,546	1,821,426	1,184,296	1,108,089
Central Bank of South Sudan	1,319,793	1,199,875	-	-
	34,793,387	**32,523,012**	**30,444,256**	**28,015,013**
Allowance for expected credit losses	(9,523)	(30,341)	-	-
	34,783,864	**32,492,671**	**30,444,256**	**28,015,013**

The Cash Reserve Ratio are restricted deposits with the Central Bank of Kenya and Bank of South Sudan and represents mandatory reserve deposits and are not available for use in the Bank's day–to–day operations. The deposits are non-interest earning and are based on the value of deposits as adjusted by Central Bank of Kenya requirements. At 31 December 2024, the Cash Reserve Ratio requirement on all deposits was 4.25% (2023: 4.25%) for Kenya and 20.00% (2023: 20.00%) for South Sudan. The allowance for expected credit losses relates to deposits held by Bank of South Sudan.

9. DEPOSITS AND BALANCES DUE FROM BANKS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Local banks	22,047,084	10,261,357	14,946,464	4,913,578
Foreign banks	30,178,990	17,054,948	32,087,060	16,818,223
	52,226,074	**27,316,305**	**47,033,524**	**21,731,801**
Allowance for expected credit losses (Note 4(a)(i))	(63,339)	(41,175)	(6,429)	(2,749)
	52,162,735	**27,275,130**	**47,027,095**	**21,729,052**

The weighted average effective interest rate on deposits and balances due from banks as at 31 December 2024 was 1.49% (2023: 1.47%).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

10. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVPL

a. DEBT INSTRUMENTS AT FVOCI

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Treasury Bonds:				
Maturing within 91 days	701,274	327,608	-	-
Maturing after 91 days	103,486,123	98,368,203	90,382,274	84,804,458
	104,187,397	**98,695,811**	**90,382,274**	**84,804,458**

b. EQUITY INSTRUMENTS AT FVOCI

	Group 2024	Group 2023	Bank 2024	Bank 2023
Quoted equity investments: -				
Nairobi Securities Exchange: -				
7,000,000 ordinary shares of KShs 6 each	42,000	42,140	-	-
CIC Insurance Group Ltd: -				
8,000,000 ordinary shares of KShs 2.15 each	17,200	17,920	-	-
Uchumi Supermarkets Ltd: - 57,455,124 ordinary shares of KShs 0.17 each	9,767	10,916	-	-
Other equity investments	904	748	-	-
Unquoted equity Investments: -				
Consolidated Bank of Kenya Ltd: -				
135,000 ordinary shares of KShs 20 each	2,700	2,700	2,700	2,700
580,000, 4% non-cumulative preference share of KShs 20 each	1,562	1,562	1,562	1,562
Kenya National Federation of Co-operatives Ltd: -				
82 shares of KShs100 each	8	8	8	8
Kenya National Housing Co-operative Union Ltd: -				
1 share of KShs 1,000	1	1	1	1
Kenya Mortgage Finance Company: -				
2,000,000 shares of KShs 100 each	200,000	200,000	200,000	200,000
Menno Plaza Limited: -				
9,340 ordinary shares representing 12.39% ownership	133,992	109,484	133,992	109,484
	408,134	**385,479**	**338,263**	**313,755**

Movement in the year for debt and equity instrument through OCI

	Group 2024	Group 2023	Bank 2024	Bank 2023
At January 1	**99,081,290**	**100,352,807**	**85,118,213**	**83,694,396**
Additions	10,027,577	10,036,201	9,713,596	9,708,593
Disposals and maturities	(20,444,336)	(2,965,585)	(18,954,597)	(940,968)
Reclassification from debt instruments at amortised cost	-	-	-	-
Expected credit losses	593,198	19,458	593,743	19,852
Change in fair value recognized OCI	15,337,802	(8,361,591)	14,249,582	(7,363,660)
At December 31	**104,595,531**	**99,081,290**	**90,720,537**	**85,118,213**

The weighted average effective interest rate on debt instruments at FVOCI as at 31 December 2024 was 12.97% (2023: 12.12%).

The above unquoted instruments relate to investments in the banking sector co-operative movement. The unquoted equities are not actively traded and management does not intend to dispose them in the immediate future. The unquoted equity investments are placed under level 3 of fair value hierarchy. The valuation technique used is equity calculation based on EBTDA and market data. In assessing for the expected credit losses, the debt instruments at FVOCI were assessed to be of high-grade credit quality and classified under stage 1 category. The dividend income recognised in profit or loss from the equity instruments at FVOCI (Menno Plaza Limited) was KShs 1,420,330 (2023: KShs 1,023,094).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

11. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives 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. These derivative financial instruments are measured at fair value through profit or loss.

	Group and Bank			
	2024		2023	
	KShs'000	KShs'000	KShs'000	KShs'000
	Notional value	Fair value of contracts: Asset /(Liability)	Notional value	Fair value of contracts: Asset /(Liability)
Forward exchange contracts	1,082,962	(22,544)	477,924	27,481
Swaps	(13,488,399)	(344,733)	13,643,468	(1,423,584)
	(12,405,437)	**(367,277)**	**14,121,392**	**(1,396,103)**

12. OTHER ASSETS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Interest receivable	8,014,182	4,962,638	7,663,998	4,725,952
Items in the course of collection from other banks	612,546	650,637	612,546	650,502
Deposits with financial Institutions	233,771	233,771	230,857	230,857
Sundry debtors and prepayments	19,978,921	8,781,777	17,610,025	9,110,633
Amounts due from related parties (45 (c))	-	-	61,455	104,515
Staff loan amortisation	6,311,783	6,347,857	6,311,783	6,347,857
	35,151,203	**20,976,680**	**32,490,663**	**21,170,316**
Impairment losses on deposits with financial institutions & other financial assets	(82,765)	(96,201)	(8,469)	(24,889)
	35,068,438	**20,880,479**	**32,482,194**	**21,145,427**

The sundry debtors relates to various types of receivables of low values of which the Group consider it will not be useful to disclose individually.

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FOR THE YEAR ENDED 31 DECEMBER 2024

13. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2024	2023	2024	2023
(a) Net loans and advances	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Overdrafts	26,020,860	25,176,677	24,491,720	23,918,010
Commercial loans	375,627,844	371,464,071	359,504,666	358,271,758
Government/ Donor funded loan schemes	791,540	628,477	791,540	628,477
Credit cards	717,749	874,657	717,749	874,657
Micro enterprises & SME	25,973,948	25,229,520	24,496,015	23,656,006
Gross loans and advances	**429,131,941**	**423,373,402**	**410,001,690**	**407,348,908**
Staff loans amortisation	(6,311,783)	(6,347,857)	(6,311,783)	(6,347,857)
	422,820,158	**417,025,545**	**403,689,907**	**401,001,051**
Allowance for expected credit losses (Note 13(c))	(49,087,231)	(42,798,124)	(47,431,915)	(40,613,665)
Net loans and advances	**373,732,927**	**374,227,421**	**356,257,992**	**360,387,386**

	Group and Bank	
(b) The weighted average effective interest rates at 31 December were:	**2024**	**2023**
	%	**%**
Overdrafts	19.2	19.5
Commercial loans	17.7	19.5
Government/ Donor funded loan schemes	9.5	9.5
Credit card balances	20.5	19.5

(c) Allowance for Expected Credit Losses

Group

	Stage 1	Stage 2	Stage 3	Total
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January 2024	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**
Expected credit losses	(4,018,387)	2,105,487	10,697,025	8,784,125
Write off	-	(156,260)	(2,140,201)	(2,296,461)
Exchange difference on translation of a foreign operation	(20,878)	(36,277)	(141,402)	(198,557)
At 31 December 2024	**4,216,673**	**11,687,219**	**33,183,339**	**49,087,231**
At 1 January 2023	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**
Expected credit losses	3,066,106	5,532,540	(2,590,488)	6,008,158
Write off	-	-	(1,130,675)	(1,130,675)
Exchange difference on translation of a foreign operation	(6,005)	(1,417)	(68,737)	(76,159)
At 31 December 2023	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**

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FOR THE YEAR ENDED 31 DECEMBER 2024

13. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Allowance for Expected Credit Losses (continued)

BANK

	Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
At 31 December 2024	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**
Expected credit loss	(3,927,744)	2,135,616	10,142,203	8,350,075
Write off	-	(156,260)	(1,375,565)	(1,531,825)
At 31 December 2024	**3,891,585**	**11,624,310**	**31,916,020**	**47,431,915**
At 1 January 2023	**4,630,560**	**4,127,748**	**26,128,292**	**34,886,600**
Expected credit loss	3,188,769	5,517,206	(3,164,880)	5,541,095
Write back	-	-	185,970	185,970
At 31 December 2023	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**

The table below provides overview of the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification.

GROUP

31 December 2024

					Provisions for impairment			
Internal risk rating category	12-month ECL Stage 1 KShs'000	Lifetime ECL not credit impaired Stage 2 KShs'000	Lifetime ECL credit Impaired Stage 3 KShs'000	Gross Carrying Amount KShs'000	12-month ECL Stage 1 KShs'000	Lifetime ECL not credit impaired Stage 2 KShs'000	Lifetime ECL credit Impaired Stage 3 KShs'000	Total ECL KShs'000
Grade1	318,611,032	-	-	**318,611,032**	4,216,673	-	-	**4,216,673**
Grade2	-	39,520,675	-	**39,520,675**	-	11,687,219	-	**11,687,219**
Grade3	-	-	42,872,376	**42,872,376**	-	-	20,499,458	**20,499,458**
Grade4	-	-	27,303,582	**27,303,582**	-	-	11,903,742	**11,903,742**
Grade5	-	-	824,276	**824,276**	-	-	780,139	**780,139**
Total	**318,611,032**	**39,520,675**	**71,000,234**	**429,131,941**	**4,216,673**	**11,687,219**	**33,183,339**	**49,087,231**

31 December 2023

Grade1	308,623,637	-	-	**308,623,637**	8,255,938	-	-	**8,255,938**
Grade2	-	48,644,582	-	**48,644,582**	-	9,774,269	-	**9,774,269**
Grade3	-	-	41,343,085	**41,343,085**	-	-	15,532,076	**15,532,076**
Grade4	-	-	23,190,462	**23,190,462**	-	-	7,801,997	**7,801,997**
Grade5	-	-	1,571,636	**1,571,636**	-	-	1,433,844	**1,433,844**
Total	**308,623,637**	**48,644,582**	**66,105,183**	**423,373,402**	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

13. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Allowance for Expected Credit Losses (continued)

BANK

31 December 2024					**Provisions for impairment**			
Internal risk rating category	**12-month ECL Stage 1**	**Lifetime ECL not credit impaired Stage 2**	**Lifetime ECL credit Impaired Stage 3**	**Gross Carrying Amount**	**12-month ECL Stage 1**	**Lifetime ECL not credit impaired Stage 2**	**Lifetime ECL credit Impaired Stage 3**	**Total ECL**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Grade1	304,299,878	-	-	**304,299,878**	3,891,585	-	-	**3,891,585**
Grade2	-	38,749,292	-	**38,749,292**	-	11,624,310	-	**11,624,310**
Grade3	-	-	42,079,975	**42,079,975**	-	-	20,456,601	**20,456,601**
Grade4	-	-	24,549,152	**24,549,152**	-	-	11,251,280	**11,251,280**
Grade5	-	-	323,394	**323,394**	-	-	208,139	**208,139**
Total	**304,299,878**	**38,749,292**	**66,952,521**	**410,001,691**	**3,891,585**	**11,624,310**	**31,916,020**	**47,431,915**
31 December 2023								
Grade1	297,544,675	-	-	**297,544,675**	7,819,329	-	-	**7,819,329**
Grade2	-	47,407,885	-	**47,407,885**	-	9,644,954	-	**9,644,954**
Grade3	-	-	41,162,564	**41,162,564**	-	-	15,493,269	**15,493,269**
Grade4	-	-	20,889,397	**20,889,397**	-	-	7,311,570	**7,311,570**
Grade5	-	-	344,387	**344,387**	-	-	344,543	**344,543**
Total	**297,544,675**	**47,407,885**	**62,396,348**	**407,348,908**	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**

Maturity Analysis

	Group		**Bank**	
	2024	**2023**	**2024**	**2023**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Maturity within 3 months	43,576,314	39,646,360	42,400,466	36,181,477
Maturing after 3 months but within 12 months	31,404,614	39,936,180	29,246,891	37,935,759
Maturity after 1 year	298,751,999	294,644,881	284,610,635	286,270,150
Net loans and advances to customers	**373,732,927**	**374,227,421**	**356,257,992**	**360,387,386**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

14. DEBT INSTRUMENTS AT AMORTISED COST

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Government treasury bills:				
Maturing within 91 days	10,062,350	13,186,303	10,062,350	13,186,303
Maturing after 91 days	14,219,030	2,012,047	14,219,030	2,012,047
Treasury bonds:				
Maturing within 91 days	100,000	2,043,134	100,000	2,043,134
Maturing after 91 days	89,004,981	73,110,569	81,607,307	65,714,528
Corporate bonds:				
Maturing within 91 days	-	-	-	-
Maturing after 91 days	895,927	1,389,706	895,927	1,389,706
	114,282,288	**91,741,759**	**106,884,614**	**84,345,718**
Movement in the year:				
At 1 January	91,741,759	74,799,963	84,345,718	67,227,817
Additions	70,585,750	74,008,250	70,585,750	74,008,250
Allowance for credit losses	316,889	113,644	316,889	174,618
Maturities	(48,362,110)	(57,180,098)	(48,363,743)	(57,064,967)
At December 31	**114,282,288**	**91,741,759**	**106,884,614**	**84,345,718**

The weighted average effective interest rate on Debt instruments measured at amortised cost as at 31 December 2024 was 12.75% (2023: 12.39%). In assessing for the expected credit losses, the debt instruments at amortised cost were assessed to be of high-grade credit quality and classified under stage 1 category.

* Kingdom Bank (a subsidiary of the Group) which was acquired in 2020 changed its business model on managing the government securities initially held at amortized cost to allow for a more aggressive approach on the funds received from Central Bank of Kenya to be utilised for lending to customers on need basis, improve the liquidity position and revive the Bank.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

15. a) INVESTMENT IN SUBSIDIARIES

The following subsidiaries are owned by the Bank: -

Bank	Ownership	Principal Activity	2024 KShs'000	2023 KShs'000
Co-op Bancassurance Intermediary Limited	100%	Bancassurance	70,000	70,000
Co-op trust Investment Services Limited	100%	Fund management	20,000	20,000
Kingdom Securities Limited	60%	Brokerage Services	150,000	150,000
Co-operative Bank of South Sudan	51%	Banking	2,644,925	2,644,925
Kingdom Bank Limited	90%	Banking	1,000,000	1,000,000
			3,884,925	**3,884,925**

The investment in the above subsidiaries is at cost. All the subsidiaries are unlisted and have the same financial year-end of 31 December as the Bank.

Co-op Bancassurance Intermediary Limited was established as Co-op Consultancy Services in 2002 to offer consultancy, advisory and insurance agency services. The audited financial statements for the year ended 31 December 2024 show that the company made a profit after tax of KShs 1,201, 659,841 (2023: KShs 877,137,369)

Co-optrust Investment Services was established in 1998 to offer fund management and investment services. The audited financial statements for the year ended 31 December 2024 show that the company made a profit after tax of KShs 386,444,651 (2023: KShs 226,021,302).

Kingdom Securities Limited (previously Bob Mathews Stockbrokers Limited) was acquired by Co-operative Bank Limited through purchase of 60% shareholding in 2009. The company offers brokerage services and is a registered broker with the Nairobi Securities Exchange. The audited financial statements for the year ended 31 December 2024 show that the company made a profit after tax of KShs 74,208,668 (2023: KShs 13,190,935). Refer to Note 33 for financial statements summaries.

Co-operative Bank of South Sudan was registered in 2013 with the partnership of Government of South Sudan which holds 49% of the ordinary shares. As at year end, Co-operative Bank of Kenya Limited had contributed 51% of the total share capital with the Government of South Sudan contributing 49%. The Subsidiary is based in South Sudan and commenced operation in September 2013. The audited financial statements for the year ended 31 December 2024 show that the company made a loss of KShs 707,784 (2023: profit of KShs 291,299,415). Refer to note 33 for financial statements summaries.

Kingdom Bank Limited (previously Jamii Bora Bank) was acquired by Co-operative Bank Limited through purchase of 90% shareholding in 2020 with the objective of accessing the SME market share. The audited financial statements for the year ended 31 December 2024 show that the bank made a profit after tax of KShs 1,068,426,883 (2023 – profit after tax of KShs 1,080,684,652). Refer to Note 33 for financial statements summaries. On acquisition of Kingdom Bank Limited in year 2020, there was recognition of Goodwill of Kes. 3,294,000,000. The Group subjected the Goodwill to impairment test with no resultant impairment cost.

b) GOODWILL

Goodwill amounting to KShs 3,294,000,000 arose from the acquisition of 90% shareholding in Jamii Bora Bank (now Kingdom bank ltd). For the purpose of goodwill impairment assessment, the group has treated Kingdom bank as a single Cash generating Unit (CGU) with one governing and reporting structure. The unit continues to generate positive cash flows. The recoverable amount of the cash generating unit is based on value-in-use calculation which uses cash flow projections based on financial budgets and plans approved by the Board of Directors covering a five year period.

The group has used a five-year period in line with its five-year long-term strategic plan. The calculation of value in use is most sensitive to the following assumptions:

(i) The net cash flows were discounted using the country specific pre-tax weighted average cost of capital (WACC) of 25.34%. The weighted average cost of capital was calculated using the bond yield plus risk premium method.

(ii) Long term growth rate - An asset or business with an indefinite life requires a terminal value in the cash flow forecast. This represents what an investor might pay for the cash flows beyond the specific forecast period. This is based on the projected growth rate in GDP for Kenya.

(iii) Growth Rate: This is based on the projected growth rate in GDP for Kenya.

(iv) Expense Growth rate: The expense growth rate is based on the inflation rate in Kenya.

At 31 December 2024, no impairment loss was warranted (2023: nil).

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16. INVESTMENTS IN ASSOCIATES

The Bank has 33.41% interest in Co-operative Insurance Society Limited which is the majority shareholder of CIC Insurance Group Limited. CIC Insurance Group Limited is a listed company at Nairobi Securities Exchange (NSE) and is incorporated in Kenya. The principal activity of the Company is insurance business and fund management. The fair value of the investment as at 31 December 2024 was KShs 1.5 billion.

The Group's Interest in Co-operative Insurance Society Limited is accounted for using the equity method in the consolidated financial statements.

The Bank's interest in Co-operative Insurance Society Limited is accounted for at cost in the separate financial statements.

Co-operative Bank of South Sudan owns 31% stake in CIC South Sudan. The interest in CIC South Sudan is accounted for using the equity method in the consolidated financial statements.

The Bank has a joint venture, Co-op Bank Fleet Africa Leasing Limited, with Super Group Limited to carry out leasing business. The terms of the joint venture are such that the Bank owns 25% shareholding with Super Group owning 75% shareholding with a 50:50 profit sharing arrangement.

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	**2,711,086**	**2,483,303**	**706,444**	**706,444**
Share of profit/ (loss)	822,372	345,725	-	-
Other comprehensive income	1,463,569	(87,942)	-	-
Income tax relating to components of o ther comprehensive income	(9,322)	-	-	-
Dividends received	(87,065)	(86,668)	-	-
Exchange difference on translation	(1,244,604)	56,668	-	-
At 31 December	**3,656,036**	**2,711,086**	**706,444**	**706,444**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates summarized financial information of the Group's investment in associates:

	Co-operative Insurance Society Limited		CIC South Sudan Limited	
	2024	2023	2024	2023
Statement of financial position:	KShs'000	KShs'000	KShs'000	KShs'000
Non-current assets	16,606,475	13,553,679	1,357,445	1,300,568
Current assets	45,659,296	36,782,803	456,073	60,301
	62,265,771	50,336,482	1,813,518	1,360,869
Current liabilities	(51,004,788)	(43,914,589)	(1,650,196)	(867,017)
Equity	**11,260,983**	**6,421,893**	**163,322**	**493,852**
Share in equity	2,145,530	2,145,530	50,630	153,094
Other adjustments	565,556	565,556	-	-
Carrying amount of the investment	**2,711,086**	**2,711,086**	**50,630**	**153,094**

	Co-operative Insurance Society Limited		CIC South Sudan Limited	
	2024	2023	2024	2023
Statement of comprehensive income:	KShs'000	KShs'000	KShs'000	KShs'000
Revenue	28,974,908	25,590,532	1,448,557	486,131
Operating and other expenses	(25,715,126)	(23,997,519)	(1,227,010)	(426,080)
Profit before tax	3,259,782	1,593,013	221,547	60,051
Income tax expense	(986,412)	(719,637)	-	-
Profit after tax	**2,273,370**	**873,376**	**221,547**	**60,051**
Other comprehensive income	1,400,285	(522,786)	263,173	86,674
Total comprehensive income for the year	**3,673,655**	**350,590**	**484,720**	**146,725**
Attributable to parent	3,540,817	233,459	-	-
Attributable to Non-controlling interest	132,838	117,131	-	-
	350,590	**350,590**	-	-
Share of comprehensive income	**117,131**	**117,131**	**49,020**	**49,020**
Split as follows				
Share of profit or loss	291,792	291,792	68,328	18,616
Share of OCI				
-Fair value gain of FVOCI investment	-	-	-	-
-Translation difference	-	-	-	-
- Revaluation gain of building	-	-	13,256	86,674
	291,792	291,792	81,584	86,674
	117,131	**117,131**	**566,304**	**105,289**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

17. INTANGIBLE ASSET

(a) GROUP

	Computer software KShs'000	Business Rights KShs'000	Other intangible assets KShs'000	Work-in-progress KShs'000	Total KShs'000
COST					
At 1 January 2024	**9,525,208**	**52,099**	**25,000**	**155,398**	**9,757,705**
Additions	372,250	-	-	142,947	**515,197**
Transfers from WIP	47,205	-	-	(47,205)	**-**
Write off	(1,659)	-	-	-	**(1,659)**
Exchange difference on translation	(19,941)	(40,435)	-	(573)	**(60,949)**
At 31 December 2024	**9,923,063**	**11,664**	**25,000**	**250,567**	**10,210,294**
AMORTISATION					
At 1 January 2024	**7,032,196**	**52,099**	**-**	**-**	**7,084,295**
Amortisation for the year	960,578	-	-	-	**960,578**
Exchange difference on translation	(12,633)	(40,435)	-	-	**(53,068)**
At 31 December 2024	**7,980,141**	**11,664**	**-**	**-**	**7,991,805**
NET CARRYING AMOUNT					
At 31 December 2024	**1,942,922**	**-**	**25,000**	**250,567**	**2,218,489**
COST					
At 1 January 2023	**7,965,342**	**63,453**	**25,000**	**716,822**	**8,770,617**
Additions	520,428	-	-	616,510	**1,136,938**
Transfers from WIP	1,083,579	-	-	(1,083,579)	**-**
Write off	(18,523)	-	-	(92,269)	**(110,792)**
Exchange difference on translation	(25,617)	(11,354)	-	(2,086)	**(39,057)**
At 31 December 2023	**9,525,209**	**52,099**	**25,000**	**155,398**	**9,757,706**
AMORTISATION					
At 1 January 2023	**6,091,838**	**63,453**	**-**	**-**	**6,155,291**
Amortisation for the year	978,123	-	-	-	**978,123**
Write off	(11,149)	-	-	-	**(11,149)**
Exchange difference on translation	(23,909)	(11,354)	-	-	**(35,263)**
At 31 December 2023	**7,034,903**	**52,099**	**-**	**-**	**7,087,002**
NET CARRYING AMOUNT					
At 31 December 2023	**2,490,306**	**-**	**25,000**	**155,398**	**2,670,704**

Other intangible assets relate to trading rights by Kingdom Securities Limited to participate in trading at Nairobi Securities Exchange (NSE).

The business rights relate to the costs incurred in negotiating a business arrangement with the Government of South Sudan for the Co-operative Bank of South Sudan. Under the agreement with the Government of South Sudan, the Bank acquired certain rights that are identifiable e.g., business relationships with the government and co-operative movement.

Work-in-progress relates to partially paid and ongoing software projects not yet commissioned for use by the group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

17. INTANGIBLE ASSETS (CONTINUED)

b) BANK

	Computer software KShs'000	Work-in progress KShs'000	Total KShs'000
COST			
At 1 January 2024	**8,858,784**	**149,770**	**9,008,554**
Additions	235,101	119,518	354,619
Transfer from work-in-progress	18,070	(18,070)	-
Write off	-	(1,659)	(1,659)
At 31 December 2024	**9,111,955**	**249,559**	**9,361,514**
AMORTISATION			
At 1 January 2024	**6,412,886**	**-**	**6,412,886**
Amortisation for the year	932,441	-	932,441
Write off	-	-	-
At 31 December 2024	**7,345,327**	**-**	**7,345,327**
NET CARRYING AMOUNT			
At 31 December 2024	**1,766,628**	**249,559**	**2,016,187**
COST			
At 1 January 2023	**7,301,234**	**706,651**	**8,007,885**
Additions	498,104	613,357	1,111,461
Transfer from work-in-progress	1,077,969	(1,077,969)	-
Write off	(18,523)	(92,269)	(110,792)
At 31 December 2023	**8,858,784**	**149,770**	**9,008,554**
AMORTISATION			
At 1 January 2023	**5,468,274**	**- -**	**5,468,274**
Amortisation for the year	955,761	-	955,761
Write off	(11,149)	-	(11,149)
At 31 December 2023	**6,412,886**	**-**	**6,412,886**
NET CARRYING AMOUNT			
At 31 December 2023	**2,445,898**	**149,770**	**2,595,668**

Amortisation has not been charged in arriving at the results for the year in respect of certain fully amortised software assets with a cost of KShs 3,929,961,114 (2023: KShs 3,295,098,540), which are still in use. If amortisation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 785,992,223(2023: KShs 659,019,708).

18. LEASEHOLD LAND

	Group and Bank 2024 KShs'000	2023 KShs'000
COST		
At 1 January	**54,413**	**54,413**
AMORTISATION:		
At 1 January	**22,330**	**21,720**
Charge for the year	610	610
At 31 December	**22,940**	**22,330**
NET CARRYING AMOUNT		
At 31 December	**31,473**	**32,083**

Prepaid lease rentals relate to advance payments made for the right of occupancy of leasehold land made to the Government of Kenya for a lease term period of 99 years. Amortization is done over the remaining lease period of the lease as at the time of purchase.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

19. PROPERTY AND EQUIPMENT

a) GROUP

	Land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST/VALUATION							
At 1 January 2024	**3,083,653**	**382,204**	**10,803,267**	**2,759,050**	**172,680**	**9,316,296**	**26,517,150**
Additions	-	2,100,692	279,715	406,942	23,208	196,963	**3,007,520**
Disposals	-	(1,008)	(1,250)	(32,883)	-	(253,420)	**(288,561)**
Revaluation	22,395	-	-	-	-	-	**22,395**
Transfers from WIP	-	(1,965,090)	307,983	89,057	-	1,568,050	**-**
Asset reclassification	-	(281,945)	-	(1,349)	-	283,294	**-**
Exchange difference on translation	-	(1,757)	978	42,124	(4,515)	(8,630)	**28,200**
At 31 December 2024	**3,106,048**	**233,096**	**11,390,693**	**3,262,941**	**191,373**	**11,102,553**	**29,286,704**
ACCUMULATED DEPRECIATION							
At 1 January 2024	**134,863**	**-**	**9,125,512**	**2,073,739**	**118,470**	**8,016,398**	**19,468,982**
Charge for the year	134,863	-	376,661	221,806	15,120	649,798	**1,398,248**
Disposals	-	-	(1,250)	(32,600)	-	(249,740)	**(283,590)**
Asset reclassification	-	-	-	(509)	-	509	**-**
Exchange difference on translation	-	-	36,347	131,422	759	(6,026)	**162,502**
At 31 December 2024	**269,726**	**-**	**9,537,270**	**2,393,858**	**134,349**	**8,410,939**	**20,746,142**
NET CARRYING AMOUNT							
At 31 December 2024	**2,836,322**	**233,096**	**1,853,423**	**869,083**	**57,024**	**2,691,614**	**8,540,562**

(ii) Capital work-in-progress (WIP) represents ongoing construction work at the various branches of the Group.

(iii) Kingdom Bank Land and Buildings were revalued as at 30 January 2023 by Morgan Wright Limited. The Bank revalued the Land and Buildings on open market value basis by professional valuers (Miligan Valuers, Hallmark Valuers and Crystal Valuers) as at 31 December 2022. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs 2,948,790,089 (2022: KShs 3,073,296,409).No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs 15,298,502,397 (2023- KShs 14,283,110,953), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 2,489,391,930(2023 - KShs 2,185,036,288).

(iv) The Group has not pledged any item of property, plant and equipment as security as at 31 December 2024 (31 December 2023: Nil).

(v) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

19. PROPERTY AND EQUIPMENT

a) GROUP (Continued)

	Land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST/VALUATION							
At 1 January 2023	**3,073,296**	**148,409**	**10,243,815**	**2,542,030**	**131,973**	**8,972,995**	**25,112,518**
Additions	-	538,769	386,796	270,226	50,494	341,987	**1,588,272**
Disposals	-	-	(2,479)	(13,889)	-	(33,109)	**(49,477)**
Revaluation	10,500	-	-	-	-	-	**10,500**
Transfers from WIP	-	(302,000)	302,000	-	-	-	**-**
Asset reclassification	-	-	(50,571)	-	-	50,571	**-**
Exchange difference on translation	(143)	(2,974)	(76,294)	(39,317)	(9,787)	(16,148)	**(144,663)**
At 31 December 2023	**3,083,653**	**382,204**	**10,803,267**	**2,759,050**	**172,680**	**9,316,296**	**26,517,150**
ACCUMULATED DEPRECIATION							
At 1 January 2023	**-**	**-**	**8,832,580**	**1,934,014**	**106,662**	**7,443,858**	**18,317,114**
Charge for the year	134,863	-	367,371	177,322	19,371	616,668	**1,315,595**
Disposals	-	-	(2,479)	(13,863)	-	(33,010)	**(49,352)**
Asset reclassification	-	-	(1,054)	-	-	1,054	**-**
Asset transfer	-	-	-	-	-	1,738	**1,738**
Exchange difference on translation	-	-	(70,906)	(23,734)	(7,563)	(13,910)	**(116,113)**
At 31 December 2023	**134,863**	**-**	**9,125,512**	**2,073,739**	**118,470**	**8,016,398**	**19,468,982**
NET CARRYING AMOUNT							
At 31 December 2023	**2,948,790**	**382,204**	**1,677,755**	**685,311**	**54,210**	**1,299,898**	**7,048,168**

(i) Capital work-in-progress (WIP) represents ongoing construction work at the various branches of the Group.

(ii) Kingdom Bank Land and Buildings were revalued as at 11 December 2024 by Morgan Wright Limited. The property was classified at its carrying value as at 31 December 2024. Kingdom Bank land and buildings were revalued as at 30 January 2024 by Morgan Wright Limited. The Bank revalued the Land and Buildings on open market value basis by professional vaulers (Miligan Valuers, Hallmark Valuers and Crystal Valuers) as at December 2023.The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and buildings were measured using the cost model, the net carrying amount would have been Kshs2,948,790,089 (2022: 3,073,296,409)

(iii) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs 14,283,110,953 (2022- KShs 13,472,995,738), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 2,185,036,288 (2022 - KShs 2,182,264,329).

(iv) The Group has not pledged any item of property, plant and equipment as security as at 31 December 2023 (31 December 2022: Nil).

(v) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

19. PROPERTY AND EQUIPMENT

b) BANK

	Land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST/VALUATION							
At 1 January 2024	**2,307,300**	**239,018**	**10,498,957**	**1,809,124**	**130,151**	**9,224,441**	**24,208,991**
Additions	-	2,004,488	232,370	210,274	-	183,139	**2,630,271**
Disposals	-	(1,008)	(1,250)	(32,024)	-	(251,133)	**(285,415)**
Revaluation surplus	-	-	-	-	-	-	-
Transfers from WIP	-	(1,858,540)	290,394	96	-	1,568,050	-
Asset reclassification		(281,945)	-	(1,349)	-	283,294	-
At 31 December 2024	**2,307,300**	**102,013**	**11,020,471**	**1,986,121**	**130,151**	**11,007,791**	**26,553,847**
ACCUMULATED DEPRECIATION							
At 1 January 2024	**134,863**	**-**	**8,840,082**	**1,473,464**	**82,673**	**7,945,471**	**18,476,553**
Charge for the year	134,863	-	370,080	126,028	11,836	643,739	**1,286,546**
Disposals	-	-	(1,250)	(31,741)	-	(247,453)	**(280,444)**
Asset reclassification	-	-	-	(509)	-	509	-
At 31 December 2024	**269,726**	**-**	**9,208,912**	**1,567,242**	**94,509**	**8,342,266**	**19,482,655**
NET CARRYING AMOUNT							
At 31 December 2024	**2,037,574**	**383,957**	**1,811,559**	**418,879**	**35,642**	**2,383,581**	**7,071,192**

(iii) Capital work-in-progress represents ongoing construction work at the various branches of the Bank.

(iv) Land and Buildings were revalued on open market value basis by professional valuers (Miligan Valuers, Hallmark Valuers and Crystal Valuers) as at 31 December 2022. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs 2,172,437,089 (2022: KShs 2,307,300,000).

(v) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs. 15,173,431,158(2023: KShs 14,263,107,148), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 2,464,377,682 (2023: KShs 2,307,432,683).

(vi) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

19. PROPERTY AND EQUIPMENT

b) BANK Continued)

	Land & buildings	Capital work-in progress	Fixtures	Office machinery, furniture & equipment	Motor vehicles	Computers	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST/VALUATION							
At 1 January 2023	**2,307,300**	**78,626**	**9,871,694**	**1,601,726**	**85,597**	**8,876,675**	**22,821,618**
Additions	-	462,392	378,313	220,345	44,554	328,580	**1,434,184**
Disposals	-	-	(2,479)	(12,947)	-	(31,385)	**(46,811)**
Revaluation	-	-	-	-	-	-	**-**
Transfers from WIP	-	(302,000)	302,000	-	-	-	**-**
Asset reclassification	-	-	(50,571)	-	-	50,571	**-**
At 31 December 2023	**2,307,300**	**239,018**	**10,498,957**	**1,809,124**	**130,151**	**9,224,441**	**24,208,991**
ACCUMULATED DEPRECIATION							
At 1 January 2023	**-**	**-**	**8,486,736**	**1,383,028**	**69,251**	**7,360,365**	**17,299,380**
Charge for the year	134,863	-	356,879	103,357	13,422	613,650	**1,222,171**
Disposals	-	-	(2,479)	(12,921)	-	(31,336)	**(46,736)**
Asset transfer	-	-	-	-	-	1,738	**1,738**
Asset reclassification	-	-	(1,054)	-	-	1,054	**-**
At 31 December 2023	**134,863**	**-**	**8,840,082**	**1,473,464**	**82,673**	**7,945,471**	**18,476,553**
NET CARRYING AMOUNT							
At 31 December 2023	**2,172,437**	**239,018**	**1,658,875**	**335,660**	**47,478**	**1,278,970**	**5,732,438**

(i) Capital work-in-progress represents ongoing construction work at the various branches of the Bank.

(ii) Land and Buildings were revalued on open market value basis by professional valuers (Miligan Valuers, Hallmark Valuers and Crystal Valuers) as at 31 December 2022. The resulting surplus on revaluation was adjusted to book values of the properties and credited to revaluation reserve. If land and building were measured using the cost model, the net carrying amount would have been KShs 2,172,437,089 (2022: KShs 2,307,300,000).

(iii) No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of KShs 14,263,107,148 (2022: KShs 13,466,851,726), which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 2,307,432,683 (2022: KShs 2,181,035,527).

(iv) The write offs in PPE & Intangibles relate to abandoned projects during the year. Their book values were written off through the statement of Profit or Loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

20. LEASES

i) Right-of-use assets

	GROUP			BANK		
	Buildings and Equipment	Motor Vehicles	Total	Buildings and Equipment	Motor Vehicles	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST						
At 1 January 2024	**10,091,497**	**278,175**	**10,369,672**	**9,282,413**	**278,175**	**9,560,588**
Additions	1,331,618	52,935	1,384,553	1,103,142	52,935	**1,156,077**
Exchange differences	(40,385)	-	(40,385)	-	-	-
At 31 December 2024	**11,382,730**	**331,110**	**11,713,840**	**10,385,555**	**331,110**	**10,716,665**
DEPRECIATION						
At 1 January 2024	6,081,774	208,823	6,290,597	5,743,716	208,823	**5,952,539**
Depreciation for the year	1,407,652	26,782	1,434,434	1,272,442	26,782	**1,299,224**
Exchange differences	(3,990)	-	(3,990)	-	-	-
At 31 December 2024	**7,485,436**	**235,605**	**7,721,041**	**7,016,158**	**235,605**	**7,251,763**
NET CARRYING AMOUNT						
At 31 December 2024	**3,897,294**	**95,505**	**3,992,799**	**3,369,397**	**95,505**	**3,464,902**
COST						
At 1 January 2023	**7,278,636**	**208,273**	**7,486,909**	**6,799,021**	**208,273**	**7,007,294**
Additions	2,869,518	69,902	2,939,420	2,483,392	69,902	**2,553,294**
Acquisition of a subsidiary	-	-	-	-	-	-
Disposals	(2,030)	-	(2,030)	-	-	-
Exchange differences	(54,627)	-	(54,627)	-	-	-
At 31 December 2023	**10,091,497**	**278,175**	**10,369,672**	**9,282,413**	**278,175**	**9,560,588**
DEPRECIATION						
At 1 January 2023	**4,667,789**	**160,983**	**4,828,772**	**4,429,102**	**160,983**	**4,590,085**
Depreciation for the year	1,411,955	47,840	1,459,795	1,314,614	47,840	**1,362,454**
Disposals	2,030	-	2,030	-	-	-
Exchange differences	-	-	-	-	-	-
At 31 December 2023	**6,081,774**	**208,823**	**6,290,597**	**5,743,716**	**208,823**	**5,952,539**
NET CARRYING AMOUNT						
At 31 December 2023	**4,009,723**	**69,352**	**4,079,075**	**3,538,697**	**69,352**	**3,608,049**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

20. LEASES

ii) Lease Liabilities

Set out below are the carrying amounts of lease liabilities (included in other liabilities in Note 27) and the movements during the period:

	Group		Bank	
	2024 KShs'000	2023 KShs'000	2024 KShs'000	2023 KShs'000
At 1 January	4,402,577	3,191,216	4,094,559	2,921,715
Additions/ modification	1,782,857	2,702,431	1,119,699	2,311,609
Accretion of interest	368,948	377,494	323,654	339,308
Payments	(1,865,166)	(1,662,052)	(1,640,235)	(1,478,073)
Translation difference	(152,332)	136,126	-	-
At 31 December	**4,536,884**	**4,745,215**	**3,897,677**	**4,094,559**

	Group		Bank	
	2024 KShs'000	2023 KShs'000	2024 KShs'000	2023 KShs'000
Expected to be settled within 12 months after the year end	1,409,818	1,437,546	1,311,878	1,378,145
Expected to be settled more than 12 months after the year end	3,127,066	3,307,669	2,585,799	2,716,414
	4,536,884	**4,745,215**	**3,897,677**	**4,094,559**
The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	1,496,218	1,284,558	1,316,581	1,138,765
Interest paid on lease liabilities	368,948	377,494	323,654	339,308
	1,865,166	**1,662,052**	**1,640,235**	**1,478,073**

iii) Amounts recognised in profit or loss

	Group		Bank	
	2024 KShs'000	2023 KShs'000	2024 KShs'000	2023 KShs'000
Interest on lease liabilities	(368,948)	(377,494)	(323,654)	(339,308)
Depreciation of right to use asset	(1,434,434)	(1,461,826)	(1,299,224)	(1,362,454)
At 31 December	**(1,803,382)**	**(1,839,320)**	**(1,622,878)**	**(1,701,762)**

The Group and Bank lease holdings include leased space where the Bank's branches and subsidiaries conduct their business as well as twenty-five leased motor vehicles used by various departments and branches of the bank. The leased spaces have a tenor of six years while the motor vehicles have a tenor of four years. Some of the leases have termination or extension clauses. However, the lease contracts do not have a residual value guarantee. Some of the leases have escalations clauses after two years, which vary from contract to contract on the leases mentioned above. The maturity analysis of lease liabilities are disclosed in Note 3(b). Short-term leases and leases of low-value assets are expensed on a straight-line basis over the term of the lease. The Bank expensed KShs 84 million in 2024 (2023: 82 million) under other operating expenses (Note 40) related to these leases.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

21. DEFERRED TAX

The following table shows deferred tax recorded on the statement of financial position and changes recorded in the Income tax expense:

GROUP	2024				2023		
	Deferred tax assets KShs'000	Through Profit or loss KShs'000	Over provision KShs'000	Through reserves KShs'000	Deferred tax assets KShs'000	Through Profit or loss KShs'000	Through reserves KShs'000
Collective allowance for impairment disallowed for tax purposes	(5,389,407)	(146,792)	-	-	(5,242,615)	(259,179)	-
Revaluation surplus	530,774	-	-	(9,322)	540,096	-	(9,322)
Excess of tax wear and tear allowance over depreciation	(611,437)	75,070	-	-	(686,507)	249,971	-
Unrealised exchange gains	(31,779)	(31,779)	-	-	-	(17,082)	-
Leases	(129,077)	16,030	-	-	(145,107)	3,693	-
Unutilised tax losses	258,552	(509)	-	-	259,061	442,527	-
Other temporary differences	(1,576,585)	(464,238)	(38,362)	-	(1,073,985)	(612,011)	-
Deferred tax asset	**(6,948,959)**	**(552,218)**	**(38,362)**	**(9,322)**	**(6,349,057)**	**(192,081)**	**(9,322)**
Collective allowance for impairment disallowed for tax purposes	(23,466)	(48,903)	-	-	25,437	-	-
Excess of tax wear and tear allowance over depreciation	34,205	30,907	-	-	3,298	-	-
Leases	651	(58,447)	-	-	59,098	-	-
Other temporary differences	106,571	185,202	(1,108)	-	(77,523)	-	-
Deferred tax liability	**117,961**	**108,759**	**(1,108)**	**-**	**10,310**	**-**	**-**
Net deferred tax asset	**(6,830,998)**	**(443,459)**	**(39,470)**	**(9,322)**	**(6,338,745)**	**(192,081)**	**(9,322)**

BANK	2024			2023		
	Deferred tax assets KShs'000	Through profit or loss KShs'000	Through reserves KShs'000	Deferred tax assets KShs'000	Through profit or loss KShs'000	Through reserves KShs'000
Collective allowance for impairment disallowed for tax purposes	(5,357,290)	(229,748)	-	(5,127,542)	(302,285)	-
Revaluation surplus	530,774	-	(9,322)	540,096	-	(9,322)
Accelerated wear and tear allowance over depreciation	(662,485)	101,363	-	(763,848)	273,577	-
Unrealised exchange gains	-	-	-	-	(17,082)	-
Provision for staff leave pay	(82,003)	15,763	-	(97,766)	(932)	-
IFRS 16 Leases	(129,832)	16,121	-	(145,953)	4,051	-
Other temporary differences	(1,130,823)	(562,466)	-	(568,357)	(467,418)	-
	(6,831,659)	**(658,967)**	**(9,322)**	**(6,163,371)**	**(510,089)**	**(9,322)**

Other temporary differences are as a result of movement in provisions. These mainly include general and specific bad debts provisions, bonus and leave provisions, and unrealised exchange gain.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

22. DEPOSITS AND BALANCES DUE TO BANKS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Local banks	590,716	4,457,254	2,265,963	4,106,575
Foreign banks	2,210,361	24	2,210,361	1,645,508
	2,801,077	**4,457,278**	**4,476,324**	**5,752,083**

The weighted average effective interest rate on deposits from other banks at 31 December 2024 was 1.95% (2023: 1.92%). These current accounts do not accrue any interest.

23. CUSTOMER DEPOSITS

	Group		Bank	
	2024	2023	2024	2023
(a) Deposit category	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Call deposits	52,086,489	79,945,345	52,086,489	79,945,345
Fixed deposits	172,701,325	107,590,357	156,618,832	97,692,213
Transaction accounts	125,916,439	127,561,393	126,135,746	126,222,456
Savings accounts	24,759,503	24,447,352	23,022,628	23,832,959
Current accounts	127,436,239	108,817,790	117,107,735	101,575,514
Foreign currency deposits	3,212,152	3,279,811	3,212,152	3,279,811
	506,112,147	**451,642,048**	**478,183,582**	**432,548,298**
(b) From government and parastatals:				
Payable on demand	42,684,405	26,968,358	41,659,543	26,678,537
Payable within 30 days	14,430,505	15,905,837	14,430,505	15,905,837
Payable after 30 days but within 1 year	3,243,236	17,863,549	3,243,236	17,863,549
	60,358,146	**60,737,744**	**59,333,284**	**60,447,923**
(c) From private sector and individuals:				
Payable on demand	210,650,980	212,099,213	199,543,806	198,722,713
Payable within 30 days	90,489,937	86,066,310	90,489,938	86,066,310
Payable after 30 days but within 1 year	144,613,084	92,738,781	128,816,554	87,311,352
	445,754,001	**390,904,304**	**418,850,298**	**372,100,375**
	506,112,147	**451,642,048**	**478,183,582**	**432,548,298**

Included in customers' deposits is an amount of KShs. 7,745 million (2023: KShs 6,585 million) that has been pledged to the Bank by customers as security for loans and advances. The weighted average effective interest rate on interest-bearing customer deposits as at 31 December 2024 was 5.77% (2023: 4.13%).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

24. LOANS AND BORROWINGS

	Group		Bank	
	2024	2023	2024	2023
Long-term borrowing	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Kenya Mortgage Refinance Company	308,144	389,783	308,144	389,784
International Finance Corporation (IFC)	16,709,206	16,078,640	16,709,206	16,078,640
EIB- East Africa	6,151,665	7,897,748	6,151,665	7,897,748
DEG	16,415,739	15,719,835	16,415,739	15,719,835
	39,584,754	**40,086,006**	**39,584,754**	**40,086,007**
Central Bank of Kenya	15,821,346	27,248,310	-	7,000,000
	55,406,100	**67,334,316**	**39,584,754**	**47,086,007**
Movement in the year:				
At 1 January	67,334,316	48,102,072	47,086,007	24,884,464
Additional loan disbursement	7,657,908	16,030,174	8,404,026	15,646,180
Central Bank REPO	-	7,000,000	-	7,000,000
Accrued interest	536,344	361,305	367,183	314,611
Loan Repayment	(15,912,341)	(8,200,095)	(9,417,507)	(5,168,032)
Foreign exchange difference	(4,210,127)	4,040,860	(6,854,955)	4,408,784
At 31 December	**55,406,100**	**67,334,316**	**39,584,754**	**47,086,007**

The long-term borrowings are loans received by the Bank for onward lending to customers in specific segments. The term for these loans is as described below: -

European Investment Bank

A loan agreement of equivalent to Euros 50 million was entered in November 2021 between the European Investment Bank and The Co-operative Bank of Kenya Limited. The loan was to be disbursed upon request for onward lending to eligible investment projects undertaken by private enterprises in Kenya. The loan is part of the East Africa Covid-19 Rapid Response Facility. The loan has a fixed interest rate of 10.301%. As at end of 2024, equivalent of Euros 50 Million had been disbursed to the bank.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

24. LOANS AND BORROWINGS (CONTINUED)

International Finance Corporation

In December 2015 the bank entered into agreement with IFC for a senior unsecured loan of USD 105 Million to finance the growth of SMEs portfolio, Women Owned Enterprises (WOE) portfolio and affordable housing through expansion of mortgage & construction finance. The loan has an element of fixed and variable interest rate which is pegged to the LIBOR rate. The loan has a maturity period of 7 years and a 2-year grace period on principal repayment. As at the end of year 2022, the bank had received a drawdown of USD 105 Million.

In March 2019, the bank entered into agreement with IFC for a total loan of USD 150 Million. The loan is repayable in eleven equal instalments and will mature in December 2025.The loan was disbursed in two tranches, as at the end of year 2019, the bank had received a drawdown of USD 150 Million. In December 2020, the bank made a repayment of USD 75 Million of the loan.

In December 2020, the bank secured a long-term financing facility arranged by IFC amounting to USD 75 Million for on-lending to MSMEs. The syndicated loan was financed by IFC (USD 50,000,000), Eco-Business Fund S. A (USD 10,000,000) and SwedFund International AB (USD 15,000,000). The loan has a maturity period of 7 years and a 5-year grace period on principal repayment. As at the end of year 2024, the bank had received a drawdown of USD 75Million.

Kenya Mortgage Refinance Company Limited

In June 2021, the bank entered into agreement with Kenya Mortgage Refinance company for a credit facility at fixed rate of 5% to finance affordable housing mortgage loans. As at the end of year 2024, the amount disbursed to the bank was KShs 549.79 Million.

Housing Finance Group

The loan is denominated in Kenya Shillings. Its effective interest rate is 14% per annum and a tenor of 4 years 4 months (52 months). The loan has been granted to Kingdom Bank Limited. The loan was taken over by the Co-operative Bank of Kenya Limited during the year. It has an effective interest rate of 13% and a tenor of 4 years 4 months (52 months). It is secured via legal charge over LR No: 1/859.

DEG - Deutsche Investitions- Und Entwicklungsgesellschaft Mbh

The Co-operative Bank of Kenya Limited signed USD 100 Million Subordinated Term facility agreement arranged by DEG in December 2022. The loan facility was disbursed in 2023. The facility is for onward lending to micro, small and medium-sized enterprises. The loan has a maturity period of 7 years and a 5-year grace period on principal repayment.

Central Bank of Kenya Borrowing

In 2020 Kingdom Bank Limited received additional support from the Central Bank of Kenya (CBK) of KShs 20.96 billion in exercise of its statutory mandate as regulator towards strengthening the liquidity position geared towards restoring eroded customer confidence in a bid to turnaround the entity back to profitability and stabilize the banking sector.

The amount is guaranteed by Co-operative Bank Kenya Limited and has an effective interest rate of zero. It is repayable in 10 years with a moratorium of 3 years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

25. TAXATION

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
(a) Income Statement: -				
Current tax at 30% on the taxable profit for the year (2023: 30%)	9,806,902	9,367,564	8,974,080	8,653,052
Deferred income tax credit	(443,459)	(192,081)	(658,967)	(510,089)
Over provision of deferred tax in previous years	(39,470)	-	-	-
Income tax expense	**9,323,974**	**9,175,483**	**8,315,113**	**8,142,963**
(b) Statement of Financial Position: -				
Income tax payable/ (recoverable)				
Balance brought forward	(654,777)	(330,854)	(790,836)	(326,217)
Adjustment in respect of current income tax of prior years	19,670	-	19,670	-
Utilised tax credits from prior years	790,836	-	790,836	-
Charge for the year	9,806,902	9,367,564	8,974,080	8,653,052
Paid during the year	(9,732,503)	(9,691,486)	(8,429,790)	(9,117,671)
	230,128	**(654,776)**	**563,960**	**(790,836)**
(c) Reconciliation of tax expense to tax based on accounting profit: -				
Accounting profit	**34,780,319**	**32,363,848**	**31,303,209**	**29,616,457**
Tax applicable rate at 30% (2023: 30%)	10,434,096	9,709,154	9,390,962	8,884,937
Adjustment in respect of current income tax of prior years	(19,670)	-	-	-
Share of profit in associate	246,712	103,718	-	-
Adjustment in respect of deferred tax of prior years	(39,470)	-	-	-
Hyper inflationary adjustment	134,638	2,174	-	-
Tax effect of items not eligible for tax	(1,432,332)	(639,563)	(1,075,849)	(741,974)
Tax expense in the income statement	**9,323,974**	**9,175,483**	**8,315,113**	**8,142,963**

The corporation tax rate applicable to the Bank, subsidiaries and associates is 30%.

Items not eligible for tax relates to items disallowed for purpose of calculating the income tax in accordance with the Income Tax Act. These mainly relates to donations, interest on infrastructure bonds.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

26. PROVISIONS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Leave liability	230,576	284,379	222,146	274,687
Balance at 1 January	**284,379**	**276,702**	**274,687**	**271,581**
Movement through profit or loss	(53,803)	7,677	(52,541)	3,106
Balance at 31 December	**230,576**	**284,379**	**222,146**	**274,687**

This provision is for obligations in respect of annual leave entitlements not taken as at close of the period. The amount has been accrued at remuneration rates expected to apply when the obligation is settled.

27. OTHER LIABILITIES

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Bills payable	11,405,578	7,413,300	10,652,996	7,412,856
Lease liabilities (Note 20)	4,536,884	4,745,215	3,897,677	4,094,559
Items in the course of collection by other banks	9,106	3,088	-	-
Sundry creditors and accruals	15,396,348	20,750,101	13,794,252	18,307,302
Allowance for credits losses for off balance sheet commitments	1,092,186	822,457	1,092,186	822,457
	32,440,102	**33,734,161**	**29,437,111**	**30,637,174**

Bills payable, sundry creditors and accruals are payable on demand and are non-interest bearing.

28. GOVERNMENT GRANTS

	Group and Bank	
	2024	2023
Grant net of amortisation:	KShs'000	KShs'000
At 1 January	**369,513**	**387,989**
Amortisation for the year	(18,476)	(18,476)
At 31 December	**351,037**	**369,513**

The grants relate to rehabilitation work on Co-operative House financed by USAID following the August, 1998 bomb blast. The grant is amortised in line with the depreciation on the building. The grant is amortised for the same period of the building since it was part of the cost to reconstruct the building.

29. SHARE CAPITAL

	Group and Bank	
	2024	2023
	KShs'000	KShs'000
Authorised:		
7.5 billion (2023: 7.5 billion) ordinary shares of KShs 1 each.	**7,500,000**	**7,500,000**
Issued and fully paid:		
5.8 billion (2023: 5.8 billion) ordinary shares of KShs 1 each.	**5,867,180**	**5,867,180**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

30. SHARE PREMIUM

These reserves arose in 2008 when the Bank issued 557,242,300 new shares through an Initial Public Offering. The shares, with a par value of KShs 1 were issued at KShs 9.50. These reserves may be applied towards capital in the future.

	Group and Bank	
	2024	2023
	KShs'000	KShs'000
At 1 January and 31 December	**1,911,926**	**1,911,926**

31. RESERVES

a. Revaluation reserve

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

b. Retained earnings

This reserve includes accumulated profits over the years. The retained earnings are distributable to the shareholders.

c. Fair value reserve

This comprises changes in fair value on debt instruments at fair value through other comprehensive income, excluding impairment losses, until the net investment is derecognised. This reserve is not distributable as it relates to unrealised fair value changes.

d. Statutory reserve

Where impairment losses required by legislation or regulations exceed those computed under IFRS Accounting Standards as issued by the International Accounting Standards Board, the excess is recognised as a statutory reserve and accounted for as an appropriation of retained earnings. This reserve is not distributable.

For the year ended 31 December 2024, the Group and the Bank's allowance for expected credit losses calculated in line with IFRS 9 amounted to KShs 49.2 billion and KShs 47.4 billion (2023: KShs 42.8 billion and KShs 40.6 billion) respectively while the Group and the Bank's Statutory loan loss provisions amounted to KShs 53 million and Nil in 2024, (2023: KShs 53 million and KShs Nil) respectively.

The Bank's ECL allowance was more than the Statutory loan loss provisions resulting into a reversal of the statutory reserve previously held. The balance in the Group's statement of changes in equity relates to Co-operative Bank of South Sudan

e. Foreign currency translation reserve

The reserves represent exchange differences arising from translation of the net assets of the Group's foreign operations in the Co-operative Bank of South Sudan from their functional currency (South Sudan pounds), to the Group's presentation currency (Kenya shillings). These differences are recognised directly through other comprehensive income and accumulated in the foreign currency translation reserve in equity. The reserve is not available for distribution to the shareholders.

32. PROPOSED DIVIDENDS AND DIVIDENDS PER SHARE

	Group and Bank	
	2024	2023
	KShs'000	KShs'000
Proposed dividends	**8,800,770**	**8,800,770**

(i) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

(ii) Proposed dividends are accounted for as a separate component of equity at year end until they are ratified at an Annual General Meeting (AGM). At the AGM to approve year 2024 financial statements, a first and final dividend in respect of year 2024 of KShs 1.50 (2023 - KShs 1.50) for every ordinary share of KShs 1 each will be proposed by the Directors and is subject to approval by shareholders.

(iii) Payment of dividend is subject to withholding tax at the rate of 5% for residents and 15% for non-resident shareholders.

33. MATERIAL PARTLY OWNED SUBSIDIARIES

a. Kingdom Securities Limited

Kingdom Securities Limited (previously Bob Mathews Stockbrokers Limited) was acquired in 2009 by the Bank through the purchase of 60% shareholding. The proportion of equity interest held by non-controlling Interest is 40%. The company offers brokerage services and is a registered broker with the Nairobi Securities Exchange.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

33. MATERIAL PARTLY OWNED SUBSIDIARIES (CONTINUED)

b. Co-operative Bank of South Sudan

Co-operative Bank of South Sudan was registered in partnership with the Government of South Sudan which holds 49% of the ordinary shares while the Bank holds 51%. The subsidiary is based in South Sudan and offers banking services.

c. Kingdom Bank Limited

Kingdom Bank Limited (formerly Jamii Bora Bank Limited) was acquired by The Co-operative Bank Limited through purchase of 90% shareholding in August 2020. The proportion of equity interest held by non-controlling Interest is 10%. The company offers banking services and is a commercial bank registered and regulated by the Central Bank of Kenya.

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for: -

	Kingdom Bank Limited	Kingdom Securities Limited	Co-operative Bank of South Sudan
As at 31 December 2024	**KShs'000**	**KShs'000**	**KShs'000**
Interest and other income	5,009,850	209,978	2,205,517
Interest and commission expenses	(261,771)	(40,941)	(72,863)
	2,748,079	**169,037**	**2,132,654**
Operating expenses	(1,679,652)	(94,828)	(2,856,247)
Loss on net monetary position	-	-	734,656
Profit before tax	**1,068,427**	**74,209**	**11,063**
Share of profit of an associate	-	-	-
Income tax credit/ (expense)	(471,987)	44,833	(182,172)
Profit for the year	**596,440**	**119,042**	**(171,109)**
Other comprehensive income	1,019,371	60,247	176,139
Total comprehensive income	**1,019,371**	**60,247**	**176,139**
Allocated to non-controlling interest	161,581	71,716	2,465
As at 31 December 2023			
Interest and other income	4,272,077	138,990	1,576,262
Interest and commission expenses	(955,284)	(41,126)	(45,415)
	3,316,793	**97,864**	**1,530,847**
Operating expenses	(2,236,106)	(84,673)	(1,239,551)
Loss on net monetary position	-	-	-
Profit / (loss) before tax	**1,080,687**	**13,191**	**291,296**
Share of profit of an associate	-	-	-
Income tax expense	(419,616)	(11,388)	(91,866)
Profit / (loss) for the year	**661,071**	**1,803**	**199,430**
Other comprehensive income	(996,073)	(4,178)	-
Total comprehensive income	**(335,002)**	**(2,375)**	**199,430**
Allocated to non-controlling interest	66,107	721	97,721

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33. MATERIAL PARTLY OWNED SUBSIDIARIES (CONTINUED)

Summarised statement of financial position: -

	Kingdom Bank Limited	Kingdom Securities Limited	Co-operative Bank of South Sudan
As at 31 December 2024	**KShs'000**	**KShs'000**	**KShs'000**
Current assets	17,819,389	38,036,106	6,169,272
Non-current Assets	8,995,214	10,007,587	594,490
Liabilities	(37,747,021)	(756,957)	(9,172,328)
Total equity	**(10,932,418)**	**47,286,736**	**(2,408,566)**
Attributable to:			
Equity holders of the parent	3,077,541	290,471	1,056,408
Accumulated non-controlling interests of the subsidiary	(44,413)	116,188	1,121,517
As at 31 December 2023			
Current assets	27,689,317	794,171	10,032,172
Non-current Assets	8,906,723	28,496	537,948
Liabilities	(35,025,351)	(712,672)	(9,251,618)
Total equity	**1,570,689**	**109,995**	**1,318,502**
Attributable to:			
Equity holders of the parent	1,413,620	65,997	672,436
Accumulated non-controlling interests of the subsidiary	157,069	43,998	646,066

d. Hyperinflationary economy in South Sudan

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria in International Accounting Standards (IAS) 29- Financial Reporting in Hyperinflationary Economies

IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. The management applied this standard to prepare the financial statements for the Co-operative Bank of South Sudan for the financial years ended 2016 to 2024 excluding 2023 using consumer price index (CPI) figures derived from South Sudan Consumer Price Index (CPI) compiled by the National Bureau of Statistics, South Sudan. However, the Group did not restate the corresponding figures on the consolidated financial statements as it is not required to do so. CPIs and the corresponding conversion coefficients used in the previous period are presented below:

Year	CPI	Conversion factor
2016	2,799	1
2017	4,502	2.2
2018	6,503	1.4
2019	7,751	1.2
2020	14,549	1.9
2021	14,434	1.03
2022	12,961	0.93
2023	38.02*	1.1
2024	151.55*	3.99

* The significant shift in the CPI is attributed to the National Bureau of Statistics review for the reference period to August 2024 after extending the analysis to all the 10 states of the country.

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34. INTEREST AND SIMILAR INCOME

	Group		Bank	
	2024	2023	2024	2023
Interest income calculated using the effective interest method	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to customers	55,892,422	44,760,485	53,822,127	43,366,267
Debt instruments at amortised cost	14,300,614	10,286,744	13,344,372	9,320,982
Debt instruments at FVOCI	12,880,636	12,474,810	11,276,591	10,736,975
Amortization of financial instruments	(305,765)	370,760	(305,765)	370,760
Deposits and balances due from other banks	3,482,051	1,173,269	2,578,983	680,788
Total interest and similar income	**86,249,958**	**69,066,068**	**80,716,308**	**64,475,772**

35. INTEREST AND SIMILAR EXPENSE

	2024	2023	2024	2023
Interest expense calculated using the effective interest method	KShs'000	KShs'000	KShs'000	KShs'000
Call deposits	4,204,737	3,183,554	4,204,737	3,183,554
Fixed deposits	22,377,914	12,527,162	20,270,582	11,593,248
Savings accounts	836,566	907,359	835,537	906,218
Current accounts	1,877,591	1,623,016	1,876,395	1,621,720
Deposits and balances due to banks	962,298	1,231,766	926,518	1,225,565
Lease obligations	349,183	377,494	323,654	339,308
Borrowed funds	4,120,936	3,994,555	4,032,130	3,932,983
	34,729,225	**23,844,906**	**32,469,553**	**22,802,596**

36. INTEREST AND SIMILAR INCOME

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Fees and commissions income	23,100,441	22,379,996	20,357,608	19,819,867
Fees and commissions expense	(267,415)	(143,141)	(267,415)	(143,141)
Net fees and commissions income	**22,833,026**	**22,236,855**	**20,090,193**	**19,676,726**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

36. INTEREST AND SIMILAR INCOME (Continued)

Disaggregated fees and commission information as at the period end

31 December 2024	Banking services	Advisory & training	Banc assurance	Investment management	Brokerage	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Fees and commission income						
Custodial	360,991	-	-	-	-	360,991
Share registration	14,206	-	-	-	-	14,206
Fund management	-	-	-	564,995	-	564,995
Brokerage	-	-	-	-	43,182	43,182
Consultancy	-	44,508	-	-	-	44,508
Training	-	88,761	-	-	-	88,761
Insurance agency	-	-	988,080	-	-	988,080
Ledger fees and service charges	2,600,120	-	-	-	-	2,600,120
Other fees & commissions	18,128,183	-	-	-	-	18,128,183
Total revenue from contracts with customers	**21,103,500**	**133,279**	**988,080**	**564,995**	**43,182**	**22,833,026**
Timing of revenue recognition						
Services transferred at a point in time	20,728,304	133,269	988,080	-	43,182	21,892,835
Services that are provided over time	375,196	-	-	564,995	-	940,191
Total revenue from contracts with customers	**21,103,500**	**133,269**	**988,080**	**564,995**	**43,182**	**22,833,026**

31 December 2023	Banking services	Advisory & training	Banc assurance	Investment management	Brokerage	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Fees and commission income						
Custodial	333,777	-	-	-	-	333,777
Share registration	14,207	-	-	-	-	14,207
Fund management	-	-	-	392,045	-	392,045
Brokerage	-	-	-	-	54,582	54,582
Consultancy	-	37,298	-	-	-	37,298
Training	-	34,472	-	-	-	34,472
Insurance agency	-	-	999,114	-	-	999,114
Ledger fees and service charges	1,468,391	-	-	-	-	1,468,391
Other fees & commissions	18,902,969	-	-	-	-	18,902,969
Total revenue from contracts with customers	**20,719,344**	**71,770**	**999,114**	**392,045**	**54,582**	**22,236,855**
Timing of revenue recognition						
Services transferred at a point in time	20,371,361	71,770	999,114	-	54,582	21,496,827
Services that are provided over time	347,983	-	-	392,045	-	740,028
Total revenue from contracts with customers	**20,719,344**	**71,770**	**999,114**	**392,045**	**54,582**	**22,236,855**

Other fees and commission is made up of all banking fees charged to the customer. This includes loan fees, mobile transaction fees, money transfer fees, transaction fees among many other income lines.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

37. NET TRADING INCOME

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Foreign exchange gain	4,974,885	3,181,189	4,099,341	2,877,509

38. OTHER OPERATING INCOME

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Gain on disposal of property and equipment	7,676	2,504	7,676	1,905
Dividend income	-	-	87,065	86,668
Rental income	137,818	140,722	137,818	140,722
Gain on sale of financial assets at Fair value	40,100	115,868	73,503	10,502
Sundry Income	1,242,880	766,134	653,906	459,145
	1,428,474	**1,025,228**	**959,968**	**698,942**

Dividends from associate and equity investments are recognised when the Group's right to receive payment is established.

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases and is recognised monthly when it falls due.

39. EMPLOYEE COSTS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Basic salaries	14,838,606	13,538,500	13,559,695	12,478,606
Allowances	552,262	520,202	519,311	492,040
Pension scheme contribution	-	-		
- Statutory Scheme	144,198	48,860	101,005	47,876
- Employee Scheme	991,737	970,719	937,928	931,664
Medical expenses	849,919	787,672	779,510	732,876
Education and training	96,629	62,177	91,516	59,185
Others	849,207	762,119	568,720	505,020
	18,322,558	**16,690,249**	**16,557,685**	**15,247,267**
The number of employees at the year-end was:				
Management	825	776	714	679
Supervisory and unionizable	3,690	3,790	3,555	3,280
Others	1,348	834	760	763
	5,863	**5,400**	**5,029**	**4,722**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

40. OTHER OPERATING EXPENSES

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Rent and maintenance costs for branch premises	855,991	849,894	792,021	701,845
Motor vehicle running and other equipment maintenance	3,512,928	3,040,191	3,439,528	3,028,580
Stationery and printing	512,887	368,943	491,178	346,351
Travelling and insurance	1,242,500	987,978	1,059,734	755,651
Telephone, postage, electricity and water	818,252	750,458	744,076	681,169
Contribution to Deposit Protection Fund	713,141	675,506	696,204	662,071
Directors' emoluments	351,383	264,495	274,632	192,496
Auditors' remuneration	53,036	47,631	23,678	22,443
Loss on net monetary position	734,656	-	-	-
Other operating and administrative expenses	7,766,624	6,800,606	6,817,533	4,868,575
	16,561,398	**13,785,702**	**14,338,584**	**11,259,181**

Total Audit fees charged	**2024**	**2023**	**2022**
Auditors of the Group	**KShs'000**	**KShs'000**	**KShs'000**
The company	23,678	22,443	20,872
Other audit service	5,428	8,287	4,928
Consolidated controlling entities	6,354	6,052	5,628
Total	**35,460**	**36,782**	**31,428**
Total Non-audit fees charged	**2023**	**2023**	**2022**
Tax	6,901	2,394	2,259
ICT and Cybersecurity	17,309	16,485	15,537
All other services	4,903	4,684	4,621
Total	**29,113**	**23,563**	**22,317**

Other operating and administrative expenses relates to various expenses of low values of which the Bank consider it will not be useful to disclose individually.

41. ECL-OTHER FINANCIAL ASSETS

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Credit loss expense				
ECL- Bank balances	3,680	452	3,680	452
ECL- Off balance sheet balances	269,730	-	269,730	-
ECL- Investments in Government securities	-	167,455	-	167,455
ECL- Sundry debtors	-	-	-	5,433
	273,410	167,907	273,410	173,340
Credit loss write back				
ECL- Investments in Government securities	-	-	(910,632)	-
ECL- Off balance sheet balances	(904,278)	(433,507)	-	(433,507)
ECL- Sundry debtors	(13,436)	(309,875)	(16,419)	-
	(917,714)	**(743,382)**	**(927,051)**	**(433,507)**
Net credit loss (write back)/expense	(644,304)	(575,475)	(653,641)	(260,167)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

42. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the Group and the Bank is based on the year's profit attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculation of basic earnings per share for the Group and the Bank is based on the year's profit attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding during the year.

	Group		Bank	
	2024	**2023**	**2024**	**2023**
Profit for the year attributable to equity holder of the parent (KShs'000)	25,456,345	23,023,816	22,988,096	21,473,494
Weighted average number of ordinary shares for basic earnings per share (Thousands)	5,867,180	5,867,180	5,867,180	5,867,180
Weighted average number of ordinary shares for diluted earnings per share (Thousands)	5,867,180	5,867,180	5,867,180	5,867,180
Basic earnings per share (KShs)	4.33	3.92	3.92	3.66
Diluted earnings per share (KShs)	4.33	3.92	3.92	3.66

43. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income	Group		Bank	
	2024	**2023**	**2024**	**2023**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Losses arising during the year	15,337,802	(8,357,413)	14,249,582	(7,363,660)
Reclassification to profit or loss upon derecognition	-	(4,178)	-	-
	15,337,802	(8,361,591)	14,249,582	(7,363,660)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

44. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

		Group		Bank	
		2024	2023	2024	2023
OPERATING ACTIVITIES	**Note**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Profit before tax		**34,780,319**	**32,363,848**	**31,303,209**	**29,616,457**
Adjustments for: -					
Depreciation of property and equipment	19	1,398,248	1,315,595	1,286,546	1,222,171
Depreciation of right-of-use asset	20	1,434,434	1,461,825	1,299,224	1,362,454
Amortization of leasehold	18	610	610	610	610
Write-off on intangible assets	17	1,659	99,643	1,659	110,792
Movement in provisions		6,289,107	4,801,324	6,818,249	5,727,066
Leave provision	26	(53,803)	7,677	(52,541)	3,106
Allowance for credit losses		(873,074)	(645,345)	(923,371)	(260,167)
Amortization of intangible assets	17	(960,578)	(978,123)	932,441	955,761
Amortization of capital grants	28	(18,478)	(18,475)	(18,478)	(18,475)
Gain on disposal of property and equipment		(7,676)	(2,504)	(7,676)	(1,905)
Share of (loss)/ profit in associates	16	(822,372)	(345,725)	-	-
Interest on lease liability	20(ii)	368,948	377,494	323,654	339,308
Exchange difference on borrowings	24	(4,210,127)	4,040,861	(6,854,955)	4,408,784
Accrued interest on borrowings	24	536,344	361,305	367,183	314,611
Loss on net monetary position		734,656	-	-	-
Cash flows from operating activities before working capital changes		**38,598,217**	**42,840,010**	**34,475,754**	**43,780,573**
Advances to customers		(5,794,613)	(39,638,706)	(2,688,855)	(34,791,414)
Other assets		(14,395,634)	8,712,855	(11,358,304)	6,559,354
Deposits from customers		54,470,099	27,839,380	45,635,284	22,360,444
Deposits from banks		(1,656,201)	3,369,777	(1,275,760)	4,770,446
Other liabilities		(263,273)	6,632,080	(592,418)	4,527,582
Central Bank of Kenya cash reserve ratio		(2,290,964)	(1,341,383)	(1,967,152)	(1,140,925)
Central Bank of Kenya Repo		(7,000,000)	-	(7,000,000)	-
FVOCI Investments		18,769,027	1,098,138	16,604,661	(1,463,482)
Derivative financial instruments		(1,028,826)	1,602,828	(1,028,826)	1,602,828
Cash flows generated from operating activities		**79,407,832**	**51,114,979**	**70,804,384**	**46,205,406**
Cash and cash equivalents comprises of:-					
Cash on hand		10,691,647	10,372,273	9,095,783	8,709,925
Cash with Central Bank of Kenya		24,101,739	22,150,738	21,348,472	19,305,088
Deposits and balances due from banking institutions		52,226,074	27,316,305	47,033,524	21,731,801
Items in the course of collection from other banks		(612,546)	(650,637)	612,546	650,502
		86,406,914	**59,188,679**	**78,090,326**	**50,397,316**
Less: Central Banks restricted Cash		(21,420,402)	(19,129,464)	(20,164,177)	(18,197,025)
Cash and cash equivalents		**64,986,512**	**40,059,215**	**57,926,149**	**32,200,291**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

45. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

a. Loans due from directors, employees, and other related parties: -

Balances outstanding at the close of year as advanced to directors, employees of the Bank and other related parties in the ordinary course of business is as follows:

	Group and Bank	
	2024	**2023**
	KShs'000	**KShs'000**
Directors	239,700	168,125
Employees	12,410,537	12,521,785
Associates	8,126,011	6,622,490
	20,776,248	**19,312,400**
Interest income earned	**818,677**	**876,367**
Weighted average interest rate	**6%**	**6%**

The loans are secured by property and are repayable in less than 30 years. No impairment losses have been recorded against balances outstanding during the period and no specific allowance has been made for impairment losses on balances at period end as staff and directors are all active and currently in-service for the bank and recoveries are made directly through payroll.

All loan repayments are made through cash repayments.

The Loan advanced to CIC Limited, an associate of the Bank, had a carrying amount of KShs 5.2 billion. The loan has a tenor of 60 months with 1 principal bullet payment on the 60th month and interest payment after every 4 months.

Kingdom Securities Limited has an outstanding loan of KShs 544 million (2023: 544 Million) with the Bank at the prevailing market rate of 13%. The terms of the facility are such that the facility is to be repaid in cash once the company's liquidity/capital has improved to above regulatory levels and the company is profitable. The loan is non-secured.

b. Deposits received from directors, employees, and other related parties: -

Balances held at the close of year as received from directors, employees of the Bank and other related parties in the ordinary course of business is as follows:

	Group and Bank	
	2024	**2023**
	KShs'000	**KShs'000**
Directors and Employees (Key personnel)	390,796	760,950
Subsidiaries and Associate companies	885,387	362,620
Interest expensed	100,818	58,649
Weighted average interest rate	7.9%	7.7%

c. Inter-company balances and transactions: -

The financial statements include the following balances relating to transactions entered into with other group companies:

		Bank	
	Relationship	**2024**	**2023**
		KShs'000	**KShs'000**
Amounts due from:-			
Co-optrust Investment Services Limited	Subsidiary	-	-
Co-op Bancassurance Intermediary Limited	Subsidiary	-	-
Co-opholdings Co-operative Society Limited	Parent	11,096	45,866
Co-operative Bank of South Sudan	Subsidiary	50,359	58,649
		61,455	**104,515**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

45. RELATED PARTY DISCLOSURES (continued)

c. Inter-company balances and transactions:

	Relationship	Group and Bank 2024 KShs'000	2023 KShs'000
Amounts due to:-			
Insurance premium:-			
Co-operative Insurance Company Limited	Associate	424,926	344,969

Outstanding balances at the year-end are unsecured and no guarantees have been provided or received from any related party. The Bank has not made any provision for impairment losses on balances at period end.

d. Compensation of key management personnel: -

	Group 2024	2023	Bank 2024	2023
Non-executive Directors	KShs'000	KShs'000	KShs'000	KShs'000
Directors' emoluments:				
- Fees	297,832	237,715	238,179	169,222
- Others	53,529	26,780	36,453	23,274
	351,361	**264,495**	**274,632**	**192,496**
Executive Director				
- Short-term employee benefits	172,463	154,391	166,260	148,447
- Post-employment benefits/bonus	302,313	301,138	302,313	301,138
	474,776	**455,529**	**468,573**	**449,585**
Senior Managers:				
- Short-term employee benefits	2,108,740	1,896,020	1,938,123	1,649,457
- Post-employment pension	161,568	161,644	153,917	155,606
- Termination benefits	370	678	370	678
	2,270,678	**2,058,342**	**2,092,410**	**1,805,741**

e. Co-operative Bank Foundation:-

The Foundation is a registered trust established to assist bright needy students from the Co-operative movement in paying school fees. In 2024, KShs 171,783,951 (2023: KShs 144,889,245) was disbursed to the Foundation. At 31 December 2024, the Foundation held deposits of KShs 420,651,851 (2023: KShs 44,779,861) with the Bank. The Bank also gives donation in kind through payment of the Foundation operating expenses. The total costs covered as at 31 December 2024 amounted to KShs 36,605,823 (2023: KShs 69,162,606).

f. Co-operative Bank of Kenya Staff Retirement Benefits Scheme: -

This is a defined contribution scheme and provides, under the rules of the scheme, retirement benefits for the staff of Co-operative Bank of Kenya Limited and its subsidiaries. The Group contributed KShs 1.4 billion as at 31 December 2024 (2023: KShs 966 million). Under the terms of their appointment, Co-optrust Investment Services Limited, a subsidiary of the Bank, is responsible for the investment of funds.

Transactions during the year are as highlighted below and were at similar terms and conditions as those offered to other customers:

	2024 KShs'000	2023 KShs'000
Rent paid to the scheme on leased property	10,955	10,955
Dividends paid on the Bank's ordinary shares	54,967	56,167

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

46. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank presents its statement of financial position in order of liquidity. The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	GROUP			BANK		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
As at 31 December 2024						
ASSETS						
Cash and balances with Central Banks	34,783,864	-	**34,783,864**	30,444,256	-	**30,444,256**
Deposits and balances due from banks	52,162,735	-	**52,162,735**	47,027,095	-	**47,027,095**
Investment in financial instruments	34,931,561	183,946,258	**218,877,819**	34,931,561	162,673,590	**197,605,151**
Loans and advances	77,108,409	296,624,518	**373,732,927**	73,660,914	282,597,098	**356,257,992**
Deferred tax asset	-	6,830,998	**6,830,998**	-	6,831,659	**6,831,659**
Other assets	25,302,093	9,766,345	**35,068,438**	32,482,194	-	**32,482,194**
Investment in subsidiaries	-	-	**-**	-	3,884,925	**3,884,925**
Investment in associates	-	3,656,036	**3,656,036**	-	706,444	**706,444**
Leasehold land		31,473	**31,473**		31,473	**31,473**
Property and equipment	-	8,540,562	**8,540,562**	-	7,071,192	**7,071,192**
Right-of-use assets	-	3,992,799	**3,992,799**	-	3,464,902	**3,464,902**
Intangible assets	-	2,218,489	**2,218,489**	-	2,016,187	**2,016,187**
Goodwill	-	3,294,000	**3,294,000**	-	-	**-**
Total assets	**224,288,662**	**518,901,478**	**743,190,140**	**186,063,826**	**469,277,470**	**687,823,470**
LIABILITIES						
Customer Deposits	506,112,147	-	**506,112,147**	478,183,582	-	**478,183,582**
Deposits and balances due to banks	2,801,077	-	**2,801,077**	4,476,324	-	**4,476,324**
Tax payable	230,128	-	**230,128**	563,960	-	**563,960**
Provisions	3,314	227,262	**230,576**	-	222,146	**222,146**
Other Liabilities	12,955,520	19,484,582	**32,440,102**	29,437,111	-	**29,437,111**
Government grants	-	351,037	**351,037**	-	351,037	**351,037**
Loans and borrowings	3,822,636	51,583,464	**55,406,100**	836,654	38,748,100	**39,584,754**
Derivative financial instruments	367,277	-	**367,277**	367,277	-	**367,277**
Total liabilities	**526,292,099**	**71,646,345**	**597,938,444**	**479,310,563**	**73,508,351**	**552,818,914**
Net	**(302,003,437)**	**447,255,133**	**145,251,696**	**(293,246,737)**	**429,956,187**	**134,637,279**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

46. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

	GROUP			BANK		
	Within 12 months	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
As at 31 December 2023						
ASSETS						
Cash and balances with Central Banks	32,492,671	-	**32,492,671**	28,015,013	-	**28,015,013**
Deposits and balances due from banks	27,275,130	-	**27,275,130**	21,729,052	-	**21,729,052**
Investment in Financial Instruments	28,914,078	161,908,971	**190,823,049**	27,414,078	142,049,853	**169,463,931**
Loans and advances	79,436,463	294,790,958	**374,227,421**	76,331,129	284,056,257	**360,387,386**
Income tax recoverable	654,776	-	**654,776**	790,836	-	**790,836**
Deferred tax asset	-	6,338,746	**6,338,746**	-	6,163,371	**6,163,371**
Other assets	650,637	20,229,842	**20,880,479**	-	21,145,427	**21,145,427**
Investment in subsidiaries	-	-	**-**	-	3,884,925	**3,884,925**
Investment in associates	-	2,711,086	**2,711,086**	-	706,444	**706,444**
Leasehold land	-	32,083	**32,083**	-	32,083	**32,083**
Property and equipment	-	7,048,168	**7,048,168**	-	5,732,438	**5,732,438**
Right-of-use assets	-	4,079,075	**4,079,075**	-	3,608,049	**3,608,049**
Intangible assets	-	2,670,704	**2,670,704**	-	2,595,668	**2,595,668**
Goodwill	-	3,294,000	**3,294,000**	-	-	**-**
Total assets	**169,423,755**	**503,103,633**	**672,527,388**	**154,280,108**	**469,974,515**	**624,254,623**
LIABILITIES						
Customer Deposits	451,642,048	-	**451,642,048**	432,548,298	-	**432,548,298**
Deposits and balances due to banks	4,457,278	-	**4,457,278**	5,752,083	-	**5,752,083**
Provisions	3,935	280,444	**284,379**	-	274,687	**274,687**
Other Liabilities	9,021,217	24,712,944	**33,734,161**	8,837,354	21,799,820	**30,637,174**
Government grants	-	369,513	**369,513**	-	369,513	**369,513**
Loans and borrowings	7,290,050	60,044,266	**67,334,316**	2,585,135	44,500,872	**47,086,007**
Derivatives	1,396,103	-	**1,396,103**	1,396,103	-	**1,396,103**
Total liabilities	473,810,631	85,407,167	**559,217,798**	451,118,973	66,944,892	**518,063,865**
Net	**(304,386,876)**	**417,696,466**	**113,309,590**	**(296,838,865)**	**403,029,623**	**106,190,758**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

47. OPERATING LEASE COMMITMENTS

As lessor:

The total future minimum lease receivables due from tenants are as follows:

	Group and Bank	
	2024	**2023**
	KShs'000	**KShs'000**
Within One year	137,316	138,245
Between 2 and 5 years	659,117	645,510
Over 5 years	-	-
	796,433	**783,755**

Leases are negotiated for an average term of six (6) years and rentals are reviewed every two (2) years.

As lessee:

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	Group and Bank	
	2024	**2023**
	KShs'000	**KShs'000**
Within one year	1,568,406	1,183,065
Between 2 and 5 years	2,510,380	2,474,952
Over 5 years	458,098	97,633
	4,536,884	**3,755,650**

Lease commitments relate to lease rentals payable by the group for its leasehold properties and are negotiated for an average term of six (6) years.

48. COMMITMENTS

		Group and Bank	
		2024	**2023**
		KShs'000	**KShs'000**
(i)	Capital: Authorised and contracted for	383,143	183,173
(ii)	Capital: Authorised and not contracted for	4,183,879	3,865,023
(iii)	Loans committed but not disbursed at year end	322,715	3,440,144

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

49. CONTINGENT LIABILITIES

a. Financial guarantees, Letters of credit and other undrawn commitments

	Group		Bank	
	2024	2023	2024	2023
	KShs'000	KShs'000	KShs'000	KShs'000
Letters of credit	15,647,282	11,741,114	15,647,282	11,741,114
Guarantees	33,054,588	9,329,240	32,419,851	8,763,526
	48,701,870	**21,070,354**	**48,067,133**	**20,504,640**
Unutilised overdraft	6,910,155	7,478,877	6,910,155	7,478,877
Unutilised Credit Card	561,709	468,333	561,709	468,333
	7,471,864	**7,947,210**	**7,471,864**	**7,947,210**
Gross Carrying Amount	**56,173,734**	**29,017,564**	**55,538,997**	**28,451,850**
Allowance for credit losses	(1,137,483)	(850,266)	(1,092,186)	(822,456)
Net Carrying Amount	**55,036,251**	**28,167,298**	**54,446,811**	**27,629,394**

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

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

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

An **acceptance** is an undertaking by the Bank to pay a bill of exchange on a customer. Most acceptances are presented and reimbursement by the customer is almost immediate.

b. Impairment losses on financial guarantees, letters of credit and other undrawn commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows

Letters of credit

Group and Bank	Gross carrying amount	ECL allowance	Carrying amount
	KShs'000	KShs'000	KShs'000
At 1 January 2024	**11,741,114**	**70,543**	**11,670,571**
Disbursement	66,098,321	65,750,831	347,490
Repayment (excluding write-off)	(62,192,153)	(65,587,722)	3,395,569
At 31 December 2024	**15,647,282**	**233,652**	**15,413,630**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

49. CONTINGENT LIABILITIES (continued)

b. Impairment losses on financial guarantees, letters of credit and other undrawn commitments (Continued)

Guarantees

Group	Gross carrying amount	ECL allowance	Carrying amount
	KShs'000	KShs'000	KShs'000
At 1 January 2024	**9,329,240**	**141,266**	**9,187,974**
Disbursements	121,831,680	73,050,839	48,780,841
Repayment (excluding write-off)	(98,106,332)	(72,678,958)	(25,427,374)
At 31 December 2024	**33,054,588**	**513,147**	**32,541,441**
Bank			
At 1 January 2024	**8,763,526**	**113,456**	**8,650,070**
Disbursements	121,739,048	73,043,429	48,695,619
Repayment (excluding write-off)	(98,082,723)	(72,689,035)	(25,393,689)
At 31 December 2024	**32,419,851**	**467,850**	**31,952,001**

Undrawn commitment

At 1 January 2024	**4,629,789**	**215,822**	**4,413,967**
Disbursements	15,099,699	1,021,531	14,078,168
Repayment (excluding write-off)	(11,782,278)	(598,896)	(11,183,382)
At 31 December 2024	**6,910,155**	**638,457**	**7,308,753**

Letters of credit

Group and Bank			
At 1 January 2023	**19,463,117**	**395,173**	**19,067,944**
Disbursement	18,785,782	98,760	18,687,022
Repayment (excluding write-off)	(26,507,785)	(423,390)	(26,084,395)
At 31 December 2023	**11,741,114**	**70,543**	**11,670,571**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

49. CONTINGENT LIABILITIES (continued)

b. Impairment losses on financial guarantees, letters of credit and other undrawn commitments (Continued)

Guarantees

Group	Gross carrying amount	ECL allowance	Carrying amount
	KShs'000	KShs'000	KShs'000
As at 1 January 2023	**23,197,253**	**650,339**	**22,546,914**
Disbursements	16,792,632	207,661	16,584,971
Repayment (excluding write-off)	(30,660,645)	(716,431)	(29,944,214)
At 31 December 2023	**9,329,240**	**141,266**	**9,187,974**
Bank			
As at 1 January 2023	21,629,283	639,036	20,990,247
Disbursements	15,774,347	166,780	15,607,567
Repayment (excluding write-off)	(28,640,104)	(692,360)	(27,947,744)
At 31 December 2023	**8,763,526**	**113,456**	**8,650,070**

Undrawn commitment

Group and Bank			
As at 1 January 2023	**4,629,789**	**215,822**	**4,413,967**
Disbursements	15,099,699	1,021,531	14,078,168
Repayment (excluding write-off)	(11,782,278)	(598,896)	(11,183,382)
At 31 December 2023	**7,947,210**	**638,457**	**7,308,753**

c. Pending legal suits

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. Some of the key pending legal suits include:-

(iv) Boaz Mathews Ouma Awiti & three others

This is a claim for KShs 31,864,120 against the Bank relating to the sale and purchase of shares in Bob Mathews Stockbrokers Ltd (now Kingdom Securities Limited). The Bank has successfully applied for and obtained a stay of proceedings and referral of the matter to arbitration as per the terms of the Share purchase agreement. On 1st December 2022, the Arbitrator ordered the parties to each appoint a firm of auditors to prepare a report on the claim. The Plaintiff chose Sierro and Associates while the Bank chose PKF East Africa. Parties are to file their respective audit reports with the Arbitrator by 5th April 2024 and the matter will then be mentioned on 24th April 2024 for further directions.

Parties filed their respective audit reports, wherein the Arbitrator proceeded to appoint the firm of Nyenge Auditors to review the respective audit reports and file a report with the Arbitrator by 14th February 2025. Mention for directions on 30th May 2025.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

49. CONTINGENT LIABILITIES (continued)

c. Pending legal suits (Continued)

(iv) Alice Anyona Mumo & Others vs. RBA & Co-operative Bank of Kenya Limited Retirement Benefit Scheme, 2007 RBA Tribunal appeal no. 8 of 2013 (NBI)

This is an appeal against the RBA ruling dated 26 May 2011 confirming that member benefits were duly paid in accordance with the applicable Trust Deed and Rules. The ruling is in regard to the initial claim filed with the Retirement Benefits Authority (RBA) under section 46 of the RBA Act alleging that the scheme had not computed and paid the ex-staff the correct amounts. They claimed that the estimated amount allegedly due to them is approximately KShs 2 billion. The ex-staff being dissatisfied with the ruling appealed against the same citing various grounds of appeal. Judgment was entered in the Scheme's favor by the Retirement Benefits Tribunal 0n 12th October 2021. The Claimant's appeal was dismissed. The Claimants sought leave to institute Judicial Review proceedings against the Tribunal's decision with the High Court. Ruling on the application for leave to institute Judicial Review was delivered on 9th February 2023.

The Court declined to grant leave for the Applicants to challenge the decision of the RBA Tribunal. The Applicants have indicated an intention to challenge the decision of the High Court in the Court of Appeal and they lodged an appeal in July 2023. The Court of Appeal is yet to give a date for the hearing of the appeal. Based on advice received from the Scheme Administrators and the Actuaries and also noting that the appellants lost the case at the RBA, the RBA Tribunal and at the High Court, no liability is expected to arise in future in respect of this claim.

No provision has been made in these financial statements for the above pending suits as based on professional legal advice, the directors are of the opinion that no liabilities are expected to arise in future in respect of these claims. The Court of Appeal is yet to give a date for the hearing of the appeal

d. Excise duty on financial transactions

In 2016, the Kenya Revenue Authority (KRA) demanded from the Bank, tax amounting to KShs 621,537,611, relating to alleged non-payment of excise duty for the period 2013 to 2015. This amount is made up of principal excise duty of KShs 495,403,544 and interest of KShs 126,134,067 as shown below:

Period	Principal KShs	Interest KShs	Total KShs
2013	134,213,458	51,167,844	185,381,302
2014	263,528,443	63,246,826	326,775,269
2015	97,661,643	11,719,397	109,381,040
	495,403,544	**126,134,067**	**621,537,611**

The management, through the tax agent, disputed the demand on factual and technical grounds and the matter was referred to the Tax Appeals Tribunal. The subject of the dispute is industry wide. In July 2020, the case was determined by the Tax Appeals Tribunal and ruled in favour of the Bank. KRA challenged the ruling at the High Court of Kenya and a ruling was made in favour of KRA in November 2022, therefore setting aside the ruling by the Tax Appeals Tribunal. Following this unfavourable ruling to the bank, the bank challenged the High Court Ruling at the Court of Appeal. As at 31 December 2024, the Court of Appeal is yet to hear and render its ruling on the case.

No provision has been made in these financial statements for the principal tax and interest shown above as the directors based on the TAT ruling and facts of the matter are of the opinion that no liability will arise

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

50. 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.

The Group at Custodial & Investor Services department holds assets on behalf of customers with a value of KShs 411.1 billion (2023 – KShs 233.0 billion). The income for the period for custodial services was KShs 380.9 million (2023- KShs 355.9 million) while the expenses amounted to KShs 79.9 million (2023- KShs 63.4 million).

The Group, through Co-op Trust Investment Services Limited manages securities with a value of KShs 232.58 billion (2023- KShs 218.38 billion) on behalf of customers. The total income for the period from fund management was KShs 565.00 million (2023- KShs 392.05 million), with total expenses amounting to KShs 256.8 million (2023- KShs 209.06 million).

51. ASSETS PLEDGED AS SECURITY

As at 31 December 2024, there were no assets pledged by the Group to secure liabilities.

52. HOLDING ENTITY

The holding entity of The Co-operative Bank of Kenya Limited is Co-opholdings Co-operative Society Limited incorporated in Kenya under the Co-operative Societies Act.

53. INCORPORATION

The Bank is incorporated in Kenya under the Companies Act, 2015

54. CURRENCY

These financial statements are presented in Kenya Shillings (KShs) and are rounded to the nearest KShs 1,000.

55. EVENTS AFTER REPORTING PERIOD

The Directors are not aware of any other events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.