Absa Bank Kenya PLC

Integrated Report and Annual Financial Statements 2024

Your story matters

Navigational icons used in this report

The six capitals model

Financial capital
Our shareholders' equity and funding from investors and customers, which are used to support our business and operational activities, including credit extension.

Manufactured capital
Our business structure and operational processes, including our physical and digital infrastructure, that provide the framework and mechanics of how we do business and create value.

Human capital
Our culture and our people, investing in their development and our collective knowledge, skills and experience to enable delivery of innovative and competitive solutions for our customers.

Social and relationship capital
Our citizenship and strong stakeholder relationships, including rapport with the communities in which we operate, recognising the role that the banking sector plays in building a strong and thriving ecosystem.

Intellectual capital
Our brand and franchise value, research and development, innovation capacity, reputation and strategic partnerships, as well as the products that we offer to our customers.

Natural capital
Our impact on natural resources through our operations and business activities.

Stakeholders

Customers

Employees and unions

Society and communities

Partners

Regulators and government

Investors

Our ability to create, protect, and preserve value relies on resources and relationships. We are interconnected with our stakeholders, and our contribution to their aspirations is a vital component of our strategy and business model. By engaging with stakeholders in a structured and coordinated way, and through meaningful and transparent communication, we can foster relationships that act as valuable capital in both good and challenging circumstances. The scope of our engagements is extensive, and our approach is tailored to the specific stakeholder and the necessity of engagement. Ultimately, our goal is to be responsive to their needs and expectations while ensuring we generate shared value.

Sustainable Development Goals (SDGs)

1 No poverty – SDG 1
2 Zero hunger – SDG 2
3 Good health and well-being – SDG 3
4 Quality education – SDG 4
5 Gender equality – SDG 5
6 Clean water and sanitation – SDG 6
7 Affordable and clean energy – SDG 7
8 Decent work and economic growth – SDG 8
9 Industry, innovation and infrastructure – SDG 9
10 Reduced inequalities – SDG 10
11 Sustainable cities and communities – SDG 11
12 Responsible consumption and production – SDG 12
13 Climate action – SDG 13
14 Life below water – SDG 14
15 Life on land – SDG 15
16 Peace, justice and strong institutions – SDG 16
17 Partnerships for the goals – SDG 17

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About this report

Welcome to our 2024 Integrated Report

This report presents our value creation journey to date, offering insights into how we have engaged in delivering our strategy, transformed our business to remain locally relevant and future fit, and created lasting value. We are committed and continue to drive meaningful impact by "empowering Africa's tomorrow, together... one story at a time" and being a "Force for Good."

Integrated thinking

Integrated thinking underpins the way in which we manage our business and reporting by taking into consideration the capitals that we use or affect, and trade-offs made to achieve our strategy. It considers the connectivity and interdependencies between the range of factors that affect our ability to create value over time. An integrated approach enables us to focus on maximising value creation and preservation while minimising erosion as we manage our environmental, social and governance (ESG) impacts, responding to legitimate stakeholder needs and interests and navigating material external factors, risks and opportunities.

Sustainability-related financial disclosures

We have prepared this report, to the extent possible, applying the International Sustainability Standards Board (ISSB) disclosure standards, International Financial Reporting Standards (IFRS) S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Financial Disclosures. We plan to achieve full compliance with IFRS Sustainability Disclosure Standards by reporting year 2027. This is also in line with the implementation roadmap issued by the Institute of Certified Public Accountants of Kenya (ICPAK).

Phase	Timelines (Accounting period beginning on or after)	Organisations involved
Phase 1 - Voluntary Adopters	1 January 2024	All organisations
Phase 2 - Mandatory Adoption	1 January 2027 1 January 2028 1 January 2029	Public Interest Entities (PIEs) Non-PIEs (Large Enterprises) Non-PIEs (SMEs)
Phase 3 – Public Sector Entities	To be determined by ICPAK	Public Sector Entities

This annual integrated report includes aspects of reporting on the subset of sustainability matters that are material for enterprise value creation. Additional disclosures related to IFRS S1 and IFRS S2 have been incorporated into the 2024 sustainability and climate report.

Value creation

Our capitals drive value creation, preservation, and erosion aligned with our strategic goals for stakeholders. Sustainable value creation guides our strategy, centering on stakeholders and society, supported by our purpose.

Material matters

This annual integrated report outlines our key material matters that significantly impact value creation in the short, medium and long term. These matters guide our strategy, risk management and opportunity pursuits. We continuously determine materiality through both external and internal reviews using a four-step process: identifying, assessing, validating and applying. Further details on this process are on page 41.

Identify

A material issue is a matter that can or could have a significant effect on value creation in the short, medium or long term.

Assess

Assessing the material issues and their solutions on a continuous basis allows us to ensure that our strategy remains relevant.

Validate and prioritise

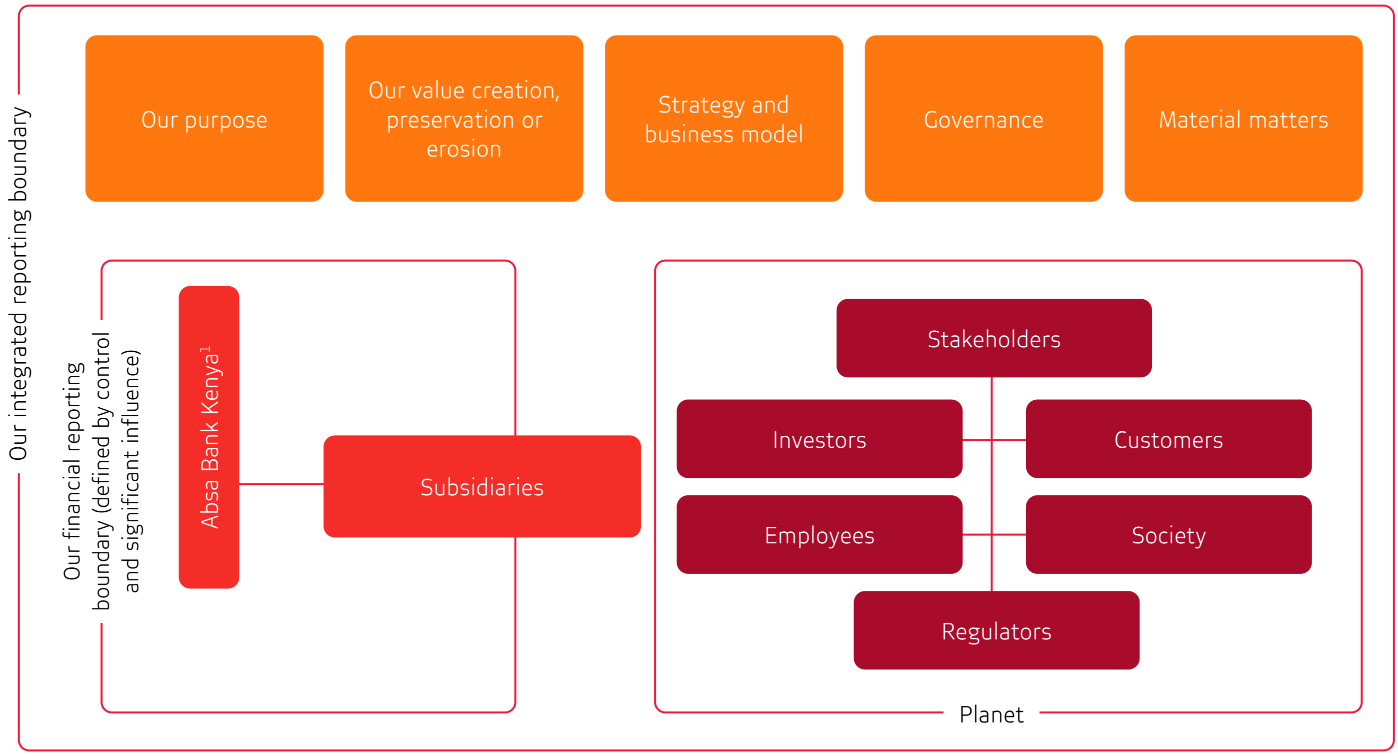
We determine the validity of these matters according to their relevance to our current operating context. This includes validating the matters with the highest potential to significantly impact the viability of our business.

Apply

Once material matters have been validated, we apply our strategy in order to respond expeditiously.

Integrated reporting scope and boundary

We aim to provide shareholders with a concise yet sufficiently informed view of Absa's strategy, governance, performance, and prospects in the context of our operating environment, reporting on how value is created, protected or eroded over time. The financial information reporting boundary is defined by control and significant influence over entities as indicated in the diagram below.



Reporting suite

The Annual Integrated report is intended to provide information to investors on how the Bank creates and protects value while minimising value erosion over the short, medium and long term. This report covers a specific mandate and is supplemented by other diverse publications which provide additional or complementary disclosures relevant to broader stakeholder groups.

Absa Bank Kenya annual reporting suite 2024

Environmental, social and governance disclosures

2024 Sustainability and climate report

Annual Integrated Report

Financial and risk disclosures

2024 Q1 Financial Statement
2024 Quarterly Investor Briefings
2024 Half Year Investor Briefing
30 June 2024 Unaudited group results
2024 Q3 Financial Results

How we create value

Our purpose drives us...

At Absa, we are committed to deliver value through our shared purpose:

"Empowering Africa's tomorrow, together ... one story at a time"

This purpose inspires our daily actions – to create value, manage and grow our business, partner with our customers enabling them to achieve their aspirations and impact the communities and environments we operate in. **Purpose underpins our long-term ambition of being a leading pan-African bank.**

We are deliberate in living our values. They shape our culture and guide our behaviour, influencing how we interact with our stakeholders and how they perceive us.

Trust
We believe in ourselves and each other

Resourceful
We innovate for our colleagues, clients and communities

Stewardship
We take actions today that sustain our tomorrow

Inclusion
We are stronger together

Courage
We show up as our authentic selves to own our story

Organisational overview

In a complex and challenging environment....

Our macro-economic environment is complex and challenging resulting in volatility and uncertainty. In this context, which includes geopolitical events, regulatory changes, climate and societal shifts, we are presented with both risks and opportunities. *External environment*

To thrive in complexity, we have to adapt our business model to external trends ensuring we remain relevant and competitive. We generate competitive advantage through innovation, our unique insights and perspectives and our ability to deliver our products and services. Our business model also creates positive societal returns which can be articulated through our contribution to 6 of the 17 Sustainable Development Goals (SDGs).

Business model

This enables us to create value across our diverse stakeholder groups:

- Clients
- Regulators
- Society
- Investor community
- Employees
- Planet

Stakeholders' needs and expectations

While observing robust risk management and controls...

We have classified the risks we face and are cognisant of what is required to manage risks and deliver on our strategic ambition of outperformance. The specific risks and opportunities that affect our ability to create value over the short, medium and long term, as determined through our materiality determination process are:

- Economic volatility
- Country and sovereign risk
- Capital flows and liquidity management
- Social context
- Digital intelligence
- Evolving workplace
- Regulatory environment
- Climate change and just transition

Material matters

Resulting in sustainable performance...

Our performance remains robust despite headwinds that affected our operating environment, notably high interest rates in the earlier part of the year, social unrest, grey listing of the country and regulatory and fiscal changes. However, we have a resilient strategy and financial position which continues to support our strategic ambitions.

Chairman's reflections | *Managing Director and CEO's reflections* | *Chief Financial Officer's reflections*

Leading indicators supporting our confidence in sustainable long-term value creation are reflected in these positive trends in business fundamentals:

- **Cross-segment interaction:** The benefits of an increased cross-segment maturity between our CIB and Business Banking segments through ecosystem banking and digital enhancements
- **Earnings growth:** With consistent improvement in our financial performance including consistent earnings growth
- **Client focus:** Positive trends in client primacy and customer experience
- **Digital adoption:** Higher rates of digital usage supported by superior digital service availability and maturity in data insights
- **Employee proposition:** Enhanced employee experience outcomes and continued recognition as a Top Employer in Kenya
- **Leadership in sustainable finance:** Through enhanced access to finance for underserved segments and increased growth in green and climate financing
- **Overall organisational health indicators**, which reflect future performance, are trending upwards. This is coupled with strong brand recognition and increasing brand relevance

This value creation process is not static. Therefore, as part of a future-oriented mindset, we continue to assess our Bank's outlook.

Performance and Outlook

Underpinned by strong governance...

Our governance structures and practices aim to protect and preserve the value created. They lend oversight over an appropriate value creation process and inspire integrated thinking and decision-making.

Our bank

Absa Group presence

Absa is a pan-African group, inspired by the people we serve and determined to be a globally respected organisation that Africa can be proud of.

We have operated in Africa for over 100 years. We are committed to finding tailored solutions to uniquely local challenges, and everything we do focuses on creating value for our stakeholders. As a financial services provider, we play an integral role in the economic life of individuals, businesses, and nations. We empower and enable – from investing in our employees to uplifting our communities and enabling our customers' ambitions. We unlock opportunities through imagination, energy and passion and finding innovative solutions.

Empowering Africa's tomorrow, together …one story at a time

We meet every challenge with tenacity, ingenuity, positivity and creativity by doing things in a way that is unique to our continent.

We serve customers through an extensive branch and self-service terminal network, digital channels, financial advisers, relationship bankers and dealerships, originators, alliances and joint ventures.

16 countries	**1 015** outlets	**6 287** ATMs
36 560 employees	**124 946** point-of-sale (PoS) devices	**12.7 million** customers

Country[1]	Employees	PoS	ATMs	Outlets	Founded
Botswana	960	6 974	127	32	1950
Ghana	1 201	1 629	164	61	1917
Kenya	2 167	5 300	203	86	1916
Mauritius	1 024	2 402	42	14	1919
Mozambique	805	1 897	93	45	2002
Seychelles	269	2 308	23	6	1959
South Africa	26 542	95 706	5 138	616	1888
Tanzania[2]	1 644	2 130	263	81	1945
Uganda	928	3 334	113	39	1927
Zambia	807	3 266	121	35	1918

Representative offices
- Namibia[3] – 1 employee
- Nigeria[3] – 12 employees

Technology support operations
- Czech Republic[4] – 145 employees

General advisory support
- People's Republic of China[5] – 6 employees

Securities entities
- UK[6] – 37 employees
- USA[6] – 12 employees

[1] Banks are wholly owned apart from the following where we hold majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, NBC, Tanzania 55% and Seychelles 99.8%.
[2] Absa Bank Tanzania (ABT) and National Bank of Commerce (NBC) combined.
[3] Representative office.
[4] Technical (IT support resources to the Group).
[5] Securities entity.
[6] South Africa 9.7 million and ARO 1.7 million customers.

Our brand promise

In 2024, Absa Group launched its repositioned brand with the new promise of ***'Your Story Matters'.*** This is a declaration of our intent to treat customers as more than mere account numbers and to understand the stories behind the individuals. It marks a significant shift towards a more human-centred, empathetic approach to banking, backed by an intuitive and seamless customer experience. The new brand promise is part of Absa's ambition to align our offerings and brand experience with their internal corporate purpose of ***'Empowering Africa's tomorrow together, one story at a time'.***

The decision to adopt this brand promise was driven by detailed customer insights, feedback, and research. Customers consistently expressed that they felt banks did not understand their life situations or individual needs, leaving them feeling helpless and disconnected from opportunities to improve their prospects. By infusing more humanity into the Absa ecosystem, which already boasts top-tier digital offerings and an extensive physical network, the Bank aims to serve customers in a more meaningful manner.

The repositioning of the Absa brand is not just a marketing exercise but a company-wide business transformation aimed at reaffirming a more empathetic approach to banking. This transformation is driven by the need to navigate the complexities and contradictions of diverse economies and geographic hurdles, forcing Absa to innovate rapidly. Ultimately, ***'Your Story Matters'*** positions Absa as a bank that values individual customers and wants to be part of their personal and financial narratives.

Absa ownership and reporting structure

Absa Group Limited structure

Absa Group Limited

- Absa Bank Limited* — **100%**
- Absa Financial Services Limited* — **100%**
- Absa Bank Botswana Limited — **67.8%**
- Absa Bank Ghana Limited — **100%**
- **Absa Bank Kenya PLC** — **68.5%**
- Absa Bank (Mauritius) Limited — **100%**
- Absa Bank Mozambique, SA — **98.1%**
- Absa Bank (Seychelles) Limited — **99.8%**
- Absa Bank Uganda Limited — **100%**
- Absa Bank Zambia PLC — **100%**
- National Bank of Commerce Limited** — **55%**
- Absa Bank Tanzania Limited — **100%**

Absa Bank Kenya PLC structure

- Absa Group Limited — **68.5%**
- Other public shareholders — **31.5%**

Absa Bank Kenya PLC

- Absa Securities Limited — **100%**
- Absa Kenya Nominees Limited — **100%**
- Absa Asset Management Limited — **100%**
- Absa Bancassurance Intermediary Limited — **100%**
- Absa Pension Services Limited — **100%**
- Absa Kenya Foundation — **100%**

* In South Africa
** In Tanzania

Absa Bank Kenya PLC at a glance

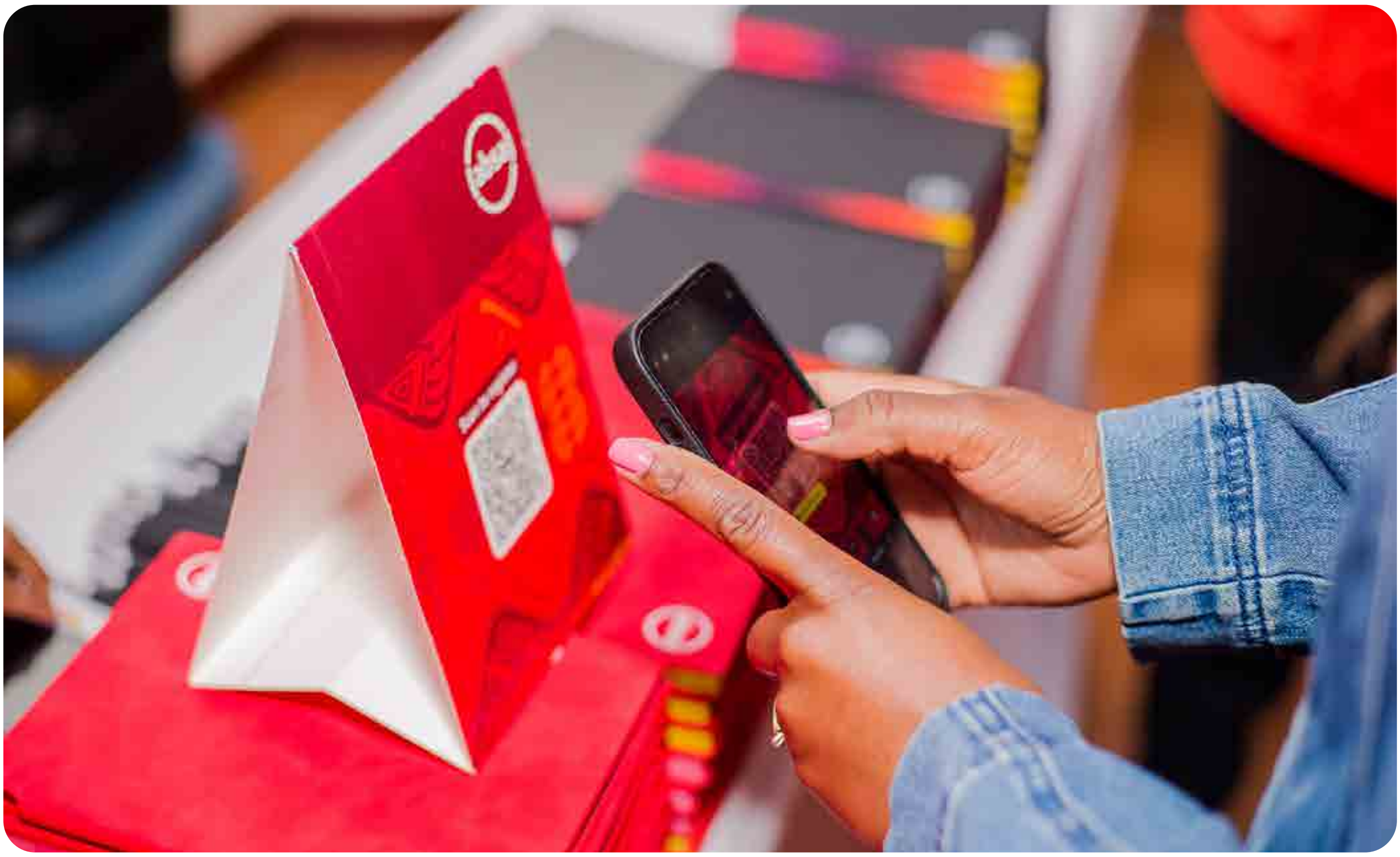
Absa Bank Kenya PLC (Absa or Bank), through its subsidiary entities, is a financial services provider with over 100 years of experience in the Kenyan market. A tier-one financier, the Bank offers an integrated set of products and services across retail, business and corporate banking, as well as bancassurance, investment, asset and wealth management services. Absa operates through an extensive network of 86 branches, 203 ATMs countrywide, and 60 cash deposit machines supported by internet and mobile banking channels.

Absa is a customer-obsessed and digitally enabled bank that offers best-in-class technology-driven solutions and services. The Bank has built a strong track record in the corporate and retail space enabling business growth, wealth preservation and customer journeys and aspirations.

As one of the largest financial services institutions in the country, Absa is an integral player in the Kenyan economy and society. A purpose-led Bank, Absa seeks to have a shaping role in society and to support the developmental objectives of the country by creating social impact through its core business functions, thus being a force for good.

Key features of the Bank and its performance include:

20.9bn Headline earnings 2023: 16.4bn | 2022: 14.6bn	**367.1bn** Deposits 2023: 362.7bn | 2022: 303.75bn	**100bn** Market capitalisation 2023: 62.2bn | 2022: 66.8bn
24.5% Return on equity 2023: 23.7% | 2022: 22.9%	**39%** Cost-to-income ratio 2023: 42% | 2022: 41%	**309bn** Net customer loans 2023: 335.7bn | 2022: 283.6bn
2 167 Employees 2023: 2 130 | 2022: 2 070	**51:49** Employee gender parity (F:M) 2023: 51:49 | 2022: 50:50	



Our structure

We deliver a wide range of financial products and services through two customer-facing segments to meet the needs of our customers.

	Corporate and Investment Banking (CIB)	Retail and Business Banking (RBB)
Serving	Global, regional and mid-to-large corporates, including global development organisations, financial institutions and public sector institutions.	• **Consumer Banking:** Premier, Prestige, Personal, and Inclusive segments • **Business Banking:** SME and Commercial segments, non-profit organisations and public sector institutions
Products and services	Specialist solutions across corporate and transactional banking, investment banking, financing, risk management, advisory products and services. Assist with the sourcing of foreign currency, ensuring the choice of the correct product or solution to suit a customer's international transacting needs.	Comprehensive suite of banking and insurance offerings, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products and card-acquiring services.
Focus areas	**Digital platforms:** Integrated, end-to-end digital and technology enablement to support client experience, new products and efficiencies. **Data and analytics:** Transforming data into client value, proactively engaging clients via predictive analytics. **Thriving CIB organisation and people:** Innovation culture, inclusivity, diversity, high performance and productivity, as well as colleague value proposition and experience. **Shaping role in society:** Strategic partnerships with clients, thought leadership, education delivery and reform, and embedding sustainable development goals in core business operations. **Markets:** **Product expansion:** Collaborating with other Absa Group entities to maximise customers' service delivery. **Digital platforms:** Maximise solution provision in the market through digital platforms and collaborative relations across the Absa Group. **Data and analytics:** Leveraging the capabilities of the recently established Data Office, we look to build on data and scientific insights to expand Customer Value Proposition (CVP). **Thriving markets business and people:** Developing a competitive Employee Value Proposition (EVP) and attracting the best human capital to meet the evolving market needs. **Shaping role in society:** Providing thought leadership and driving policy development through tools such as the Africa Financial Market Index (AFMI), a barometer of how Africa's financial markets have performed and participating in key market associations.	**Product relevance:** Rationalise our product offering to meet customer needs in insurance, flexible transactional accounts, mobile micro loans, diversified card offering, unsecured lending and an expanded mortgage outreach. **Sales effectiveness:** Scale our digital fulfilment to improve on productivity and cost efficiency driven by capabilities in data analytics. **Transaction migration:** Develop enhanced digital capabilities that provide flexible and efficient service delivery with a drive for adoption of digital channels by our customers in various segments. **Service and customer experience:** Promote a service culture of easier, faster, better customer service through quarterly service improvement plans at regional and branch level, training, and service recognition awards. **Relationship deepening:** Increase engagements to drive retention and value-based concessionary offerings through portfolio pricing in recognition of loyalty.

Our products, services and channels

Products

Bank accounts
Enjoy fast, easy and affordable banking tailored to suit your specific needs with a range of services and rewards through a variety of current, savings and fixed-deposit accounts suitable for personal, business, corporate, Islamic, prestige and premier banking.

Credit products
Benefit from a broad range of lending products, including personal and business loans, overdraft facilities, credit cards, mortgage, asset finance, and insurance premium financing.

Bancassurance
In collaboration with our bancassurance entity and approved licensed insurers, we offer a comprehensive range of life and short-term insurance options suitable for personal and business needs.

Investment, asset and fund management
Managing client funds to strategically embed them in the appropriate economic cycles for maximum return generation. We offer wealth solutions through our subsidiary entity, Absa Asset Management Limited.

Wezesha Biashara
SME proposition that funds existing businesses to grow through affordable and easily accessible facilities, up to 95% asset financing, LPO financing and much more.

Women in Business
Proposition that focuses on supporting women entrepreneurs and enterprises through financing, advisory, capacity building, networking and access to markets.

Services

Absa App
Our mobile app provides the solution to all your basic banking needs, right at your fingertips.

Timiza
Get an instant loan, send money, pay your bills or purchase airtime, and get insurance with the Timiza App.

Absa Pay
A payment platform that helps you check out items and make payments faster and more securely in your favourite online shops..

Credit card
With an Absa card, you get much more than financial freedom-you are in control.

Internet Banking
If you love living online, internet banking could be the perfect solution for you. Open an Absa account online within 10 minutes and start transacting!

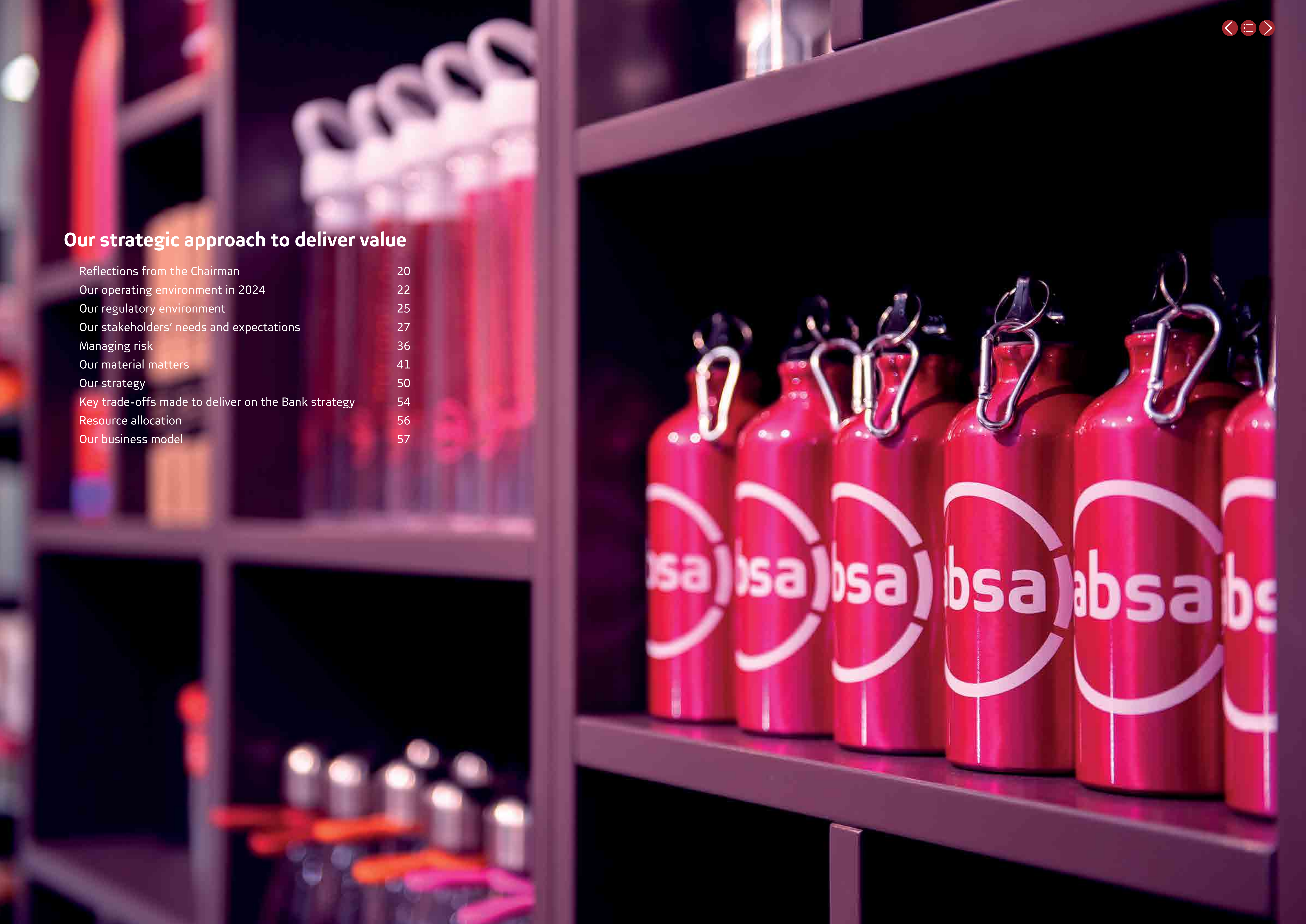
Hello Money *224#
Hello Money Customers dial *224# to access Hello Money without the need for data. Customers can send money to anyone via CashSend, even if the receiving party does not have an Absa account.

Channels

Physical channels
ATMs, branches and POS: Physical footprint of 86 branches, 203 ATMs, 60 cash deposit machines and 5 300 POS devices.

Agency banking
Enjoy a world of convenience with agency banking. Deposit and withdraw money from your Absa account countrywide.

Call centre
Call to speak to an agent on sales, service and general enquiries.



Our strategic approach to deliver value

Reflections from the Chairman

> "In 2024, the Bank remained resilient in delivering sustainable returns to our shareholders while deepening its role as a responsible and forward-looking institution. A disciplined execution of our strategic roadmap and a focus on long-term value guided every decision, even as we continued to honour our environmental and social commitments."

Chairman,
Board of Directors
Charles Muchene

Operating environment

2024 provided a persistently complex operating environment with addressable risks and opportunities. During the year, our country faced economic pressures such as declining purchasing power, social tensions, and downgrade of our sovereign credit rating by several rating agencies driven by debt sustainability concerns. However, by the close of the year, we saw a stabilisation in key economic indicators such as interest rates, inflation, and foreign exchange rates. This stabilisation has helped create a more balanced environment for businesses to operate in.

In addition, the banking industry continued to face significant shifts driven by rapid technological advancements, evolving regulations, increase in cybersecurity challenges and greater competition from non-traditional financial service providers.

Despite the challenging environment, the bank performed well, displaying resilience and adaptability in navigating these obstacles. Anchored in our purpose of Empowering Africa's tomorrow, together, ...one story at a time, our strategy continued to focus on becoming a modern, comprehensive financial services provider, addressing the evolving needs of our customers through innovation and strategic partnerships. In this pursuit, continued investment in talent, the strength of our brand, and the acceleration of our digital transformation have been vital enablers. Digitalisation, in particular, has driven operational efficiency and improved accessibility, reinforcing our commitment to innovation and long-term agility.

Regulatory environment

In the year under review, we operated in a complex and evolving regulatory landscape. Areas of focus included strengthening anti-money laundering measures, combating terrorist financing, and addressing the growing threats of cybercrime. There was also a significant emphasis on sustainability, with a push for more robust climate risk management and disclosures, and the promotion of sustainable finance practices. After Kenya was placed on the Financial Action Taskforce (FATF) Grey List" in 2024, we worked closely with regulators and industry stakeholders such as the Business Registration Service and the Financial Reporting Centre to find solutions related to the transparency of beneficial ownership. This collaborative effort aims to enhance accountability in the financial sector. Moreover, in partnership with the Compliance Society of Kenya, we organised initiatives to drive best practices for adhering to the Kenya Data Protection Act, 2019, highlighting the importance of sustainable data management.

These engagements reflect our commitment to ensuring compliance with both existing and emerging regulations, including those related to data governance and the national payment system.

Leading in responsible banking

In 2024, we made considerable progress in aligning our operations with environmental and social responsibilities. This year, we advanced over Shs 47 billion towards initiatives aimed at climate finance and financial inclusion. These investments supported key projects in renewable energy development, environmentally sustainable construction, and embedding smart agriculture practices designed to be robust to climate change. As part of our efforts towards financial inclusion, Shs 25 billion went toward youth and startups through our digital platforms, while Shs 9.6 billion was allocated to support SMEs and women-led businesses. These efforts underscore our belief that financial institutions must take initiative to address social and environmental challenges. Going forward, sustainability will remain a core focus of our strategy, positioning us as a positive force for good both in the financial sector and the wider community.

The Absa Kenya Foundation

A major milestone for us in 2024 was the launch of the Absa Kenya Foundation, which will lead our social investment initiatives. The foundation will focus on four key pillars: entrepreneurship, education and skills development, natural resource management, and health and humanitarian relief. Each pillar has a distinct objective:

1. **Entrepreneurship:** Nurturing and supporting entrepreneurs with the resources, mentorship, and financial assistance they need to thrive.
2. **Education and Skills:** Improving the quality of education and equipping individuals with the skills needed to succeed in today's job market.
3. **Natural Resource Management:** Promoting sustainable practices and contributing to the conservation of the environment.
4. **Health and Humanitarian Relief:** Improving access to healthcare and providing support during times of crisis.

The Foundation will play a significant role in our broader sustainability strategy, and we are committed to dedicating sufficient resources to its success. Through the Foundation, we aim to impact 50,000 micro, small, and medium-sized enterprises (MSMEs), reach one million youth, plant and nurture ten million trees by 2032, and tackle critical health sector issues. We invite like-minded partners to join us in this important journey.

Reflections from the Chairman continued

Delivering strong returns for shareholders

Throughout the year, we continued to play a significant role in driving Kenya's economic growth by strategically deploying our capital. We approved more than Shs 180 billion in new loans, further cementing our position as a trusted financial partner to our customers. At the same time, we stood by those facing difficult moments, offering loan restructures amounting to Shs 3.4 billion to help them navigate uncertainty with confidence. Overall, the bank's total assets exceeded Shs 506 billion, and our customers entrusted us with over Shs 367 billion in deposits. Over the year, they also conducted more than 60 million transactions, with an impressive 94% going through our digital channels. As a result, we saw a 14% increase in revenue, which reached Shs 61 billion. Our cost-to-income ratio improved significantly to 39 percent, supporting profitability growth of 28 percent to Shs 20.9 billion profit after tax for the period under review.

We have equally made significant progress in our critical strategic enablers including technology, brand, sustainability, and our people. We invested over Shs 3 billion in core banking modernisation and achieved more than 65 percent automation across customer-facing platforms. Our brand remains one of the most reputable and trusted in the market, with a 20 percent increase in brand consideration and connection.

We have supported over 263,000 beneficiaries through our 'Ready to Work' program and have built over 67 computer labs across the country with over 100,000 students. We were voted the employer of choice for the fourth consecutive year and are committed to driving gender parity in all levels of staff across our organisation.

For the year 2024, we delivered a return on equity of 24.5 percent and the Board remains committed to providing returns above industry standards for all stakeholders. We regularly evaluate the need to balance business growth with shareholder returns and with our strong financial position, liquidity, and capital exceeding regulatory requirements, the Board has proposed a final dividend for the year of Shs 1.55 per share, bringing the total dividend to Shs 1.75 per share, which represents a 13 percent increase from the previous year. We value the continued trust of our shareholders and remain firmly committed to delivering sustainable value and consistent returns over the long term.

Board changes

In October 2024, Marion Gathoga-Mwangi joined the Board. We welcome her on board and look forward to her contribution in the coming years, given her wealth of knowledge and experience across various sectors in the Kenyan market and beyond.

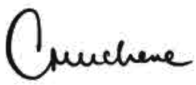
After the year-end, we have seen further changes on the Board. Patricia Ithau retired at the end of March 2025 following completion of an illustrious nine-year tenure as an independent non-executive director. Japh Olende, who has played a pivotal role on the Board as an independent non-executive director over the last seven years, retires by rotation at the next AGM and, being above the age of seventy years, will not be offering himself for re-election. On behalf of the Board, I would like to acknowledge and celebrate Ms Ithau and Mr Olende for the tremendous role they have played in making our Board the success it today and wish them well in future.

We also witnessed a change in the Company Secretary at the end of February 2025 with the appointment of Anne Nyongesa as Company Secretary to replace Wilson Murage, who left the bank to pursue career opportunities elsewhere. We welcome Anne into the role and look forward to her support and advice, even as we wish Wilson well in his career.

Looking ahead

As we look to the future, we are optimistic about the bank's continued success. Our strategy, focused on innovation, operational efficiency, and market expansion, positions us well to take advantage of emerging opportunities. We plan to further leverage cutting-edge technologies, including data mining and artificial intelligence to enhance and personalise our product offerings. While challenges such as economic uncertainty and heightened competition persist, our strong financial position, solid governance, and resolute team give us confidence in our ability to maintain sustainable growth and deliver value to our stakeholders.

I would like to take this opportunity to express my sincere gratitude to all our stakeholders for their ongoing support. To our employees, your dedication and resilience are at the core of our success. To our customers, your loyalty and feedback inspire us to continually innovate and improve. To our shareholders, your trust and investment empower us to pursue our strategic objectives with enthusiasm. Finally, to my fellow board members and the leadership team, your guidance and expertise continue to be invaluable in redefining the role of finance in society. Together, we will build on our successes and strive for even greater achievements in the years ahead. Thank you for your continued support and commitment to our shared vision.



Charles Muchene
Chairman, Board of Directors

Our operating environment in 2024

In 2024, the global economy demonstrated remarkable resilience, driven primarily by the expansion of the service sector and stable manufacturing output. This balanced performance across different sectors contributed to sustained economic growth, despite various global challenges.

Advanced economies continued to ease their monetary policies, a trend that is expected to persist into 2025. This easing has provided a supportive environment for economic activities, fostering stability and growth. Developing economies are also anticipated to follow suit, further enhancing global economic prospects.

Global crisis

Global conflicts in Europe and the Middle East have had a measured impact on the local economy. In particular, the crisis in Ukraine has impacted heavily on global trade. Ukraine is a significant exporter of agricultural products, including wheat and wheat derivatives, as well as ferrous and non-ferrous metals, to regions such as Africa, Central Asia, the Middle East, and Europe. According to a 2022 World Bank report, these regions source 75 percent of their wheat imports from Ukraine and Russia. Additionally, Ukraine's seed oil exports constitute 40 percent of global exports, while the country also contributes over 13 percent of global corn exports and 5 percent of global wheat exports. Russia, on the other hand, is responsible for 25 percent of global natural gas exports, 18 percent of coal exports, 11 percent of crude oil exports, 18 percent of wheat exports, and 14 percent of fertiliser exports.

The Russian invasion of Ukraine on February 24, 2022, occurring less than three years after the COVID-19 recovery, exacerbated the disruptions reminiscent of World War II (1939-1945). Russia's own supply chain routes for fertilisers and petroleum were disrupted, leading to increased prices and shortages of food and gas. According to a World Health Organisation report, the conflict has resulted in over 8 million refugees fleeing Ukraine, marking the largest movement of people in the European region since World War II.

Fertiliser prices surged by 199 percent in 2023 through to 2024, and in countries such as Kenya, Uganda, and Tanzania, prices doubled, exacerbating food insecurity. These factors had a profound impact on the local economy, contributing to inflationary pressures in Kenya. The combined effects of disrupted supply chains, increased commodity prices, and large-scale displacement underscore the far-reaching economic and social consequences of the conflict.

How it affects us

- Economic uncertainties affect investor sentiment to developing countries.
- Weak recovery of supply chains and disruptions through conflict impact global and regional trade.
- High commodity prices even with stabilised inflation impact on disposable incomes.
- Enhanced input prices in agriculture impact vulnerable small holder farmers, who are the majority, impacting farm earnings and livelihoods.

How we are responding

- Identifying options for agriculture financing that take into consideration specific attributes of smallholder farmers, including climate smart agriculture options.
- Providing trade finance proposition to enable international trade while considering supply chain concerns for customers.

Currency and interest rate fluctuations

Between March 2022 and January 2024, the value of the Kenyan Shilling experienced a significant depreciation of approximately 22 percent against the US Dollar, reaching its lowest rate of Shs 160.80 in January 2024. Several factors contributed to this decline, including the continued recovery from the COVID-19 pandemic, rapid monetary tightening by the US Federal Reserve, the Russia-Ukraine conflict, and Kenya's substantial debt burden.

However, in early March 2024, the Kenyan Shilling began to appreciate against the US Dollar, improving from Shs 160.80 to close the year at Shs 129.00. Issuance of a new USD 1.5 billion Eurobond and a USD 606 million IMF disbursement reassured, though the country's sovereign debt remained high. This stabilisation has been attributed to initiatives by the Central Bank of Kenya (CBK), including transparent reporting of foreign exchange data and bolstering of forex reserves through diaspora remittances, tourism inflows and improved export earnings. The stability of the Kenyan currency and increased access to foreign currency provides improved conditions for business particularly importers and more predictability for international commerce.

Interest rate increments experienced through most of the year eased out towards year-end. The CBK Monetary Policy Committee reduced the Central Bank Rate (CBR) by 75bps to 11.25 percent at the close of year, marking the third consecutive rate reduction before reviewing it further downwards to 10.75 percent in February 2025. However, the average lending rates of commercial banks widened when compared to the CBR reaching a 31-month peak of 5.15 percent in October 2024. The average deposit rate has fluctuated, ultimately settling at 11.85 percent in October 2024. The industry's gross non-performing loans ratio slightly improved to 16.5 percent in October 2024 from 16.7 percent in closing the year at 16.4%.

How it affects us

- Increased default risks due to increased interest rates on loans.
- Increased operational costs based on price increments.
- Reduced demand for borrowing affecting the Bank's lending portfolio.

How we are responding

- Leveraged on advanced financial technology and data analytics in understanding customer needs and behaviours thus improving loan underwriting and risk management processes.
- Diversified income sources beyond interest income by enhancing liquidity management practices.
- Improved strategy in asset allocation to ensure that we provide attractive returns while mitigating risks.

Our operating environment in 2024 continued

Technological advancements

Technology advancement is at the forefront of driving efficiency in banking operations. Artificial Intelligence (AI) application for example ranges from customer service enhancements with chatbots and virtual assistants to sophisticated credit scoring models that improve loan decision-making processes. Cloud computing on the other hand offers banks scalable and flexible infrastructure solutions that support the deployment of new services, improve collaboration and reduce operational costs.

Data continues to revolutionise the financial sector, enabling banks to offer more personalised services, improve operational efficiency, enhance lending practices, improve risk oversight and protect against fraud. By leveraging big data analytics, banks can gain valuable insights into customer behaviour, preferences, and financial needs. This allows them to tailor products and services to individual customers, enhancing the overall customer experience. Data analytics also plays a crucial role in risk management, helping banks to identify potential fraud, assess credit risk, and make informed lending decisions. Furthermore, data-driven insights can optimise customer acquisition, marketing strategies, streamline operations, and drive innovation in product development.

A key concern with technological advancement is the need for cyber security, given the sensitive nature of financial data and the increasing sophistication of cyber threats. Banks are prime targets for cybercriminals due to the vast amounts of personal and financial information they handle. To protect against these threats, banks must invest in advanced security measures, including encryption, multi-factor authentication, and intrusion detection systems. They also conduct regular security audits and vulnerability assessments to identify and address potential weaknesses.

The rise of digital banking and mobile applications has further intensified the need for robust cyber security protocols. There is a need to ensure that online platforms are secure to maintain customer trust and comply with regulatory requirements. Additionally, employee training on cyber security best practices is essential to prevent attacks including social engineering attempts.

How it affects us

- Technological advancements are a key requirement for the Bank to remain competitive and on the cutting-edge in service delivery. Delivering for customers and stakeholders is increasingly undertaken through digital channels with an increased consumer preference for self-serving channels. Adapting to the evolving technological needs and customer preference requires investment in new technologies, colleague training and attraction of skilled competencies.
- Cyber security threats continue to require keen vigilance and continuous investments to protect the Bank and its stakeholders from cyber criminals. This also includes investments to identify and prevent fraud, which is a major concern across the entire financial sector.

How we are responding

- Implementing robust risk mitigation and monitoring strategies as well as internal controls to prevent cyber security and fraud attacks including enhanced security measures.
- Conducting technology learnings among employees in a phased approach.
- Attracting tech-driven competencies for example, our AI engineers.
- Leveraging on AI to predict and access risks that could reasonably impact our financial performance in the short, medium and long-term.

Unrest and inequality

In 2024, the government continued its plan for fiscal consolidation as detailed in the Budget Policy Statement (BPS) for that year. The plan aimed at broadening the revenue base through administrative and policy measures focused on taxation, along with expenditure rationalisation, improvement of public sector efficiency, and reduction in public resource wastage. A primary goal for the government is to reduce the annual growth in public debt without compromising public service delivery. To achieve this, the government aims to increase tax revenue in line with the Medium-Term Revenue Strategy (MTRS), targeting a rise in the revenue-to-GDP ratio from 14.1 percent in FY 2022/23 to 20 percent by the end of FY 2025/26, and further to 25 percent by 2030.

Subsequently, the Finance Bill, introduced in May 2024, aimed to generate Shs 3.46 trillion through a raft of new and increased taxes which resulted in public protests. The Bill elicited strong public unease resulting in widespread protests before it was withdrawn in June of the same year.

How it affects us

- Social unrest has a direct impact on our business and those of customers including business disruptions, loss of assets through damage or vandalism, operational challenges and increased security risks.
- Social unrest impacts on our customers and even impinges on their ability to service their loans. Highly impacted sectors, like tourism, which are sensitive to social conditions experienced declining business eroding their capacity to engage in financial transactions.
- Market volatility and increased investor concern as experienced with the Nairobi Securities Exchange reporting a loss of Shs 63.1 billion in July 2024.

How we are responding

- By providing "always-on" digital channels, we enable customers to continue transacting even during challenging periods.
- Through our bancassurance proposition, we provide a bouquet of innovative insurance solutions and services thus protecting our customers and enhancing their resilience.

Our operating environment in 2024 continued

Climate-related impacts

In 2024, Kenya experienced significant flooding that impacted various regions across the country. The heavy rains led to widespread displacement of communities, destruction of infrastructure, and loss of agricultural land, exacerbating food insecurity. The floods disrupted transportation networks, making it difficult to deliver aid and essential services to affected areas. The Kenyan government, along with international aid organisations, mobilised resources to provide emergency relief, including food, shelter, and medical assistance.

A report by the Kenya Red Cross indicated that the floods claimed the lives of 294 individuals, with 162 people reported missing. The floods affected a staggering 101,132 households, leaving many families displaced. The education sector was heavily impacted, with 151 schools experiencing disruptions, forcing the postponement of the second term of the school year by two weeks. Additionally, 45 healthcare facilities were affected, hindering access to essential medical services for many communities.

The agricultural sector also suffered immensely, with 65,377 acres of farmland destroyed, regressing food insecurity and threatening the livelihoods of countless farmers. The floods caused extensive damage to infrastructure, including roads, railways, and bridges, severely disrupting transportation of goods and services.

How it affects us

- Direct impact on the Bank and business partners through increased insurance claims related to flood damage that can reasonably lead to higher insurance premiums.
- Increased risk of non-performing loans (NLPs) due to inability to repay loans especially for borrowers in the vulnerable sectors.
- Flooding indirectly impacts the demand for banking services such as investments and loans if the affected sectors like agriculture undergo an economic slowdown.

How we are responding

- Climate financing proposition including renewable energy, energy efficiency, climate smart agriculture and green buildings.
- Decarbonisation efforts including our Net-Zero aspirations by 2050.
- Improved strategy to capture anticipated climate risks and opportunities.

COP 29-Climate finance and carbon markets

At the 2024 United Nations Climate Conference (COP29), climate finance and carbon markets emerged as pivotal themes, with a pronounced emphasis on augmenting funding and establishing effective carbon market mechanisms. Notably, COP29 was designated as the inaugural "Finance COP," during which an agreement was reached to mobilise USD 300 billion in climate finance. A key outcome of the conference was the establishment of a "new collective quantified goal for climate finance" aimed at supporting developing countries, structured into two components:

i. A target of USD 1.3 trillion per year to be "enabled" by contributions from all actors.

ii. A commitment of USD 300 billion for developed countries to take the lead in delivering.

How it affects us

- Increased need for climate finance mobilisation.
- Increased regulatory scrutiny and need for greater transparency in reporting climate-related financial initiatives.
- Need for wider scope of collaboration to support climate mitigation and adaptation.

How we are responding

- Investing in climate-friendly initiatives to attract environmentally conscious investors and customers.
- Assessed our readiness to disclose climate-related financial information in our reports.
- Partnering with international organisations to leverage resources and expertise in achieving climate goals.
- Delivering on our Net-Zero ambition and climate finance proposition

Outlook

The global economy is projected to remain resilient despite significant challenges, according to the Organisation of Economic Co-operation and Development (OECD) Economic Outlook published in December 2024. The Outlook projects global GDP growth of 3.3 percent in 2025, up from 3.2 percent in 2024, and 3.3 percent in 2026. Inflation in the OECD is expected to ease further, from 5.4 percent in 2024 to 3.8 percent in 2025 and 3.0 percent in 2026, supported by the still restrictive stance of monetary policy in most countries. Headline inflation has already returned to central bank targets in nearly half of the advanced economies and close to 60 percent of emerging market economies.

Kenya's economy is projected by the World Bank to grow at 5 percent and 5.1 percent in 2025 and 2026 respectively. Inflation will continue to decline and monetary policy is expected. Monetary policy is expected to be accommodative due to stable inflation and exchange rates. The outlook is subject to considerable risks including debt financing strains, political and social tensions, weak recovery in global growth and climate-related events.The Business Laws (Amendment) Act, 2024, mandates that commercial banks raise their minimum statutory capital to Shs 3 billion by December 2025. Smaller banks may be constrained to raise these resources resulting into potential mergers and acquisitions, leading to consolidation of the banking sector.

One of the most significant uncertainties in 2025 pertains to the expiration of the African Growth and Opportunity Act (AGOA) in September. This trade pact has enabled Kenya to export to the US duty-free. Its renewal remains uncertain given the shift in US policies under the new administration.

Our regulatory environment

Regulatory performance

For 2024, our regulatory compliance focused on five key areas:

1. Anti-Money Laundering (AML) / Combating the Financing of Terrorism /Countering Proliferation Financing (CFT)

In compliance with the Central Bank of Kenya (CBK) guidelines, we have reinforced our efforts to combat money laundering, terrorism financing, and proliferation financing through the following measures:

- **Implementing Purpose of Payment (PoP) Codes:** These codes for Real-Time Gross Settlement (RTGS) transactions improve payment transparency and efficiency, ensuring precise identification of each transaction.
- **Enhancing Transaction Monitoring and Data Analytics:** We have upgraded our monitoring systems to detect unusual patterns and irregularities, ensuring more effective and timely reporting of suspicious activities, while meeting AML, CTF, and PF regulatory requirements.
- **Strengthening the Whistleblower Platform:** Our streamlined system offers a confidential and secure channel for reporting unethical or illegal activities, promoting accountability and supporting the maintenance of high ethical standards.

These initiatives align with international best practices and contribute to efforts to remove Kenya from the grey list.

ii. Climate risk disclosure framework for the banking sector

The draft framework was issued in August 2024 and public participation closed on 31 October 2024. Thereafter, CBK issued the final version in April 2025. The Climate Risk Disclosure Framework intends to assist commercial banks in collating and disclosing climate-related information in a relevant, useful, consistent and comparable manner. The Framework is aligned with global best practice and standards such as the International Financial Reporting Standards (IFRS) S2 on climate-related disclosures and Basel Committee on Banking Supervision (BCBS) principles on climate-related financial risks. We took keen interest in the requirements for disclosure of climate-related risks and opportunities. We understand what needs to be reported on and addressed as a bank within both the voluntary and mandatory reporting timelines.

iii. Modernising the national payments to align with National Payments Strategy 2022/25

We have successfully adopted ISO 20022 messaging standards for RTGS payments, in line with the Central Bank of Kenya (CBK) guidelines. This adoption enhances operational efficiency and provides richer, more usable data for analytics, contributing to a more efficient financial system.

iv. Cybersecurity

In alignment with the Cybercrime Management Regulations, 2024, we have established Cybersecurity Operations Centres. These centres are dedicated to protecting, preserving, and managing critical information infrastructure, ensuring a secure digital environment.

v. Enhanced compliance

We have initiated a project team through NetReveal, set to go live in 2025, focused on implementing the Granular Data Integration (GDI) project. This initiative aims to enhance data collection, analysis, and reporting from banks, preparing for system integration and ensuring compliance with technical requirements within the specified timeframes.

Compliance initiatives

Absa Bank Kenya in collaboration with Strathmore University embarked on the following ambitious advocacy initiatives:

i. On 20 March 2024, Absa hosted an industry workshop with the Business Registration Service (BRS) and the Financial Reporting Centre (FRC) to collaboratively address challenges related to beneficial ownership (BO). The focus was on improving access to the beneficial ownership register and ensuring its completeness through the provision of declarations by all required entities.

   This initiative was part of a broader effort to strengthen joint actions in overcoming strategic deficiencies in the system that have led to Kenya being placed on the “FATF Grey List” as a high-risk country as it pertains to the deployment of anti-money laundering (AML) measures. During the workshop, Absa and the stakeholders discussed potential sustainable solutions to enhance transparency and accountability in beneficial ownership, thereby contributing to a more resilient and responsible financial ecosystem.

ii. On 01 August 2024, Absa Compliance, in collaboration with the Compliance Society of Kenya (CSK), brought together over 100 professionals from diverse industries at the Strathmore Business School. The aim was to create a platform for deliberation, discussion, and the sharing of knowledge and best practices on adhering to the Data Protection Act, 2019. The event featured a keynote address by the Data Commissioner, Ms. Immaculate Kassait, (MBS). The discussions centred on the current state of data protection compliance in Kenya and the emerging risks in the data protection landscape. This initiative underscored the importance of sustainable data management practices, fostering a culture of transparency, accountability, and resilience in the face of evolving data protection challenges.

The Absa Unit Trust Funds

The Absa Unit Trust Fund was founded by Absa Asset Management Limited who also manage it. The Capital Markets (Collective Investment Schemes) Regulations 2023 (CIS), were gazetted in December 2023 to repeal The Capital Markets (Collective Investment Schemes) Regulations issued in 2001. The evolution of the regulations seeks to ensure that they are responsive to market developments and investor needs considering the growth of money market funds. The transition period for existing CIS is one year from the commencement date and they are required to obtain approval from the Capital Markets Authority (CMA). Our Unit Trust Funds are on course to transition as prescribed. This will enhance comparability and consistency of information presented in the performance measurement reports, as disseminated to the industry, ultimately boosting investor confidence.

Our regulatory environment continued

New regulations

i. The Business Laws (Amendment) Act, 2024

The Business Laws (Amendment) Act, 2024 was enacted into law on 11th December 2024 and became effective on 27th December 2024. The Act introduced several changes affecting the financial services sector key among them being to increase core capital of banks and mortgage finance companies from Shs one billion to Shs ten billion by 2029. This is geared towards strengthening and making the industry more stable and resilient. Absa is not impacted directly because its core capital is currently well above the new minimum. The change is likely to result in mergers and acquisitions.

Other key changes include regulation of credit business including Buy Now Pay Later (BNPL) and non-deposit taking microfinance companies. The Act also introduced new penalties for non-compliance and increased existing ones significantly.

ii. The Tax Laws (Amendment) Act, 2024

The Tax Laws (Amendment) Act, 2024 came into force on 27th December 2024 and introduced key tax changes that reduced the tax burden on employees through implementation of tax deduction on Affordable Housing Levy (AHL), Social Health Insurance Fund (SHIF) and Post Retirement Medical Fund (PRMF) contributions against employment income. The Act further reduced tax burden by increasing deduction against employment income of mortgage interest expense and pension contribution from Shs 25,000 and Shs 20,000 respectively to Shs 30,000 in both instances. This is a welcome move that cushions employees from increased taxation witnessed recently and increases disposable incomes thus enhancing ability borrow and service loans.

Outlook

i. Financial sector wide payments Interoperability

We anticipate that the Central Bank of Kenya (CBK) will continue implementing measures to realise the goals of the National Payments Strategy 2022-2025. We are actively monitoring the rollout of the financial sector-wide interoperability solution, known as the Fast-Payment System (FPS), by CBK. This initiative aims to foster a more inclusive and efficient financial ecosystem for all stakeholders.

ii. Regulatory posture

The enactment of the Business Laws (Amendment) Act, 2024 means that future regulatory enforcement actions will involve substantial penalties for non-compliance. As part of our commitment to responsible governance, our compliance function is proactively preparing to foster a culture of compliance and accountability.

iii. Cost of credit

The year 2024 has seen high interest rates, leading to reduced credit uptake by the private sector and an increase in non-performing loans (NPLs). In response, the Central Bank of Kenya (CBK), through its Monetary Policy Committee (MPC), has lowered the Central Bank Rate (CBR) to reduce the cost of credit. We anticipate that the cost of credit will remain a key focus area moving forward. This will foster a sustainable financial environment by making credit more accessible and affordable, thereby supporting economic growth.

iv. Virtual assets

The trading of cryptocurrencies and virtual assets has been on the increase globally and Kenya is no exception. Various reports indicate that the foreign exchange shortage recently experienced in Kenya resulted in individuals using virtual assets as a form of payment. In 2023, the Financial Reporting Centre (FRC) conducted a national risk assessment to understand the controls required to mitigate money laundering (ML) and terrorism financing (TF) risks emerging from the use of virtual assets (VA) and operations of virtual assets service providers (VASPs). Most recently in January 2025, the National Treasury published for public comment the Draft National Policy on VAs and VASPs alongside the Virtual Assets Service Providers Bill, 2024.

v. Sustainable finance

In April 2024, the Central Bank of Kenya presented the Kenya Green Finance Taxonomy (KGFT) for public review, which was concluded in June. The KGFT is intended to serve as a tool to classify whether particular economic activities are 'green' or environmentally sustainable. It is also intended to serve as a guide for both banking sector participants and other market participants in making informed investment or financing decisions. The KGFT largely drew from Kenya's Nationally Determined Contributions (NDCs) under the United Nations Framework Convention for Climate Change (UNFCC) and other National Climate Policy Documents. The green taxonomy was launched in April 2025 and its is anticipated that it will lead to increased emphasis on encouraging sustainable and climate financing.

Our stakeholders' needs and expectations

Our value creation depends on the quality of our stakeholder relationships. We proactively manage these relationships to meet their needs and expectations, fostering them with trust and innovation based on our culture and values.

Employees

Who they are	Needs and expectations
• 2 167 employees • 51% women and 49% men	• Concerns about impact of increased statutory deductions on remuneration • Safe workplace with consideration of overall wellness • Fair remuneration and terms of employment • Objective performance management and recognition • Equitable treatment and opportunities • Skills development including future skills • Systems and service stability uptime ensuring uninterrupted service delivery • Supportive hybrid work policies and practices • Customer concerns for enhanced and improved features and capabilities on digital channels consistently addressed • Ease to work and meet online
Strategic response/value proposition	**Metrics to measure performance**
• We foster an environment where employees can reach their full potential and deliver exceptional results for both fellow colleagues and customers by: • Embracing a colleague-first approach • Creating differentiated experiences and inspiring a diverse and inclusive workforce • Attracting and retaining the best talent • Encouraging self-led development and opportunities for career progression • Delivering performance-based reward and recognition • Providing a comprehensive wellness programme • Supporting different ways of working • Investing in technology to ease hybrid work and value creation for customers	• Participation rate – 92% • Colleague experience index - 70.2% • Job satisfaction – 7.9 • Employer advocacy - +30.8% • Training spend - Shs 95m • Diversity and inclusion
Relevant material matters	**Capitals impacted**
• Evolving workplace	• Human • Intellectual • Social and relationship

Quality of relationship

Employee experience score for 2024 was 70.2%

Our stakeholders' needs and expectations continued

Customers

Who they are

- **Individuals:** Entry-level to high net-worth individuals, across all ages
- **Businesses:** Sole proprietors, SMEs, large corporates and multinationals
- **Public sector:** Local, provincial and national government and state-owned enterprises
- **Other legal entities:** Development finance and financial institutions, non-profits, trusts, other governmental entities and associations

Needs and expectations

- Timely updates and reasonable feedback
- Convenient, safe and easily accessible banking channels
- Ease of use of technology
- Strong safeguards to protect their financial resources and data
- Credible brand that inspires confidence and stability
- Innovative, diverse and relevant banking services and solutions
- Excellent customer service, including quick resolution of grievances
- System reliability, up-time and ability to transact with preferred channels
- Efficiency in credit process

Strategic response/value proposition

We provide innovative propositions, channels, and technologies to empower our customers in achieving their goals and managing their wealth. This enables:

- Improved access to financial services and local, regional and global markets
- Deepening relationships with customers through a life-stage/ecosystem approach
- Provision of an extensive and accessible network combining physical outlets, call centres, digital platforms and strategic partners
- Protection of data privacy and ensuring cybersecurity through robust technology and data governance and management
- Provision of intuitive and convenient technology that is easy to access and use

Metrics to measure performance

- Customer experience index - Consumer Banking 113%
- Customer experience index - Business Banking 112%
- Net Promoter Score -Consumer Banking 52%
- Net Promoter Score- Business Banking 47%
- Composite Score -Consumer Banking 90%
- Composite Score -Business Banking 85%

Relevant material matters

- Economic volatility
- Country and sovereign risk
- Digital intelligence

Capitals impacted

- Intellectual
- Manufactured
- Social and relationship
- Natural

Quality of relationship

Treating customers fairly score 87%

Our stakeholders' needs and expectations continued

Investors and investment community

Who they are

- Local and international shareholders, including retail investors, asset managers, pension funds, sovereign wealth funds and corporate holdings
- Investment analysts
- Prospective investors
- Debt investors and credit rating agencies

Needs and expectations

- Strong operational performance including efficiency, revenue growth and returns
- Maintaining a well-capitalised balance sheet (strong capital and liquidity positions)
- Adequate, sustainable shareholder returns
- Sound risk management
- Constant and timely updates
- Transparent reporting and disclosures and effective communication
- Sound ESG practices
- Cost improvement based on technology investments

Strategic response/value proposition

We effectively manage risk and create sustainable returns by:

- Ensuring Absa remains well-diversified both by revenue streams and presence
- Maintaining and growing market share
- Offering improving shareholder returns and a rising dividend pay-out ratio
- Ensuring strong capital and liquidity levels to support a solid balance sheet

Metrics to measure performance

- Headline earnings - Shs 61bn
- Cost to income ratio - 39%
- Dividend per share - Shs 1.75
- Increase in ROE - 24.5%

Relevant material matters

- Economic volatility
- Country and sovereign risk
- Capital flows and liquidity management
- Regulatory environment
- Climate change and just transition

Capitals impacted

- Financial
- Intellectual
- Social and relationship
- Natural

Our stakeholders' needs and expectations continued

Regulators

Who they are	Needs and expectations
• Central Bank of Kenya (CBK) • South Africa Reserve Bank • Capital Markets Authority • Insurance Regulatory Authority • Financial Reporting Centre • Nairobi Securities Exchange • Unclaimed Financial Assets Authority • Retirement Benefits Authority • Central Depository and Settlement Corporation • Competition Authority of Kenya • Office of the Data Protection Commissioner	Compliance with all relevant laws and regulations to ensure: • Financial system stability spanning financial soundness to fair treatment of customers • A business responsive to regulatory change • An ethical business conduct and work environment • Contribution to governmental development plans and national priorities as well as to the fiscus through fair tax payments • Enhancement of sustainable finance and responsiveness to climate change • Adherence to regulatory and legislative requirements
Strategic response/value proposition	**Metrics to measure performance**
We support the creation of an environment that facilitates sustainable growth for all. We do this by working with regulators and providing input into policymaking and the development of regulations. This includes: • A comprehensive regulatory change management programme • Facilitating responsible banking by ensuring appropriate due diligence is followed	• Total capital adequacy ratio (20.7%):regulatory limit (14.5%) • Liquidity reserve position (42.5%):regulatory limit (20%) • Employees trained on fraud and ethical conduct - 2 167 • Full compliance with legal and regulatory requirements
Relevant material matters	**Capitals impacted**
• Capital flows and liquidity management • Regulatory environment • Climate change and just transition	• Financial • Intellectual • Social and relationship

Our stakeholders' needs and expectations continued

Society

Who they are	Needs and expectations
• Individual citizens • Communities • Civil society organisations • Non-governmental organisations • Media • Suppliers	Proactive engagement and participation in socio-economic initiatives through products, services and community social investment. This includes contributing to: • National development plans • County Integrated Development Plans • The UN SDGs • Global ESG frameworks In addition, expectation include support to: • Community initiatives in areas where we operate and have a physical presence • Endeavours to enhance local economic development, employment and financial literacy • Women, youth and SMEs Also: • Provision of material information in a timely manner • Feedback on queries and questions raised
Strategic response/value proposition	**Metrics to measure performance**
We actively contribute towards helping create inclusive sustainable economic growth aimed at positively impacting the communities we operate in, through: • Our overarching commitment to be a force for good • Providing products and services with a positive social impact • Supporting inclusive growth by supporting national development objectives and policies • Preparing young people for the future of work • Advancing financial literacy and inclusion • Supporting an inclusive and responsible supply chain • Generating and distributing economic value • Responding to queries and question in a timely manner • Proactive engagement and updates	• Shs 107m spend on community impact and investment • Shs 6.8 billion spend on local procurement • 11 065 youth trained under ReadytoWork in 2024 • 72 000 trees planted
Relevant material matters	**Capitals impacted**
• Economic volatility • Social context • Climate change and just transition	• Financial • Intellectual • Social and relationship

Our stakeholders' needs and expectations continued

The planet

Who they are	Needs and expectations
The natural resources on which we, our stakeholders and future generations depend.	Understanding the intersect between the business and the needs of the planet and society to ensure: • Comprehensive climate change response • Proactive management of the environmental and societal aspects that can influence the approach to our lending practices and management of our operational footprint • Mobilising funds to support the just transition to a low-carbon economy and support for other environmental priorities such as a circular economy and responsible consumption
Strategic response/value proposition We seek to address climate change and play an active role in minimising pressure on nature's resources by: • Committing to achieving a net zero state for scope 1, 2 and 3 emissions by 2050 • Supporting clients in responsible consumption and the transition to a low-carbon economy • Advancing our environmental and social risk management practices and capabilities in climate risk management • Minimising our direct environmental impacts.	**Metrics to measure performance** • Reduction in energy consumption • Carbon footprint reduction • Carbon footprint in tCO_2 • Number of EDGE certified premises • Amount issued in Sustainable finance
Relevant material matters • Social context • Climate change and just transition	**Capitals impacted** • Financial • Social and relationship • Natural

Our stakeholders' needs and expectations continued

Value created for stakeholders

Employee wages and benefits Total payroll, employee taxes to government, levies, unemployment fund, pensions, insurance, fleet, and private health, other employee support e.g., housing, interest-free loans, public transport assistance, educational grants excluding employee training costs. 2023: Shs 11.9bn 2022: Shs 10.6bn	2024 Shs 13.3bn
Payments to providers of capital Dividends to all shareholders, plus interest payments made to providers of loans (interests on all forms of debt and borrowings, not only long-term debt). 2023: Shs 8.4bn 2022: Shs 6.2bn	2024 Shs 9.5bn
Payments to government All of the organisation's corporate taxes plus related penalties paid at the international, national and local levels. 2023: Shs 16.2bn 2022: Shs 6.1bn	2024 Shs 11.5bn
Community impact and investment Voluntary donations plus investment of funds in the broader community where the target beneficiaries are external to the organisation, e.g., contributions to charities, NGOs, Govt and research institutes. Citizenship budget spend, scholarships, community CSR partnerships. 2023: Shs 150m 2022: Shs 150m	2024 Shs 107m
Total capital financing Total loans disbursed to businesses, individuals, government parastatals, agencies, NGOs, groups, including on digital platforms. 2023: Shs 335.7bn 2022: Shs 283.6bn	2024 Shs 309bn
Green investment Climate finance investment in renewable energy, energy efficiency, green buildings and climate smart agriculture 2023: Shs 26.9bn 2022: Shs 60m	2024 Shs 4bn
Local procurement Purchase of goods and services from domestic suppliers. 2023: Shs 4.5bn 2022: Shs 3.7bn	2024 Shs 6.8bn

Our stakeholders' needs and expectations continued

Particulars of shareholding

Absa Bank Kenya PLC			
Top 30 shareholders as at 31st December 2024			
Name	**Domicile**	**Total ordinary sxhares**	**%**
ABSA GROUP LIMITED	FC	3,720,816,000	68.50%
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004667	FC	110,741,311	2.04%
PATEL, BALOOBHAI; PATEL, AMARJEET BALOOBHAI	LI	65,034,720	1.20%
SUB-TOTAL (TOP 3)		**3,896,592,031**	**71.74%**
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	LC	41,863,390	0.77%
STANDARD CHARTERED NOMINEES RESD A/C KE11450	LC	37,857,590	0.70%
STANDARD CHARTERED NOMINEES RESD A/C KE11401	LC	24,935,156	0.46%
STANDARD CHARTERED NOMINEES RESD A/C KE11436	LC	23,368,656	0.43%
STANDARD CHARTERED NOMINEES RESD A/C KE11443	LC	21,952,300	0.40%
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1065B	LC	16,792,520	0.31%
STANBIC NOMINEES LIMITED R6631578	LC	14,594,900	0.27%
SUB-TOTAL (TOP 10)		**4,077,956,543**	**75.08%**
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE23050	FC	14,375,520	0.26%
PATRICK NJOGU KARIUKI FAMILY TRUST REGISTERED TRUSTEES	LC	14,357,300	0.26%
EQUITY LIFE ASSURANCE (KENYA) LIMITED	LC	13,709,212	0.25%
KESTREL CAPITAL NOMINEE SERVICES LIMITED A/C 12	LC	12,830,220	0.24%
CO-OP BANK CUSTODY AC 58000	LC	12,570,800	0.23%
STANBIC NOMINEES LIMITED A/C R10316639	LC	12,439,600	0.23%
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D	LC	12,313,400	0.23%
ORANG'O, BARNEY DANIEL	LI	12,041,720	0.22%
NCBA CUSTODIAL SERVICE ACC 325	LC	11,651,400	0.21%
JUBILEE LIFE INSURANCE LIMITED	LC	11,483,853	0.21%
STANDARD CHARTERED NOMINEES A/C 9187	LC	11,246,088	0.21%
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002315	LC	9,425,000	0.17%
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE19012	LC	8,478,342	0.16%
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 744C	LC	8,179,453	0.15%
MBILU, ELIUD SIMON	LI	8,068,000	0.15%
STANDARD CHARTERD NOMINEES A/C KE10881	LC	6,912,740	0.13%
JUBILEE HEALTH INSURANCE LIMITED	LC	6,601,080	0.12%
STANDARD CHARTERED NOMINEES A/C 1715	LC	6,577,240	0.12%
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004431	LI	6,466,400	0.12%
PRIME NOMINEES A/C PBC028	LC	6,118,460	0.11%

Key: LC- Local Company, LI – Local Individual, FC – Foreign Company

SHARES SELECTED		4,283,802,371	78.87%
SHARES NOT SELECTED: 63,376 Shareholders		1,147,733,629	21.13%
SHARES ISSUED		5,431,536,000	100%
TOTAL HOLDERS		63,406	

Our stakeholders' needs and expectations continued

Particulars of shareholding (continued)

Analysis by volume			
VOLUME RANGE	**NO. OF ORDINARY SHARES**	**% HOLDING**	**SHAREHOLDERS**
1 - 500	3,847,451	0.07%	15,752
501 - 5,000	48,667,315	0.90%	22,980
5,001- 10,000	49,506,535	0.91%	6,774
10,001 - 100,000	483,468,010	8.90%	16,766
100,001 - 1,000,000	267,299,654	4.92%	980
> 1,000,000	4,578,747,035	84.30%	154
TOTALS	**5,431,536,000**	**100.00%**	**63,406**

Managing risk

Absa is exposed to internal and external risks as part of its ongoing activities to create value for stakeholders; managing this risk critically underpins the execution and realisation of its strategy.

These risks are managed by aligning risk appetite with the operating environment, promoting a risk-aware culture throughout the Bank, and continuously enhancing our risk management capabilities.

Risk management overview

Absa's core purpose, strategy, business model, performance, and commitment to sustainable development are all integral to its value creation. Effective risk management and oversight are essential for achieving organisational objectives.

The Bank actively identifies and assesses risks and opportunities arising from both internal and external environments while proactively identifying emerging risks. To ensure effective risk management, this consolidated response is monitored through the following measures:

a. The recognition of the importance of a strong risk culture, which is a fundamental aspect of the wider Bank's culture
b. Thorough consideration of key risks (referred to as principal risks), with clear ownership and accountability, ensuring comprehensive risk coverage across the organisation
c. A cohesive risk management operating model and appropriate risk practices, tools, and techniques that support the Bank's strategy
d. A well-defined risk governance structure with clear escalation processes and Board oversight
e. A combined assurance model with independent control functions and clear accountability for managing and overseeing the effective execution of assurance throughout the Bank
f. Comprehensive and structured processes for evaluating, responding to, and monitoring risks.

Current risk management priorities

The Bank's operating environment is expected to continue being challenging. Risk, liquidity and capital management will remain a priority, including:

- Creating sustainable value for shareholders while maintaining sufficient capital supply for growth. Capital ratios are to be maintained at the top end of the Board risk appetite and above minimum levels set for regulatory capital
- Continue to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs
- Monitor growth to ensure a well-diversified credit portfolio in line with the Bank's strategy and risk appetite
- Monitor changes in the global and local macroeconomic, political and regulatory environments to identify and manage risks at an early stage. The potential impact of these and other events are modelled and considered in a comprehensive stress testing framework
- Improve controls, efficiency and operational resilience across critical processes through enhanced platforms and digital capabilities
- Engage and collaborate with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy
- Develop further climate action guidelines or standards to guide the Bank's approach to climate change-related risks and opportunities to align with commitments made by the Bank and Group.

Risk management approach

Our risk management approach ensures a consistent and effective management of risk within a risk appetite approved by the Bank's Board of Directors, while providing accountability and oversight.

The Bank relies on a comprehensive process to evaluate, respond to and monitor risks. This process is structured around identifying and assessing the risk, determining the appropriate response, and monitoring the effectiveness of the response and the resultant changes to the risk profile.

Managing risk continued

Risk appetite

The Bank's strategy is set within the parameters of an agreed risk appetite. It is developed alongside the Group's strategy. The risk appetite defines the nature and amount of the risk that the Bank and Group is willing to take to achieve strategic objectives.

Risk management

The Bank's approach to managing risks is outlined in the Enterprise Risk Management Framework (ERMF). The following foundations underpin the ERMF:

1. A robust and consistent governance structure at Group, country and business level.
2. Well-defined material risk categories known as principal risks.
3. A 'three lines of defence' model with clear accountability for overseeing and managing risk.
4. A comprehensive process to evaluate , respond to and monitor risks.
5. A robust risk operating model that provides clear roles and responsibilities.

8 principal risks

Financial
- Credit
- Market
- Capital & liquidity
- Insurance
- Model

Non-financial
- Operational & resilience
- Compliance
- Strategic & sustainability

Risk operating model

The bank applies a 'three lines of defence ' model to govern risk across all businesses and functions.

1st line
Process and control owners in customer-facing segments and Bank functions who are responsible for managing end-to-end risks and controls in their businesses.

2nd line
Independent risk, compliance and control functions who formulate risk and control policies, and review the 1st line adherence to these.

3rd line
Internal audit function tests and reviews controls to determine that the 1st and 2nd lines execute their responsibilities effectively and consistently.

Evaluate, respond, monitor

Evaluate
Individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess potential risks.

Respond
The appropriate risk responses ensure that the risks are managed within the risk appetite. These include: risk mitigation risk transfer and ceasing certain activities.

Monitor
Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks.

Risk appetite

Risk appetite defines the level of risk that we are prepared to accept across the different risk types, taking into consideration varying levels of financial and operational stress.

Risk appetite is key to our decision-making processes, including ongoing business planning and strategy setting, new product approvals, and business change initiatives.

The Bank sets its risk appetite in terms of performance metrics as well as a set of mandate and scale limits to monitor risks. During 2024, the Bank's performance remained within its risk appetite limits.

The risk appetite framework is a key tool linking the organisation's strategy, capital allocation and risk management. The risk appetite is translated into targets and limits for the business lines and establishes the roles and responsibilities of the Board of Directors and senior management in formulating the risk appetite statement.

Three lines of defence

The first line of defence is comprised of the revenue generating and client-facing areas, along with all associated support functions, including Finance, Treasury, Human Resources and Operations and Technology. The first line identifies the risks, sets the controls and escalates risk events to the second line of defence.

The second line of defence is made up of Risk and Compliance and oversees the first line by setting limits, rules and constraints on their operations, consistent with the risk appetite.

The third line of defence is comprised of Internal Audit, providing independent assurance to the Board and Executive Management Committee on the effectiveness of governance, risk management and control over current, systemic and evolving risks.

Although the Legal function does not sit in any of the three lines, it works to support them all and plays a key role in overseeing Legal risk in the Bank. The Legal function is also subject to oversight from the Risk and Compliance functions (second line) with respect to the management of operational and conduct risks.

A three lines of defence risk operating model has clear accountability to govern risk across all businesses and functions.

Managing risk continued

Principal risks faced by the Bank in Kenya in 2024

In 2024, Kenya's banks operated in a complex environment shaped by domestic and global challenges. The interplay of macroeconomic, geopolitical, and sector-specific factors created significant risks that required proactive management. These risks are summarised below:

1. Sovereign and country risk

Debt sustainability challenges

Kenya's refinancing of 70 percent of its June 2024 Eurobond stabilised the economy temporarily. However, rising demands for infrastructure spending and reduced fiscal revenues, exacerbated by economic slowdown, continued to create additional borrowing risks. Fiscal consolidation efforts aimed to reduce the fiscal deficit to GDP ratio were met with significant challenges including youth led protests that led to the rejection of the 2024 Finance Bill. Concerns over unsustainable debt levels, rising debt service costs, and a weak fiscus continue to persist.

Credit rating downgrades

Major rating agencies downgraded Kenya's sovereign credit rating due to heightened debt distress, weak fiscal policy, and political instability, further impacted investor sentiment and increased borrowing costs.

2. Consumer credit and asset quality risks

Elevated Non-Performing Loans (NPLs)

Kenya's banking sector NPL ratio reached 16.5% in October 2024, driven by financial pressures on households and businesses from higher taxes and high interest rates, reduced purchasing power, and delayed government payments. Declining business activity, subdued consumer demand, and constrained access to credit further weakened asset quality across the banking sector.

Diminished private sector lending

Structural rigidities in the economy and high interest rates led to higher bank impairments and a sharp contraction in private sector credit growth which stood at near zero in October 2024, owing to restricted credit access and weak customer appetite and demand due to diminishing debt serviceability all together widening the credit gap and slowing down economic activity.

3. Market risk

Interest rate volatility

CBK continued to raise policy rates in early 2024 to combat inflation and the depreciating currency, driving up short-term rates and Treasury Bill yields. These high rates were maintained through most of the year to provide an attractive proposition for foreign investors. The high rates transmitted to higher customer borrowing costs, limiting credit extension to the private sector.

In Q4, the CBK shifted to an accommodative stance, reducing the Central Bank Rate (CBR) by 175 basis points, with Treasury Bill and Treasury Bond rates coming down even more sharply, that is, by more than 500bps in the less than one year tenor. This sudden policy reversal created uncertainty for banks' lending and treasury management strategies.

Foreign exchange (FX) risk

At the beginning of the year, FX scarcity and depreciation increased credit risks on foreign currency exposures and dampened investor sentiment. However, from February, the Kenyan Shilling experienced sharp appreciation recovering 21% by close of the year.

High cost of funds

Competition for deposits increased as banks offered attractive rates to compete with high-yielding government securities. This elevated cost of funds constrained banks' ability to offer competitive lending rates to the private sector, reducing credit growth.

4. Liquidity and funding pressures

Government borrowing crowd-out

High domestic borrowing by the government to meet funding needs reduced private sector access to credit. Treasury Bill and Bond yields rose significantly, attracting market liquidity and adversely limited economic growth by crowding out the private sector.

Declining private sector liquidity

Weaker credit demand, compounded by elevated borrowing costs, eroded private sector liquidity. The stagnation in lending has constrained businesses' ability to grow and consumers' access to financial support, impacting economic growth.

5. Strategic and operational risks

Regulatory challenges

Banks encountered heightened compliance risks due to evolving regulatory requirements, which necessitated substantial investments in capacity and technology to comply with more stringent oversight.

Operational resilience risks

The accelerated pace of digitisation heightened risks of fraud, cyber threats, and operational disruptions. Additionally, political instability and social unrest amplified these operational pressures.

Global policy uncertainty

Uncertainty stemming from US fiscal and monetary policy shifts, including potential dollar strength and rising US bond yields, posed risks to emerging and frontier markets, including Kenya.

Conclusion

In 2024, Kenya's banks faced various challenges, such as fiscal constraints, social and political instability, volatile interest and foreign exchange markets, weakening asset quality, and limited private sector activity. The combination of domestic and global risks required effective risk management strategies and a focus on balancing profitability with long-term sustainability.

Managing risk continued

Top/emerging risk	Risk trend	Management response
Geopolitical instability and conflict	Geopolitical instability could escalate into open conflict or persistent diplomatic tension and rising nationalism and protectionism could further disrupt global trade, supply chains, and multinational alliances, creating uncertainty. The outcomes of the US election have created increased uncertainty over the direction of its foreign policy which further impacts the region.	• Constant monitoring and agile approach to positions • Preserve the bank's liquidity and capital • Diversification across products and sectors to limit exposure
Country and sovereign risk	Continued heightened economic risks due to current high debt levels and weak fiscus making the country less resilient to withstand further shocks such as: • inflationary pressures • risk sentiment • potential currency crises • extreme weather impacts Supply chain disruptions and elevated commodity prices could exacerbate inflation, while debt burdens could lead to further strain and social unrest.	• Strengthening the Trigger Framework and implementation of the revised Concentration Risk Framework • Ongoing enhancement of models to better understand the risk-reward trade-offs • Diversify funding sources • Diversify high quality of liquid assets holdings • Monitor and manage risk-considered opportunities for trading that may arise
Customer stress	Consumer stress recovery could be more gradual than expected given that the economy remains fragile, with slow growth, high unemployment, and elevated levels of government debt. Furthermore, sectors reliant on exports could be vulnerable to global supply chain disruptions and changing regulations	• Close monitoring of RBB and CIB clients for signs of distress with early actions taken to mitigate impacts • Capture evolving risk through focused model updates • Continue with the rollout of customer selection enhancement projects
Strategic and business risks	Constantly changing operating environment, combined with heightened volatility and challenging global and domestic conditions, and evolving client needs, may impact strategy execution. Potential for adverse impact of large strategic change projects, which may result in poor delivery and resource strain. Heightened risk from ongoing digital disruption and increased competition, compounded by evolving customer needs and payment system risks.	• Monitor and manage strategic risk and risk appetite to identify and mitigate risks as they arise, while continuing to support customers • Govern change projects to ensure these are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance • Continue investing in delivering scalable digital solutions • Strategically drive diversification across sectors, products and services to mitigate impacts
Operational resilience pressure	Rising threats from cyberattacks, data loss, and fraud due to accelerated digitisation. Increased strain from legacy systems and evolving payment systems. Infrastructure disruptions and social unrest exacerbating operational risks.	• Continued investment in robust cybersecurity and operational resilience frameworks • Advanced crisis management scenario planning and testing • Modernisation of payment system infrastructure to enhance resilience

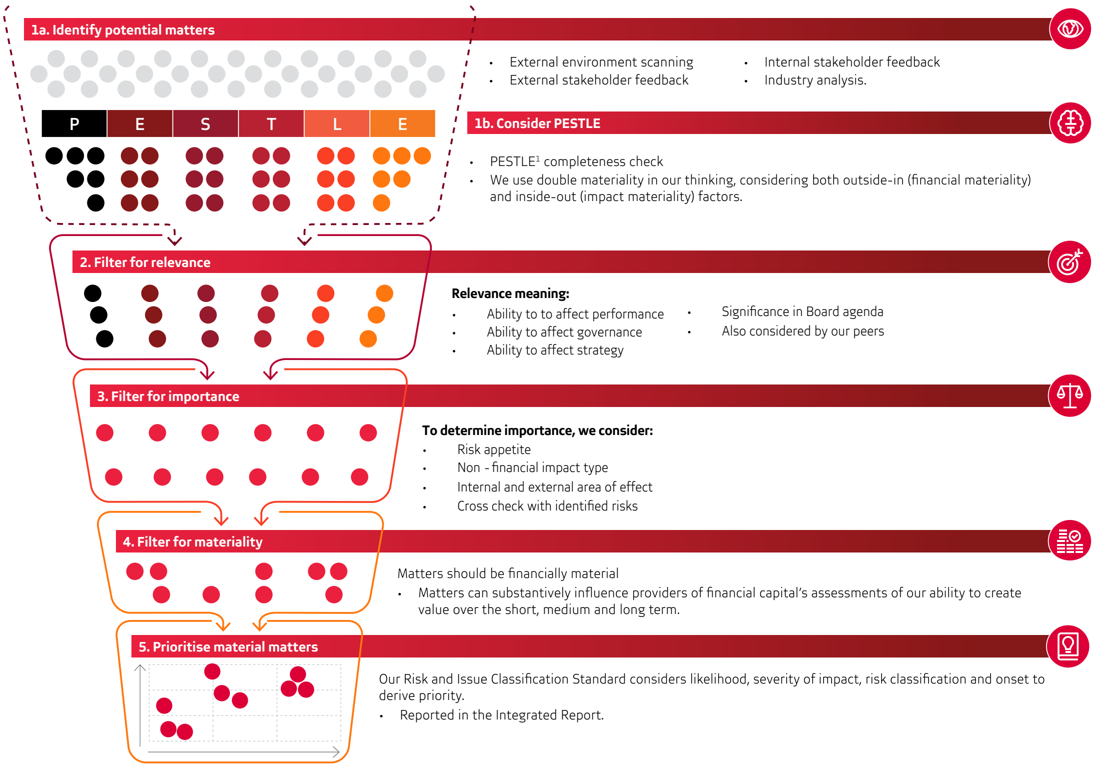
Managing risk continued

Top/emerging risk	Risk trend	Management response
Regulatory landscape and compliance risks	Increasing pace and evolving complexity of regulatory, with increasing scrutiny from both local and international regulators. Heightened scrutiny of regulators may require increased capacity to address additional matters and additional capital requirements.	• Maintain a forward-looking approach to evaluate, respond to and monitor change • Engage with regulators and other stakeholders on regulatory developments • Build a robust control environment to track compliance • Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes
Environmental risks	Evolving climate-related risks impacting lending and business practices, with increasingly demanding regulatory requirements.	• Maintain a forward-looking approach to evaluate, respond to and monitor change • Engage with regulators and other stakeholders on regulatory developments and best practice, build a robust control environment of compliance • Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes • Partnering with development partners to unlock climate finance and support green and sustainable banking initiatives
Potential impacts of risks are assessed continuously, with management actions in place and updated frequently.		

Our material matters

Our materiality determination process

As a financial services provider, we play a pivotal role in the economic activity of individuals, businesses, and nations, helping to create, grow and protect wealth through partnerships in economic development. Many factors affect our ability to create value, including our operating environment, stakeholders, responses to risks and opportunities and our chosen strategy. This report provides the context for what we have deemed our material matters – those which can significantly affect our ability to create or preserve value or lead to value erosion over the short, medium and long term. Our materiality determination process is discussed and illustrated as follows:

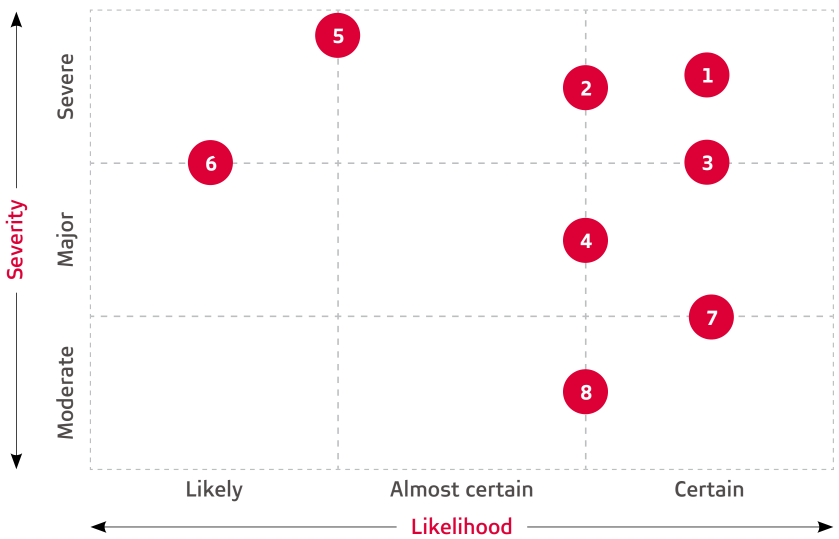


PESTLE – An analytical approach to identify and assess actual as well as potential factors that could impact the strategy and performance comprising Political, Economic, Socio-cultural (demographic), Technological, Legal (regulatory) and Ecological factors

Prioritising material matters

enables us to respond quickly to risks and opportunities specific to Absa and our strategic intent, magnifying our ability to create value. Prioritising the risks and opportunities arising from the operating context is based on our Risk and Issue Classification Matrix (RICM).

As a formula, RICM is expressed as: likelihood x severity of impact = risk classification. When assessing the severity of potential impact, we consider financial and non-financial impacts. We consider non-financial impact types as they relate to regulators, clients, reputation, our service, and employees.



1. Economic volatility
2. Country and sovereign risk
3. Capital flows and liquidity management
4. Social context
5. Digital intelligence
6. Evolving workplace
7. Regulatory environment
8. Climate change and just transition

Our material matters continued

Economic volatility

Global geopolitical uncertainties continue to impact economic performance in our region. These uncertainties stem from various factors such as trade tensions, political instability, and conflicts in different parts of the world. These factors have a carry-on impact on the Kenyan economy through value cain interruptions and increased global commodity prices, given the country's heavy dependence on imports. While the current account remains negative, increased foreign exchange earnings through agriculture, tourism and remittances have cushioned the economy, with the current account gap estimated at - 3.6 percent in 2024. The shillings recovered strongly in the year, appreciating by almost 20 percent by year end as compared to 2023.

A steady drop in interest rates in the course of the year is anticipated to improve borrower appetite although credit uptake recorded a mild decline. While the central bank further reduced the base rate to 10.75 percent in early 2025 from a high of 13 percent in 2023, deposits locked in at higher rates continued to impinge the ability of banks to reduce lending rate proportionally. Monetary policy easing means the near horizon will be characterised by moderate interest rate movement. This is expected to encourage borrowing and investment, as lower interest rates reduce the cost of loans. Consequently, businesses and consumers may increase spending, potentially stimulating economic growth and fostering a more favourable economic environment.

While inflationary pressure has declined, prices remain elevated. Price stability brings better predictability as consumers and businesses can plan their expenditures more effectively, often leading to increased spending and investment. Kenya is considered a price sensitive market meaning price increments have a detrimental effect on consumption and investment particularly at the retail level. In addition, it also leads to weakening in disposable incomes.

These factors showcase the vulnerability of the economy to external pressures, often leading to economic volatility. Resilience is therefore foundational to economic progress as shocks that have impacted the country have affected the performance of the private sector and eroded livelihoods. For Absa, these broad impacts are significant as they affect the ability of its customers to plan and manage their businesses. The resulting job losses and business closures affect the Bank directly as Absa's performance is strongly linked to that of its customers. While its strategy and business model have proved resilient, the need to ensure alignment and relevance to stakeholders remain foremost for the Bank.

What it means for Absa

Opportunities

Creating a balance in revenue mix across our portfolio	Innovating products, services and pricing structures	Delivering holistic and integrated product solutions to clients
Deepening client relationships	Expanding the non-traditional acquisition channels across the business	Improving productivity in resource management
Driving improved productivity	Promoting financial inclusion through targeted and relevant financial advice and products	

Principle risks affected

Sovereign and country | Consumer credit and asset quality | Market | Liquidity and funding | Strategic and operational

Possible business model impacts and effects on capitals

Financial capital

- ▼ Within a constrained environment, we recognise that there is an increased risk of credit defaults, inflationary pressures on our cost base and margin pressures
- ▲ The increase in CBR rate by central bank results in higher net interest income
- ▼ Providing additional support to constrained clients affects margins
- ▲ Enhanced margin through leveraging synergies across the Absa Group footprint

Manufactured capital

- ▲ Physical footprint gives way to more efficient and cost-effective digital channels, possibly impacting human capital
- ▲ Improved risk management creating buy in from regulators to extend digital products and services
- ▲ Development and innovation of products and services enhancing competitive advantage in the market

Social and relationship capital

- ▲ Increased financial inclusion
- ▲ Client primacy and brand affinity
- ▲ Use of bancassurance products to reduce risk to the business and customer

Scorecard metrics affected

- Headline earnings
- RoE
- Cost-to-Income ratio (CTI)
- Client experience index
- Sustainability-linked financing

Other metrics affected

(value over time)

- Credit loss ratio (CLR)
- Total deposits
- Gross loans and advances

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

A modern-day consumer financial services business | A market leader in Business Banking | A leading Corporate and Investment Bank in connecting ecosystems | A trusted brand driving a sustainable future

Our material matters continued

Country and sovereign risk

2024 noted marked pressure on the Kenyan economy. Firstly, the country being placed on the FATF grey list signalled to global financial institutions that the country has deficiencies in combating money laundering and terrorist financing. This has led to increased scrutiny, higher transaction costs, and heightened foreign investor concerns. Additionally, credit rating downgrades by Fitch, S&P, and Moody's have also placed increased scrutiny on the country's heightened risk of debt default and concerns on its limited fiscal headroom.

Fiscal consolidation focused on broadening the revenue base by implementing administrative and policy measures focused on taxation. This was coupled with government expenditure rationalisation measures geared towards improving efficiency and reducing wastage of public resources. Measures taken by the government in 2024 included suspending new public sector recruitment, auditing of payrolls, pensions and transfers to eliminate ghost workers and ghost recipients of these benefits. However, protests against tax increases as part of the revenue raising measures proposed by the government have placed the fiscal consolidation efforts in jeopardy with the resultant public funding crunch mitigated by lending by the International Monetary Fund (IMF) and issuance of a new Eurobond.

Kenya is currently facing significant challenges due to a high debt burden and an increased risk of debt distress. Managing its public debt has become increasingly difficult as it has grown rapidly in recent years. According to the Central Bank of Kenya (CBK), the total public debt was Shs 10.6 trillion as of June 2024, up from Shs 10.3 trillion in June 2023, and is projected to reach Shs 13 trillion by 2027. The debt-to-GDP ratio stood at 70 percent in June 2024, a slight decrease from 70.8 percent in June 2023. This figure exceeds the International Monetary Fund's (IMF) recommended threshold of 50 percent for developing countries. Notably, the government managed to avoid a sovereign debt default on the USD 2 billion Eurobond, initially issued in 2014 and due in June 2024, by issuing a new bond worth USD 1.5 billion with an issue price of 97.3 percent, yielding a rate of 10.4 percent.

For Absa, enhanced oversight on anti-money laundering and terrorism financing will require increased Know-Your-Customer (KYC) vigilance with heightened requirements on customers and onboarding processes. Further, policy uncertainty around fiscal measures and increased concern on public debt sustainability will remain a key focus area for the Bank.

What it means for Absa

Opportunities

- Assisting customers with transactions across the ARO footprint
- Sharing thought leadership to enhance regulatory frameworks and improve access to funding
- Proactively managing our risk exposure
- Contributing to a resilient and stable financial market system by following internationally accepted standards
- Ongoing enhancement of models to better understand the risk-reward trade-offs

Principle risks affected

Sovereign and country | Consumer credit and asset quality | Market | Liquidity and funding | Strategic and operational

Possible business model impacts and effects on capitals

Financial capital

- ▼ Continued credit downgrades impacting economic momentum
- ▼ Cost of doing business in country escalates
- ▼ Difficulty in accessing multilateral capital
- ▼ Possible reduction in international trade and direct foreign investment
- ▼ Ability of customer base to qualify for lending instruments reduced

Manufactured capital

- ▼ Constraints in geographic expansion and roll out of services and products

Social and relationship capital

- ▼ Increased costs associated with monitoring by FATF and increased compliance requirements imposed by regulation
- ▼ Negative investor sentiment reducing the size of investment into the country decreasing opportunities for our products and services
- ▼ Damage to country reputation and standing in the international community

Scorecard metrics affected

- Headline earnings
- RoE
- CTI
- Client experience index
- Sustainability-linked financing

Other metrics affected
(value over time)

- Credit loss ratio (CLR)
- Total deposits
- Gross loans and advances

Value to others stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

A modern-day consumer financial services business | A market leader in Business Banking | A leading Corporate and Investment Bank in connecting ecosystems | A trusted brand driving a sustainable future

Our material matters continued

Capital flows and liquidity management

Capital outflows and restricted liquidity lead to constraints in market activity. In Kenya, this issue was exacerbated by foreign exchange shortages experienced in 2023 and early parts of 2024. Despite some progress, enhanced liquidity in financial markets will only be achieved through more investment-friendly tax conditions and policy certainty, including supportive legislative measures.

This context requires appropriate and responsible capital management approaches. To maximise capital allocation, banks strategically deploy financial resources to achieve the highest possible returns while managing risks effectively. This process requires a thorough analysis of investment opportunities, market conditions, and the overall economic environment.

Leveraging advanced analytics and financial modelling can provide insights that drive informed decision-making. By prioritising high-yield investments and diversifying portfolios, banks can optimise their capital usage and enhance profitability. But it is essential to continuously monitor and adjust investment strategies to respond to changing market dynamics, reallocating resources where required.

Furthermore, capital deployment to lending is impacted by economic conditions and the performance of borrower businesses. Consumer debt distress leads to higher default rates increasing Non-Performing Loans (NPLs) and provisioning costs, which reduce profitability and capital adequacy. It also results in tighter lending standards and enhanced regulatory requirements.

Absa continues to maintain robust capital and liquidity levels that surpass regulatory thresholds, ensuring its financial stability and resilience. The Bank's proactive capital management strategies and prudent risk management practices enable it to navigate market uncertainties effectively. By consistently exceeding regulatory requirements, Absa reinforces its commitment to safeguarding stakeholders' interests and sustaining long-term growth.

What it means for Absa

Opportunities

Facilitating trade among African countries	Strengthen foreign investor confidence	Higher demand for risk-management products
Proactive capital management and capital allocation	Innovative cross border payment facilitation	

Principle risks affected

Sovereign and country | Consumer credit and asset quality | Market | Liquidity and funding | Strategic and operational|

Possible business model impacts and effects on capitals

Financial capital

- ▼ Currency depreciation increases reserve requirements from banks
- ▼ Volatile availability of hard currency impacts trade and foreign currency expatriation results in heightened hedging cost
- ▼ Risks on foreign currency cross border payments and issuance of foreign currency legislation may impact profitability

Social and relationship capital

- ▲ Improved multi and bilateral relationships
- ▼ Enhanced scrutiny of directives governing cross-border payments

Scorecard metrics affected

- Headline earnings
- RoE
- CTI
- Client experience index
- Sustainability-linked financing

Other metrics affected
(value over time)

- Credit loss ratio (CLR)
- Total deposits
- Gross loans and advances

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

A modern-day consumer financial services business | A market leader in Business Banking | A leading Corporate and Investment Bank in connecting ecosystems | A trusted brand driving a sustainable future

Our material matters continued

Social context

The social context in Kenya is highly dynamic, with unemployment rates remaining high, particularly among the youth. SMEs, which generate the majority of jobs, are fragile and have limited resilience to respond to shocks and market changes. While rural poverty has declined over the past decade, briefly increasing during the pandemic, it remains high, comparable only to the lowest poverty quantiles in urban areas.

The unrest witnessed mid-year highlights the disposition of a highly educated and discerning youth that demands greater transparency and fairness. They showcase the benefits the country has accrued through improved access to education, a key factor that has driven improvements in the country's Human Capital Index (HCI). Their capacity for mobilisation, particularly through technology is unprecedented. This generation represents a new customer class driven by personal convictions and is expected to resonate with purpose-driven entities and offerings.

Evolving consumer trends are also impacting on how customers engage with their finances and their preferences. This includes expectations of tailored services that cater for individual needs and preferences. By leveraging data analytics and advanced technologies, financial institutions can deliver more relevant and personalised services, enhancing customer satisfaction and loyalty. This shift towards personalisation underscores the importance of understanding and meeting the unique requirements of each customer.

Social engineering presents a significant challenge in Kenya. Rapid adoption of mobile and digital money has provided an avenue for fraudulent activities to proliferate. As the general population has varying levels of digital awareness and literacy, vulnerability to these schemes remains high. In addition, fraudsters continue to evolve and innovate, resulting in new methods to defraud our customers, thus creating the need for consistent vigilance.

Absa understands its social context. In response to these challenges, the Bank consistently provides its customers with fraud prevention information through public messaging and education. Further, Absa's next-generation services focus on financial inclusion and empowerment for the youth, helping them pursue their aspirations. Overall, the Bank strives to offer products and services that are relevant to its customers' needs, recognising that "every story matters."

What it means for Absa

Opportunities

Promoting financial inclusion	Fostering equal opportunities and poverty eradication	Enhancing client primacy and extended client life journeys
Active engagement and response to client needs	Diversifying revenue streams through initiatives aligned with positive social outcomes	

Principle risks affected

Sovereign and country | Consumer credit and asset quality | Market | Liquidity and funding | Strategic and operational

Possible business model impacts and effects on capitals

Financial capital

- ▼ Increased loss of revenue due to disruption and damage from social unrest
- ▲ Opportunity to participate as a lender in the development of communities in response to country's plan to enhance resilience
- ▲ Reduced non-performing loans due to capacity building for clients

Human capital

- ◆ Preservation of available job opportunities

Social and relationship capital

- ▲ Reputational gains supporting communities
- ▲ Reputational gains resulting from continued resilience investments and a capacitated converged security office protecting clients
- ▲ Embedded client primacy and enhanced customer experience

Scorecard metrics affected

- Sustainability-linked financing
- Financial inclusion
- ESG social loans

Other metrics affected
(value over time)

- Consumer education participants
- ReadyToWork participants
- Economic value to communities

Value to others
Stakeholders impacted

Investors | Employees | Society

SDGs impacted

SDG 5 | SDG 8 | SDG 10 | SDG 16

Linkages to our strategic aspirations

A modern-day consumer financial services business | A trusted brand driving a sustainable future

Our material matters continued

Digital intelligence

Cybersecurity is a critical concern for financial institutions as cyber threats and attacks can lead to significant financial losses, reputational damage, and regulatory penalties. Ensuring robust cybersecurity measures is essential to protect sensitive customer data, maintain trust, and comply with stringent regulatory requirements, thereby safeguarding the institution's integrity and stability.

Effective data management and protection are paramount to ensuring the accuracy, security, and privacy of customer information. Implementing robust data governance frameworks helps banks comply with regulations, enhance decision-making, and maintain competitive advantage.

The demand for "always on" channels requires seamless availability and access to banking services. This expectation drives the need for reliable, scalable, and secure digital infrastructure. Meeting this demand enhances customer satisfaction and primacy but also necessitates significant investment in technology and operational resilience.

The adoption of new technologies like AI offers opportunities to enhance efficiency, improve customer experiences, and gain competitive advantage. However, integrating AI also presents challenges such as high implementation costs, the need for skilled personnel, and potential regulatory scrutiny, requiring careful planning and investment.

While technology is a significant catalyst in delivering value, it has also created competition with non-traditional tech-oriented providers like fintechs and techfins. This competition pressures traditional banks to innovate and adapt quickly, investing in new technologies and customer service enhancements to retain market share and meet evolving consumer expectations. Furthermore, disruptive technologies, such as blockchain and digital currencies, challenge banks by altering the competitive landscape and introducing new business models.

For Absa, technology is a key enabler in the way the Bank runs its operations and has played a pivotal role in the Bank's transformation. The Bank has achieved significant milestones in technology upgrades and maturity. The Bank's next horizon strategy is anchored on further technological enhancements and innovation to enable it deliver value for stakeholders and manage operations efficiently and optimally.

What it means for Absa

Opportunities

Adding new digital capabilities complemented with enhanced security to support increased digital adoption rates	Capitalising on alternative channels (agency banking, mobile and internet banking and merchant acquiring)	Enhancing primacy through client service that is safe, reliable and seamless
Enabling greater access to convenient self-service options for clients	Increasing agility, efficiency and cost optimisation through cloud computing and AI	Growing revenue from digital products and services using mobile technology and fintech partnerships
Furthering financial and digital inclusion		

Principle risks affected

Sovereign and country | Consumer credit and asset quality | Market | Liquidity and funding | Strategic and operational

Possible business model impacts and effects on capitals

Financial capital

- ◆ Increased transaction volumes and higher digital inclusivity affecting fees
- ▲ Increased productivity over the medium to longer term
- ▼ Investment in technology infrastructure in the short to medium term
- ▼ Financial losses as a result of fraud, cybercrime and data loss

Social and relationship capital

- ▼ Increased reputational risk as a result of misinformation, fraud, data leakage and other security breaches
- ▲ Closing the digital divide and addressing financial inclusion

Human capital

- ▼ Scarcity of digital and technology skills, resulting in intense competition for talent
- ◆ Helping to reskill the existing workforce drives retention and meets fundamental business needs while recognising that being digitally focused could impact job creation
- ▲ Hybrid work improving employee value proposition

Intellectual capital

- ▼ Increased risk of data loss
- ▲ Future-fit digital ecosystems

Scorecard metrics affected

- Growth in digitally active clients
- RoE
- CTI

Other metrics affected *(value over time)*

- Total severity 1 and 2 incidents
- Digital channel availability
- Service availability

Value to others

Stakeholders impacted

Investors | Clients | Regulators | Society | Employees

SDGs impacted

SDG 8 SDG 10

Linkages to our strategic aspirations

A modern-day consumer financial services business | A trusted brand driving a sustainable future | A digitally powered business | A home of talent and diversity

Our material matters continued

Evolving workplace

The world is facing a skills and talent challenge. Europe has a high rate of unfilled jobs, while only one in six African youth have stable employment, with Kenya's youth unemployment as high as 67 percent. There is a demand for specialised digital, technology, and data skills, but many available skills do not match market needs, leading to competition for specific talents.

Employees seek workplaces that align with their beliefs and contribute to a greater purpose. Meaningful work now plays a crucial role in employee satisfaction. Employers must create fulfilling environments by focusing on wellness, engagement, and employee development. Post-pandemic, employee wellness, especially mental health, has taken centre stage. By prioritising wellbeing, employers can keep employees satisfied and motivated.

A key facet for enhanced performance is organisational culture and values. Companies focus on culture to attract and retain talent. This is enhanced by providing employees with the right tools to deliver on work and a safe and productive workplace. This increasingly means availing technology supported tools to enable in-person and remote working. For employees, the workplace has evolved from a place to simply complete tasks to being a key significant opportunity for them to contribute to their interests and purpose.

The Bank offers health benefits, mental health resources, and promotes work-life balance to ensure employees are protected and feel valued. Employee engagement is encouraged through feedback, team-building, and recognition programmes. Open communication and appreciation, keep employees engaged and motivated. Absa's culture and values are essential. We embrace trust, resourcefulness, stewardship, inclusion, and courage.

Absa uses advanced technology to streamline processes, boost productivity, and enable seamless collaboration across the Bank. The Bank's digital tools ensure employees have the resources they need, whether working remotely or in the office. Empowering employees with the right skills also plays a vital role in employee growth and organisational success. The Bank offers employees various learning and development programmes, including personal development, technical upskilling and future skills training. Overall, the Bank's aim is to ensure that work is meaningful, providing purpose, fulfilment, and satisfaction, as attested by our status as an employer of choice in the country.

What it means for Absa

Opportunities

Deepening employee satisfaction and engagement	Fostering a diverse and inclusive workplace	Enabling a culture of high performance
Entrench Absa as a "home of talent"	Ensure client primacy through engaged, empowered and inspired colleagues	Improved workplace productivity

Principle risks affected

Strategic | Operational

Possible business model impacts and effects on capitals

Financial capital
- ▲ Improved performance due to engaged employees

Human capital
- ◆ Preservation of available job opportunities
- ◆ Enhanced employee indices

Social and relationship capital
- ▲ Reputational gains based on employee endorsement
- ▲ Client primacy due to employee engagement

Scorecard metrics affected

- Participation rate
- Colleague Experience Index
- Job satisfaction

Other metrics affected
(value over time)

- Employer advocacy
- Colleague Sentiment

Value to others
Stakeholders impacted

Investors | Employees | Society

SDGs impacted

SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

A modern-day consumer financial services business | A trusted brand driving a sustainable future | A digitally powered business | A home of talent and diversity

Our material matters continued

Regulatory environment

As the regulatory landscape evolves, regulatory authorities are imposing heightened requirements to address emerging risks and ensure stability within the financial system. These increased regulatory demands and associated costs significantly constrain banks, necessitating the allocation of substantial resources toward compliance efforts. Additionally, heightened compliance obligations often translate to elevated expectations from stakeholders, particularly customers.

Absa is subject to oversight by multiple regulators, requiring the Bank to remain informed about regulatory changes as they unfold. Ensuring continuous compliance necessitates vigilant monitoring and adaptation to new legislation, rules, and standards. This dynamic regulatory environment requires robust systems and processes to maintain adherence and mitigate potential risks.

Our regulators have concentrated on several key areas, including addressing the country's grey listing by the FATF, which demands greater scrutiny on anti-money laundering (AML) and terrorism financing, as well as climate risk, cyber security, and data governance. Overall, the regulatory space remains dynamic and is expected to continue evolving.

Compliance with legislation and regulation is a cornerstone of Absa's business operations. The Bank enforces a zero-tolerance policy towards unethical and illegal practices, responding stringently to any misconduct. The Bank's Board of Directors prioritises its fiduciary duty, and colleagues are expected to adhere to the Bank's code of conduct. The regulatory compliance is exemplary, and often the business conduct and compliance standards surpass those prescribed by regulations.

What it means for Absa

Opportunities

Strengthen foreign investor confidence	Increase transparency through reporting and disclosures	Influence and advocate policy positions and lead in the industry
Working with our regulators in developing common strategies to achieve our client goals while strengthening the financial industry	Mitigate or prevent systemic risks across the organisation, promoting financial stability	Continue to support and align with international and local practices supporting capital and ESG requirements
Promote a culture of compliance while bolstering our compliance structures and systems		

Principle risks affected

Sovereign and country | Consumer credit and asset quality | Market | Liquidity and funding | Strategic and operational

Possible business model impacts and effects on capitals

Financial capital

▼ Increased costs to comply
▼ Penalties and fines due to non-compliance

Social and relationship capital

▲ Sound, positive and healthy relationships with regulators
◂▸ Compliance burden may affect client journeys and experiences, yet clients benefit from the protection provided by regulation
▲ Sustained and improved reputation as a sound and solid financial institution

Scorecard metrics affected

- CTI
- RoE

Other metrics affected

(value over time)

- Equity
- Total operational risk losses

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 16

Linkages to our strategic aspirations

A modern-day consumer financial services business | A trusted brand driving a sustainable future | A digitally powered business | A home of talent and diversity

Our material matters continued

Climate change and just transition

Africa generates less than 4 percent of global carbon emissions but countries on the continent are significantly more vulnerable to its impacts, including widespread damage caused by weather events and hazards leading to disease, hunger, displacement and human rights transgressions. Despite most governments on the continent ratifying the Paris Agreement and taking policy positions, implementation and adaptation plans show limited progress and impact.

Global climate finance promises are not materialising as expected but some progress has been made. In COP 29, parties agreed on the New Collective Quantified Goal (NCQG) set at USD 300 billion per annum to finance climate action in developing countries with an overall aim of increasing this to USD 1.3 trillion per year by 2035. The loss and damage fund, launched at COP28 and designed to channel financing to countries suffering from the consequences of climate change, became operational with total pledges of USD 759 million. Significantly, COP 29 noted the adoption of Article 6, which outlines the final framework for how carbon markets will function under the Paris Agreement, making the carbon crediting mechanism fully operational.

Banks play an important role in supporting sustainable development. As ESG considerations are introduced into market frameworks for more African countries, this is broadening their investment appeal. These frameworks include sustainability-linked finance, green taxonomies, driving more targeted investments. Financial inclusion initiatives are broadening the social protection effect. Similarly, using ESG criteria in credit analysis can uncover previously undervalued or unknown value drivers.

As a financial institution, we play an important role in funding the decarbonisation transition by investing in sustainable projects and divesting from high-carbon industries. If the transition is not managed equitably, it can exacerbate social inequalities, particularly affecting workers, communities, and regions reliant on carbon-intensive sectors. As such, we focus on sector-specific pathways.

Absa is committed to expanding its sustainability-linked finance offerings and achieving a Net Zero state for Scope 1, 2 and 3 emissions by 2050 as part of its strategic priority of being an active force for good. Further, the Bank has taken proactive steps to upskill the Board and colleagues on sustainability and climate matters while also onboarding specialised skills in the area. Its adoption of IFRS S1 and S2 by the International Sustainability Standards Board is part of the commitment to ensuring transparent disclosure on ESG aspects of our business.

What it means for Absa

Opportunities

Lead the way in sustainable finance	Capital allocation to environmentally responsible businesses	Contribute to a just transition and responsible consumption
Increased insight into clients' sustainability needs and roadmaps to net zero can lead to new financing opportunities, including nature-positive financing	Access to sustainable green loans	Opportunity to drive business continuity for clients.

Principle risks affected

Credit | Capital and liquidity | Insurance | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Social and relationship capital

- ▲ Supporting clients' transition paths
- ▲ Appreciate the social context to ensure a just transition
- ▼ Reputational damage if Absa fails to deliver on sustainability commitments or regulations

Financial capital

- ▲ Investors are seeking climate and environmentally friendly opportunities, which will diversify our funding base and reduce funding costs
- ▲ Increased and diversified revenue from sustainability-related products and services
- ▼ Increased impairment risk due to physical and transition risks because of climate change

Human capital

- ▲ Increased sustainability skills and talent

Natural capital

- ▲ Low-carbon societies and businesses
- ▲ Food and water security

Scorecard metrics affected

- Sustainability-linked financing
- Scope 1,2, 3 emissions

Other metrics affected
(value over time)

- Climate finance
- Energy consumption

Value to others

Stakeholders impacted

Investors | Clients | Regulators | Society | Employees | Planet

SDGs impacted

SDG 7 | SDG 8 | SDG 10 | SDG 13 | SDG 16

Linkages to our strategic aspirations

A trusted brand driving a sustainable future | A digitally powered business | An active force for good in everything we do

Our strategy

The strategy for 2023 and beyond is founded on three priorities and three enablers

Our three priorities...

Our ambition is to build a scalable **Consumer Banking business** that is digitally enabled to drive reach, targeting a significant increase in profitable customers. This effort will involve digitalising our retail bank to the core, while evolving Timiza into a Mobile Financial Services business. We will target to win in the Affluent segment, advance our relevance in core middle segment and penetrate the mass and youth segments to secure the next generation of personal banking customers.

Our ambition is to expand our reach towards market leadership in Business Banking through enhanced physical and digital distribution, innovation of our propositions and a step change in customer experience. We will do this while investing for efficiency to drive profitable scale.

Our ambition is to build a leading **Corporate and Investment Bank (CIB)** in connecting client ecosystems. Our objective is to deliver the firm capabilities and in doing so, become the primary partner for our clients. This effort will leverage best-in-class transactional banking capabilities; our people, because in CIB it takes talent to win and a more connected East Africa CIB network with a hub in Kenya.

Our three enablers...

Our ambition is to build a **home of talent** underpinned by a culture that fosters innovation and embraces all forms of diversity and inclusion, being cognisant of the evolving needs of colleagues.

Our ambition is to become the **number 1 Trusted Financial Services Brand in Kenya.** This effort will involve building a locally relevant, always-on brand that drives a sustainable future and being a "Force for Good" in the communities in which we operate, while building relevance, consideration and connection with our customers, colleagues and stakeholders that will ultimately lead to brand advocacy and loyalty. This will be enabled by a deep understanding of our customers' current and emerging needs as well as award-winning execution.

Our ambition is to build a **digitally powered bank** through, among others, sustained investments towards modernising our technology chassis, executing a digital transformation programme leveraging cutting-edge cloud-based technologies, enabling scale in partnership and acquisition through the launch of an Open API Gateway.

Additionally, we target to overhaul our back-end processing by not only automating but augmenting the automation with machine learning and artificial intelligence to drive operational efficiency and enhance early fraud detection capability. We have a five-year horizon within which we target to markedly demonstrate digital maturity.

Our strategy continued

Achievements on our Strategy Execution: We are making significant milestones in execution of our strategic priorities leading to material diversification of business to support sustainable growth.

Priorities	Strategic response	Core commitments for 2024	Key outcomes
A modern-day consumer business  	**Context:** Kenya has approximately 40 millon people accessing financial services, with the consumer segment remaining the most attractive (and profitable) revenue pool for players willing to drive scale through mobile-first and mobile-only **Response:** We will aim to strongly grow and diversify our conventional consumer business while evolving Timiza into a mobile only financial services business of scale	• Transform into a customer segment led business • Drive diversification of our consumer business • Drive growth in our challenger Timiza business	• Established an affluent business launching prestige, repositioning premier and premier wealth. Relevant teams and propositions sets in place • Established a personal banking business and expanded our distribution power • Doubled the number of customers acquired in 2024 vs 2023 • Achieved market leadership in bancassurance • Doubled revenue in Absa Asset Management Business (AAML) • Significant growth in Timiza disbursements with revenue growth of 46%
A market leader in business banking 	**Context**: The SME segment presents a market opportunity of over 7 million, and supports more than 40 percent of GDP and 80 percent of employment. This segment remains cyclical but resilient through varied economic periods **Response:** We will aim to expand our product offering (and adjust our risk appetite in-line with economic cycles) for growth, supported by expanding both physical and digital distribution power	• Customer acquisition enabled through digital and in key target sectors • Bank the entire ecosystem • Expand competitiveness in commercial segment	• Deployed digital account opening for SME sole proprietors and Merchant proposition on Timiza platform • Achieved market leadership in La Riba business • Launched Wezesha stock platform to offer working capital solutions to SMEs and onboarded EABL, Vivo, Meru Dairy and Green Well Energy as anchor clients with financing opportunity of Shs 10 billion: 2,575 retailers pre-qualified • We have 25 anchor and sub anchor clients on wezesha stock ecosystem proposition with strategies on relationship deepening leading to balance sheet uplift of Shs 1.5bn
A powerhouse Corporate & Investment Bank in connecting ecosystems 	**Context:** As the global and multinational business case diminishes, a greater opportunity emerges in local and local-adjacent markets, where those who win will have to offer more than balance sheet to Corporate Clients **Response:** We will aim to regionalise our Corporate and Investment Banking approach, while investing towards helping our clients serve their ecosystems seamlessly. At the strategic level, we will seek to take our clients into new horizons through advisory	**Corporate Bank** • Transactional banking capabilities enhancement and diversification • Investment banking and debt • Primary partner for clients through ecosystems **Global Markets** • Preferred risk management trusted advisor • Transform to an investment banking security powerhouse • Build a forex hub	• Launched Custody business • eCitizen and Social Health Authority integration delivering approximately Shs 1.5 bn in deposits flows • Enhanced Absa Access Online platform; 84 percent of CIB customers are digitally active • Delivered above Shs 1.25 bn revenue in Investment Banking as we evolve from debt to Investment Banking • 13 ecosystem anchor clients established out of 15 anchor client's opportunity • Strategically positioned the forex trading book leading to outperformance • Absa Securities Limited (ASL) Business delivered significant market share • Increased diaspora inflow on the back of key strategic partnerships

Our strategy continued

Achievements on our Strategy Execution: We have recorded positive results in execution of our strategic enablers leading to significant transformation of our business while sustaining innovation to support customer experience.

Priorities	Strategic response	Core commitments for 2024	Key outcomes
A digitally powered business 	**Context:** The fourth industrial revolution will create natural winners and losers in financial services, yet those who win will retain open preferences for customers at the front-end, while fully automating the back-end and applying advanced technologies for safety **Response:** We will aim to modernise our core technology chassis, while executing a digital transformation programme to support a two-speed model for our business. We will do this while opportunistically expanding our physical distribution format	• Digitise the core • Build a challenger digital only bank • Embedded Finance to enhance digital distribution of financial services through partnerships	• Upgraded our core banking infrastructure hence supporting business resilience • Short term loans product rolled out • Enhanced stability on digital channels resulting in growth in digitally active customers and digital onboarding, enabled utility payments across all digital channels • Enhanced payments infrastructure-digital channels onboarding, digi-loans, personalised forex transactions, World Remit and Sendwave • Distributor finance system enhanced to support ecosystem banking • Back-office automation at 63 percent
A trusted brand driving a sustainable future 	**Context:** Sustainability has become the modern center-bolt for brands, influencing their long-term strategic choices as well as immediate actions. Looming crises such as climate change have served to deepen emphasis on sustainability practices. Organisations have thus shifted their practices to generate value to shareholders while concurrently seeking to positively impact the people, communities, and surrounding environments **Response:** We will aim to build an always-on, ever present brand that drives a sustainable future by being a Force for Good in the communities in which we operate, while building relevance, consideration and connection with our customers, colleagues and stakeholders that will ultimately lead to brand advocacy and loyalty	• Entrench the brand - driving re-appraisal by appealing and connecting to local audiences through relevant differentiated brand campaigns, assets and sponsorships • Drive Primacy - increasing consideration and relevance • Enhance stakeholder relationships by proactively growing our reputation by nurturing affinity and trust as we diligently cultivate a lasting, sustainable brand for the future • A Force For Good	• Improved connection by 20 percent, and maintained number one most Reputable Financial Services Institution and won various awards • Consideration score at 38 percent • Thick Trust Score 72.7 percent • Launched Absa Kenya Foundation • Launched 2023 Sustainability Report • Shs 47 billion total sustainable finance advanced in 2024 • 85 percent of our sustainability commitments on track
A home of talent and diversity 	**Context:** While financial services remain a people business, the emergence of NextGen's shifted the workforce, the workplace and the dynamic of work **Response:** We will aim to build a diverse workforce, a hybrid workplace, and dynamic formats of work, in a way that attracts the very best talent, that also mirrors the market we serve. This is because it takes diverse talent to win and our people are our strength	• Future skills - People management capability, reskilling and upskilling • Enhanced talent management framework • Focus on wholeness and wellness • Workforce Ecosystems	• Continued upskilling of workforce with core futures skills in digital, data, cyber security and management competencies • Certified as Top Employer for the fourth consecutive year, with a 70.2 percent colleague experience index • Achieved organisation-wide gender parity (43 percent of women in leadership) • Deployed the young leader's council to bridge the age gap between the senior leaders and the younger generation • Re-orienting workforce towards organisational resilience and agility

Our strategy continued

2024 Strategic Focus: The year has been characterised by building a much bigger business supported by adequate investment and execution philosophy.

Our 2024 main effort

Organisation-wide execution effectiveness

- Achieve an ideal approach for country and group execution while ensuring alignment with the strategy
- Establishing the appropriate leadership and organisational structure that speeds up execution
- Cultivating a conducive culture that fosters motivation and engagement among the workforce
- A comprehensive approach for continuous monitoring and evaluation of execution effectiveness

Refine our digital maturity strategy

- **Digitising the core** - Optimise processes, digitise customer journeys and ensure seamless customer experiences across all interaction points
- **Challenger bank** - Leverage on nimbleness and polished brand to focus on acquiring digitally savvy customers, matching and competing with the best

Prudently grow to meet financial targets

- Revenue growth momentum of ~14% (Above industry growth rate)
- Sustainable growth in balance sheet
- Industry leading efficiency levels targeting to maintain CIR at low 40%'s
- Better than industry average asset quality

We enhanced our organisational effectiveness by successfully filling critical vacancies at CMC-level, and partially localised digital change delivery in country. In addition, we set a comprehensive accountability scorecard and leveraged on organisational agility and culture workstream as an enabler to embed organisation-wide execution. This has resulted in an employee experience score of 70.2%.

We have made significant progress on the execution of our digital transformation strategy with nine initiatives having been delivered and being commercialised.

We delivered against an ambitious financial plan achieving strong double-digit revenue and headline earnings growth. We performed better than industry average on revenue, profitability, efficiencies, credit portfolio quality and product pricing. This led to sustainable revenue market share gain while contributing positively to the Group financials.

Key trade-offs made to deliver on the Bank strategy

To achieve our strategy, we make deliberate choices on where to allocate resources, focus efforts, and differentiate our business. By recognising and managing trade-offs, we are able to concentrate on areas that offer the greatest potential for competitive advantage and value creation. This strategic focus helps in aligning our activities with long-term goals, enabling us to optimise performance, drive innovation, and sustain growth.

Trade-off between going for scale to being a niche player.

We have opted to pursue scale as a strategic approach as opposed to serving a niche customer base. Over the years, we have built a strong franchise that was focused on niche customers with specialised products and services that were tailored to their needs but our new focus will cascade our capabilities to pursue a wider breadth of customers than usual. This new approach will result in greater focus on mass markets and building the capabilities to solution broader segments.

Capitals impacted

Trade-off between replacing platforms vs digital innovation, modernisation and simplification.

We are continually digitising the core by optimising processes, boosting efficiency, and ensuring seamless customer experiences across all interaction points. We have to decide between allocating our finite resources to urgent, operational matters including digital innovation and the need to deliver at pace with the requirement to maintain business continuity in our core banking technology.

Capitals impacted

Trade-off between being a country and a regional corporate and investment bank.

We optimise our operating model towards customer centricity and opportunities, as we choose to be a regional corporate and investment bank to better serve our clients' ecosystems and capture wider trade flows in the regional economy.

Capitals impacted

Trade-off between external talent acquisition and building workforce of the future.

We have opted to significantly equip colleagues with skills of the future versus attracting external talent in light of significant up-front investments. We choose to develop Absa-grown talent for increasingly scarce skills in areas such as data science and design thinking.

Capitals impacted

Trade-off between socio-economic versus environmental support.

Our ESG priorities and their underlying trade-offs have been determined based on their impact on our stakeholders, potential risks and opportunities, and our ability to make a difference. We drive socio-economic development in the markets in which we operate in whilst assessing the impact our actions, and those of our stakeholders, have on the environment. The complex relationship between environmental and social priorities will continue to be managed to best support a just transition.

Capitals impacted

Key trade-offs made to deliver on the Bank strategy continued

In terms of human capital, key trade-offs made to deliver on the Bank's strategy reflect a focus on building a future-ready, adaptable, and engaged workforce that supports the Bank's long-term strategy, while balancing short-term operational efficiencies and budget constraints.

Investment in digital transformation vs. immediate cost savings:

- To support the digitally powered business and future skills pillars, the Bank prioritised investment in digital tools and upskilling, even though it meant reduced immediate cost savings. This focus aimed to build long-term capabilities despite budgetary constraints.

Enhanced employee wellness support vs. higher operational costs:

- To address mental, financial, and physical wellness, the Bank increased its wellness initiatives, despite rising employee costs. This choice helped meet the Wholeness & Wellness goals set under the HC strategy and enhanced employee engagement, although this meant stretching operational budgets.

Agility and hybrid work models vs. operational consistency:

- Implementing agile structures and hybrid work models supported the workforce ecosystem pillar but introduced challenges to maintaining consistency in operations. This trade-off prioritised flexibility and adaptability to attract and retain talent while acknowledging a shift in managing remote and in-office dynamics.

Higher payroll and benefits costs vs. talent attraction and retention:

- Despite rising payroll costs, the Bank maintained competitive benefits to attract and retain a talented workforce. This decision aligned with the EVP and trusted brand enabler, however there were limited funds for the implementation of any other operational improvements during the year.

Resource allocation

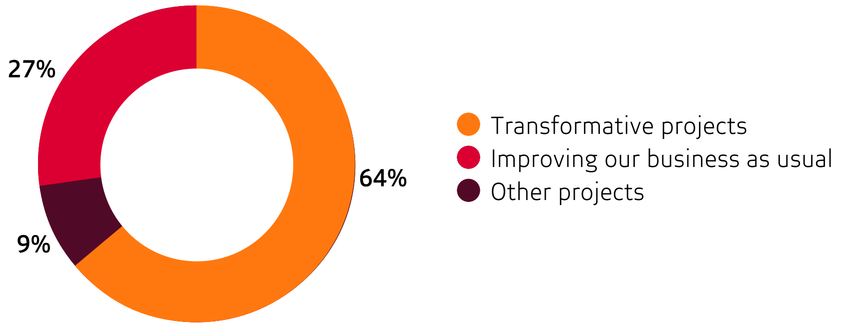
To achieve our strategy, we have allocated resources predominantly for transformative projects that will enhance our enablers around technology, people and brand. We have a dynamic approach to investments and evaluate every prospective deployment of capital in terms of our strategy, taking into consideration the best market opportunities in line with our risk appetite and potential for stakeholder value creation.

Technology: In line with our intent, we will modernise our technology to deliver cutting-edge capabilities and enhance the maturity of our consumer financial services business to deliver digital banking propositions while evolving the technology operating model and managing the day-to-day technology obligations, including ensuring cyber security.

People: Further, we will allocate resources to enhance our employee value proposition through strategic hires and enhancements in the employee experience to sustain our employer of choice credentials. We aim to foster a culture that inspires innovation and risk-taking to enable colleagues to do things differently in a way that meets ever-changing customer needs, while also encouraging diversity and inclusion.

Brand: Enhancing local relevance is a key aspect of our brand strategy, as we seek to increase consideration while always improving consumer experience and affinity. Our commitment to be a force for good in society will be amplified through enhanced investments in our sustainability initiatives.

In 2025, our capital allocation to transformative projects and investments in supporting the business, in line with our strategic intent, will be as follows:



Our business model

We deliver on our purpose:

Empowering Africa's tomorrow, together
... one story at a time

In line with our strategy

- A modern-day consumer financial services business
- A market leader in Business Banking
- A leading Corporate and Investment Bank in connecting ecosystems
- A digitally powered business
- A trusted brand driving a sustainable future
- A home of talent and diversity

Through our core banking activities, products and services

Underpinned by our strategy and market presence, our fully integrated business offering is delivered through our customer-first digital solutions, financial services ecosystem, and lifestyle and value chain offerings.

1
Providing payment services and a safe place to save and invest
Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, savings and investment management products and international trade services.

2
Providing funds for purchases and growth
Extending secured and unsecured credit based on customers' credit standing, affordability and risk appetite. Trade and supplier finance, working capital solutions, access to international capital markets and inter-bank lending.

3
Managing business and financial risks
Providing solutions, including fixed rate loans, pricing and research, as well as hedging, which includes interest rate and foreign exchange.

4
Providing financial and business support
Providing individual and business advice, advisory on large corporate deals and investment research.

5
Protecting against risks (insurance)
Providing savings and investment policies and insurance against a specified loss, such as damage, illness or death, in return for premium payments.

How it works

We generate revenue through interest, fees, premiums and commission

Potential for revenue differentiation

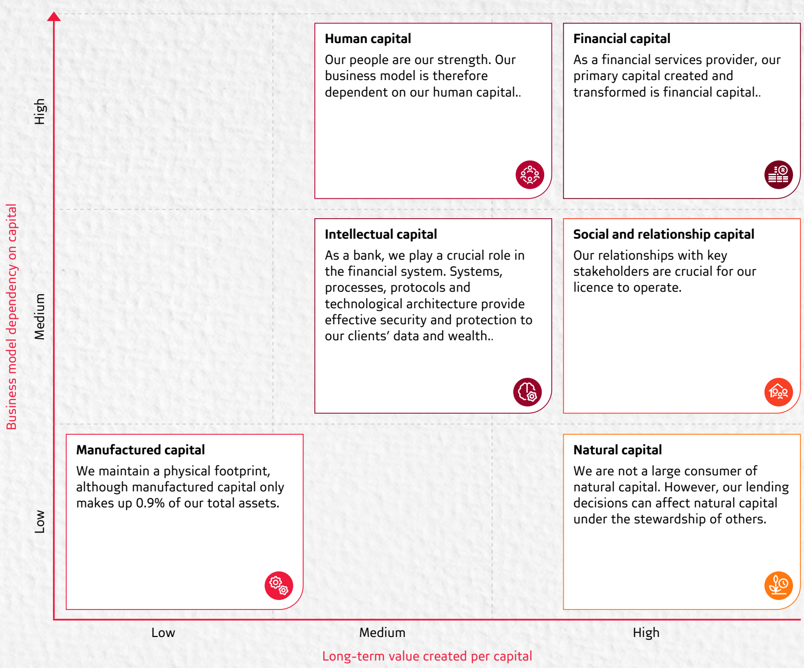
- Diverse revenue streams across our portfolio
- Strong customer base in retail, business and corporate banking
- Regaining market share and leadership
- Emphasis on transactional customer relationships as opposed to debt-led relationships
- Potential for reaching the unbanked
- Opportunities to support a just transition to a low-carbon economy
- Leveraging strategic partnerships.

Potential for cost differentiation

- Leveraging our Group scale in multiple geographies
- Ability to deliver cost reduction through digitisation
- Enhanced operational efficiencies using automation that contributes to enhanced service levels
- AI in fraud analytics, people processes and safe customer service.

Inputs

Value is created over time as stocks of capitals increase



Manufactured capital
- 83 branches
- 196 ATMs
- 60 cash deposit machines

Human capital
- 2 130 service-oriented employees
- Colleague experience index – 75.3%
- Job satisfaction - 8.02

Intellectual capital
- Brand
- NPS

Financial capital
- Deposits Shs 367.1bn
- Market capitalisation Shs 100bn

Social & relationship capital
- 252 014 youth empowered through ReadytoWork (cumulatively)
- 15 939 women entrepreneurs benefited from women in business

Natural capital
- 5 premises EDGE certified
- 728 095 trees planted

Our business model continued

Outcomes

Financial capital

- -3% - growth in total assets
- 1% - growth in customer deposits
- 14% - growth in revenue
- 39% - cost-to-income ratio
- 20.9bn - normalised profit after tax
- Employee wages and benefits Shs 13.3bn
- Payments to providers of capital Shs 9.5bn
- Payments to government Shs 11.5bn
- Community investments Shs 107m
- Total capital financing Shs 309bn
- Green investment (climate finance) Shs 4bn
- Local procurement spend Shs 6.8bn

Actions to enhance outcomes

- Diversify revenue streams
- Cost reduction through digitisation
- Enhanced operational efficiency

Stakeholders

Intellectual capital

- Recorded improved Net Promoter Scores (NPS) at branch level
- Improved availability of Timiza platform for customers with 25bn loans advanced in 2024

Actions to enhance outcomes

- Improved customer engagement
- AI in fraud analytics

Stakeholders

Human capital

- 2 167 service-oriented employees
- Awards – Top Employer Award 2024
- Colleague experience index – 70.2%
- Job satisfaction 7.9

Actions to enhance outcomes

- Enhanced operational efficiency through technology
- Employee training and development
- Enhanced organisational culture to drive innovation

Stakeholders

Manufactured capital

- 86 branches
- 203 ATMs
- 60 cash deposit machines
- 5 300 point-of-sale (PoS) devices
- Core Banking and Digital Channels availability - 99%
- ATM uptime - 99%.
- Majority of transactions taking place outside of our branches
- 63% of back-office processes fully digitised

Actions to enhance outcomes

- Deployment and improvement of digital propositions
- Increased platform stability

Stakeholders

Social and relationship capital

- Full regulatory compliance
- 11 065 youth empowered through ReadytoWork
- 15 939 women entrepreneurs benefited from women in business
- 54 interns supported
- Consumers participating in financial education
- Treating customers fairly score 87%

Actions to enhance outcomes

- Leveraging strategic partnerships
- Shifting from debt-led customer relationships to transactional relationships,
- Winning customer primacy

Stakeholders

Our business model continued

Natural capital

- Branch energy improvement programme
- 3% reduction in energy footprint
- Green building certification – Five premises EDGE certified
- 72 000 trees planted in 2024

Actions to enhance outcomes

- Providing financing for decabonisation and a just carbon transition

Stakeholders

Impacts

Economic impact SDG 8 SDG 10

- Payments to government entities Shs 11.5bn
- Spend on local vendors Shs 6.8bn

Benefits to our people SDG 8 SDG 10

- 40% of our Board is made up of women
- 49% of our management constitutes women
- 51% of our employees are women

Contribution to our communities SDG 4 SDG 12 SDG 15 SDG 17

- 11 065 youth trained through ReadytoWork totaling to 263 410 (cumulatively)
- Shs 66 million used to support SME financial literacy and entrepreneurship training
- 67 schools supported with computer labs to date
- More than Shs 107 million used on community impact and investment
- 18% of our active suppliers are women, youth and PWDs

Impact on the environment SDG 7 SDG 8 SDG 12 SDG 15 SDG 17

- Total trees planted to date is 1.1 million
- Over Shs 4 billion disbursed to support climate and sustainability linked activities.
- 3 211 tCO_2e carbon emissions recorded

We are committed to being a "Force for Good" in society and have selected SDGs 4, 7, 8, 9, 10,11,12 and 13 as those we can make the most significant impact with the rest of SDGs having an indirect impact on them.

Awards

Kenya Bankers Association SFI (Sustainability) Awards 2024

- Best Bank- Sustainable Finance 1st runners up
- Best Bank - Promoting PWD Accessibility- 1st runners up
- Most Innovative Bank - Overall Winner
- Overall Winner Sustainable Finance - 2nd Runners up

Think Business Awards 2024

- Best Bank in Islamic banking
- 1st Runners up - Best Bank in SME Banking
- 1st Runners up - Best Bank in Asset Financing
- 1st Runners up - Best Bank in Agency Banking

Best Bank for Trade Finance in Africa

- Best Bank for Cash Management in Africa
- Best Trade Finance Platform Initiative in Africa
- Best API Initiative of the Year in Kenya

Employer of the year awards 2023 (EYA 2023)

- Winner: Human Resource practice and Industrial Relations
- 1st runners up: Learning and Development

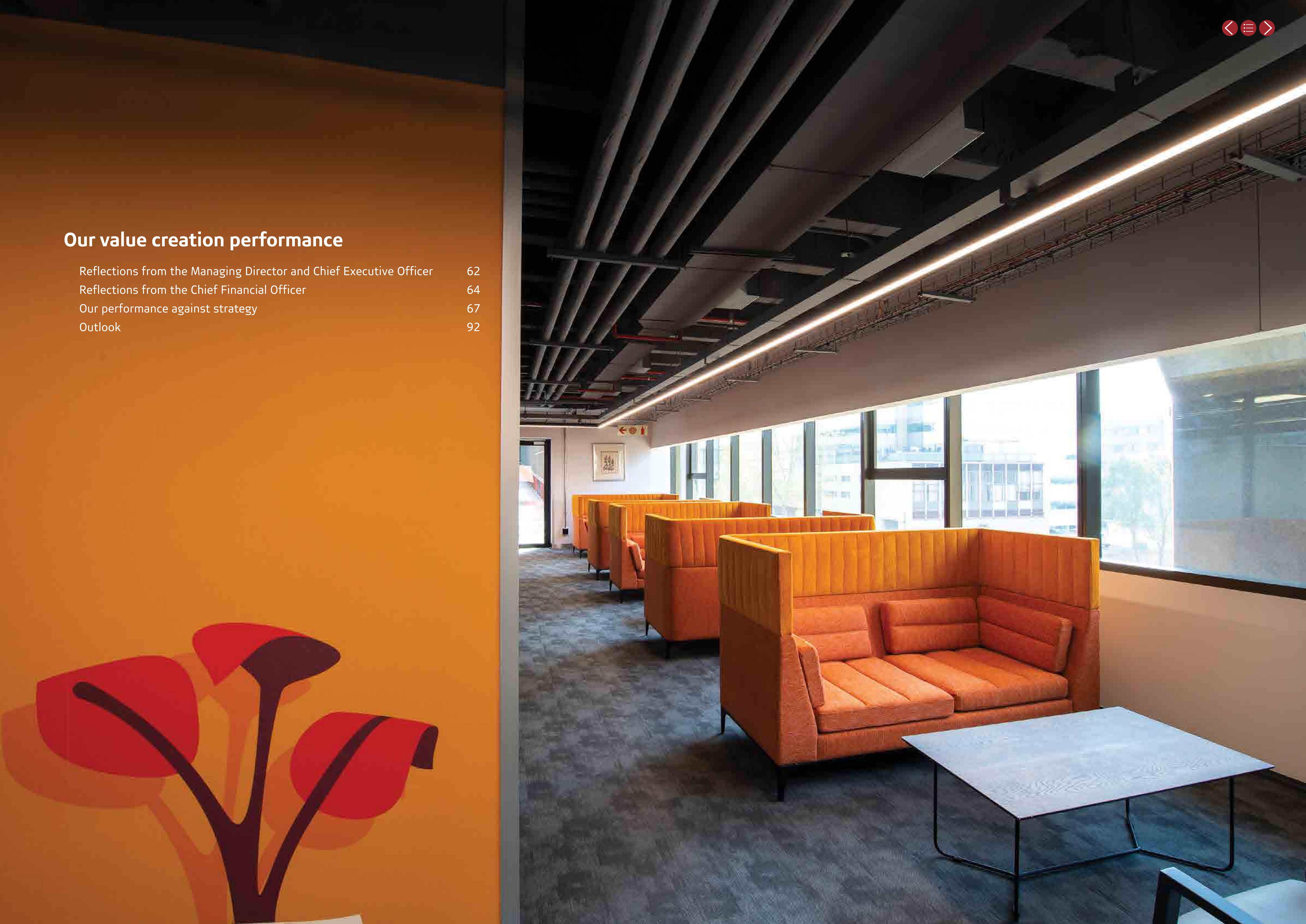
Finnovex East Africa Awards 2023

- Excellence in Digital Banking

Service Excellence Awards 2023

- 2nd Place: Best Internal Customer Experience

Our value creation performance



Reflections from the Managing Director and Chief Executive Officer

> Our customers are at the heart of our success, and these results show their ability to adapt and grow. We are committed to making Absa a modern and innovative bank that supports individuals and businesses of all sizes. Our goal is to provide solutions that expand access to finance, drive economic progress, and improve the customer experience.

Managing Director and CEO
Abdi Mohamed

Resilient performance in a challenging environment

The year 2024 marked the second year of our strategic execution, showcasing remarkable success in both financial and non-financial metrics as we progressed toward building the Bank of the Future. Our improved performance can be attributed to the disciplined execution of strategic initiatives aimed at supporting customer growth and reinforcing the Bank's reputation as a trusted brand committed to advancing a sustainable future.

Throughout the year, we navigated a persistently complex operating environment, with the global outlook remaining subdued by historical standards due to persistent geopolitical tensions and the challenge of higher interest rates. Locally, we faced uncertainty and volatility characterised by climate-related disasters, social unrest, and the recent sovereign risk downgrades, which impacted both the industry and our customers in the short and medium term.

Despite these challenges, we managed to grow our business while effectively executing our strategy, culminating in a 14% year-on-year revenue growth to Shs 61 billion. This growth was driven by a well-diversified business model, resulting from multi-year investments aimed at capitalising on emerging revenue opportunities in Consumer Payments, Diaspora Remittances, Investment Banking, Custody, Insurance, and Brokerage, working towards becoming a full-fledged financial services group.

In 2024, we advanced Shs 309 billion to support our customers and foster economic growth. However, our customer assets book saw a decline due to the effects of currency appreciation. On a positive note, customer deposits increased to Shs 367 billion as we continued providing essential financial and non-financial support to help our clients achieve their goals.

Our cost-to-income ratio (CIR) improved to 38.5%, reflecting the success of our cost-effectiveness initiatives designed to keep the ratio below 40%.

Our profit after tax grew by 28% to Shs 20.9 billion, this led to increase in return on equity to 24.5%, underscoring the robustness of our business across all segments.

We maintained strong capital and liquidity ratios, with the current total capital ratios at 20.7% and liquidity ratio at 42.5%, both exceeding our minimum regulatory requirements. This robust financial position provides us the foundation to support our growth ambitions as we look ahead to 2025 and beyond.

Momentum in strategy execution

Our strategy remains valid as we work to sustain momentum while navigating emerging risks and capitalising on new opportunities. Currently in the second year of our five-year strategy, we have already made significant strides in implementing our strategic priorities and supportingenablers, reflecting our purpose: "Empowering Africa's tomorrow, together…one story at a time."

In our goal to **build a modern consumer financial services business,** we have reorganised our operating model around customer segments and adjacent product houses. We significantly expanded our distribution capabilities, increasing customer service points fivefold through our agency network, while also growing our active customer portfolio and doubling our digitally active customer base. This progress was achieved while maintaining product holding and experiencing double-digit growth from our wealth management and Timiza offerings.

Aiming to **become a market leader in business banking,** we continued to innovate and grow our operations despite challenging market conditions. We successfully launched a retailer financing solution tailored for FMCG and oil marketers, introduced the Linda Biz Insurance Solution for SMEs, and established the M-Pesa mobile cash collection channel for small and medium enterprises. Notably, we repositioned and transformed our Islamic Banking proposition, achieving market leadership within just one year.

As we work towards **becoming a powerhouse in corporate and investment banking** that connects ecosystems, we have made significant investments in payment systems and formed strategic partnerships across key sectors and value chains. In our Global Markets business, the brokerage business delivered a commanding market share with key deals executed in the year. We have also increased diaspora inflows leveraging on key strategic partnerships. Also, as the trusted advisor in risk management, we continued to provide innovative hedging solutions, including the launch of the "Personalised FX" mobile app to support the specific needs of the SME market.

In our pursuit of **becoming a digitally-powered business,** we have enhanced our core banking infrastructure, leading to improved resilience and a better customer experience. Our ongoing innovation in digital onboarding, short-term loans, and both local and international payments across digital channels has resulted in double-digit growth in digitally active customers and transactions, with 94% of all transactions now being completed digitally.

Reflections from the Managing Director and Chief Executive Officer continued

In our commitment to building **a trusted brand that drives a sustainable future,** we are proud to maintain our position as the most reputable and trusted financial services institution in the market. Through our brand initiatives and targeted sponsorships, like the Magical Kenya Open and athletics events, we have improved our consideration and connection scores by 20%. Additionally, we launched the Absa Kenya Foundation to further accelerate our sustainability commitments focused on Natural Resource Management, Health and Humanitarian relief, Education and Entrepreneurship.

Finally, in our efforts to foster **a home of talent and diversity,** we continue to position our organisation as the best workplace, having been certified as a Top Employer for four consecutive years. We have achieved gender parity across all levels of staff, including leadership roles, with a male-to-female ratio of 53:47. Furthermore, we are future-proofing our organisation by equipping our colleagues with the skills needed to foster an innovative culture.

Readiness for what lies ahead

Our strategy remains valid, adaptable to the operating environment, and poised to deliver outperformance in our business. Towards this end, we have evaluated the execution and relevance of key strategic themes that will guide our medium-term execution focus moving forward, as detailed below.

Building business resilience:

Embedding business resilience has become of paramount importance in the current dynamic environment characterised by volatile macro-economic cycles, rapid evolution of the financial services industry, and socio-economic trends. Consequently, we are building a resilient balance sheet structure, shifting focus to sectoral growth areas, and harnessing pivotal data wells in response to the current context.

We are also focused on building employee resilience capable of navigating the complexities of the work environment through reskilling, upskilling, and agile workforce management. Adopting agility as a way of working presents a strategic competitive edge to enhance flexibility, foster innovation, and deliver superior value to our customers, ultimately driving better business outcomes.

Repositioning our business through customer-centered segmentation and value propositions:

Consumer Banking: We have refined our strategy to reposition consumer banking from a traditional retail bank into a modern consumer financial services business. This involves a simplified approach and a focus on three distinct segments: Affluent, Personal Banking and NextGen.

Business Banking: We are optimising revenue in the Commercial and SME segments through improved risk appetite, diversification of the portfolio, and digitisation of SME portfolio fulfillment models to efficiently serve this segment.

Corporate Banking: Our operating model is structured around segments and sectors to align with local market dynamics. We are re-segmenting our business and reviewing our propositions in Corporate and Investment Banking (CIB), as well as across business banking and consumer segments.

Global Markets: The strategic focus is on leveraging digital innovation, expanding market reach, and embracing emerging trends to drive sustainable growth. Our digital strategy aims to enhance customer experience, operational efficiency, and market competitiveness.

Creating a digitally powered business:

We have identified key pillars to define our digitally powered business model, aiming for market-leading experiences through digitisation of core banking products, development of a digital payments platform, and enhancement of key customer journeys. We seek to aggregate Absa's payment capabilities into a seamless package that supports the frictionless movement of money within our payment ecosystem.

We acknowledge the increasing role that Artificial Intelligence will play in transforming banking models, enhancing productivity, and customer experience. We have identified several areas for AI deployment, including process automation, fraud prevention, risk management, virtual customer service, personalised marketing, and investment and wealth management.

Conclusion

I am encouraged by the significant strides made in 2024 through our persistent commitment to building resilience and the foundation to deliver sustainable returns. I am grateful to the Board, shareholders, management, employees, and customers for their confidence and trust in me, as well as the support provided in steering the business. I look forward to our collaborative effort in empowering Africa's tomorrow together...one story at a time.

Abdi Mohamed
Managing Director and CEO

Reflections from the Chief Financial Officer

> "Adaptability of our strategy, a resilience balance sheet and prudence in risk management ensured we continued to support our customers and deliver strong profitability. This led to 23% growth in shareholders' funds and 13% increase in dividend per ordinary share to Shs 1.75."

Chief Financial Officer
Yusuf Omari

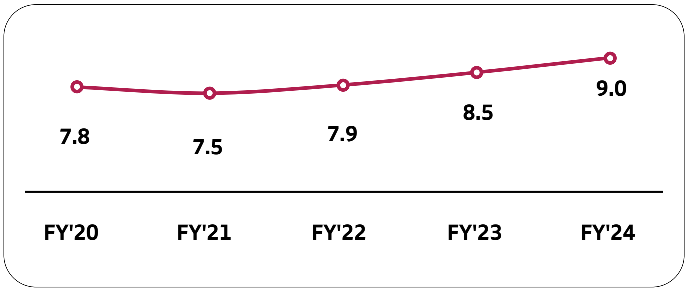
Our operating environment was shaped by a mix of resilience, economic challenges, and strategic adaptations, reflecting both domestic and global influences. Punctuated factors such as high interest rates, evolving regulatory frameworks, low purchasing power, competition from non-traditional players and depreciation of the currency impacted industry performance. The economy remained resilient; inflation was anchored with mainstay sectors of the economy registering growth and thus providing tailwinds.

In 2024, we continued to invest in our business and consistently delivered better outcomes for our customers at a faster pace and higher quality. We remained focused on executing our strategy to maintain momentum and transform our operations leveraging on digital transformation and continued to invest in our people as well as in the communities in which we operate. This provided a platform to deliver strong results for the year 2024 and sustainable returns to our shareholders.

Performance highlights

We continue to make strides towards achieving our strategic financial obligations as highlighted below.

Revenue market share

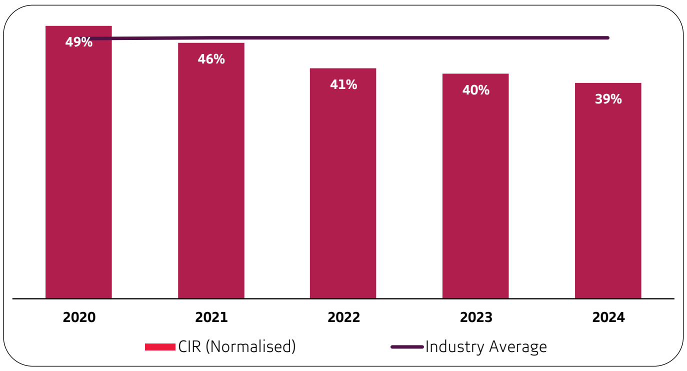


The Bank witnessed robust revenue growth of 14 percent, with our revenue sources remaining well diversified across business segments and product lines. Our net interest income accounts for 76 percent while non funded income account for 24 percent of total revenue.

NII increased by 15 percent to Shs 46 billion driven by improved yields due to repricing of the loan book in line with the operating environment. However, this was offset by increased cost of funding due to high interest rates on the funding lines combined with growth in customer deposits to fund the asset momentum.

NFI expanded by 8 percent driven by growth in fees and commissions anchored on strong performance of our auxiliary businesses. In addition, we saw recovery on trading income coming from positive investor sentiments and decline in government securities interest rates in the year.

Improved efficiency (cost to income ratio)

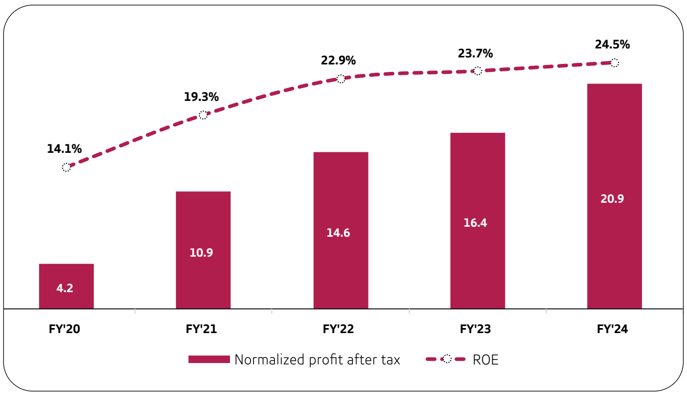


The bank total costs closed at Shs 23 billion, which represent a 9 percent growth coming from implementation of strategic initiatives offset by cost containment measures which included structure reviews and reduction of discretionary spend.

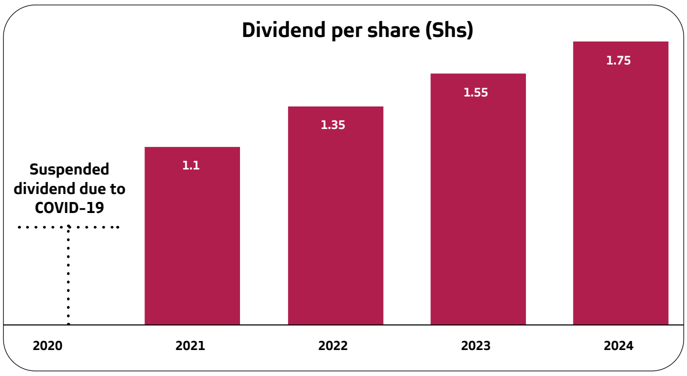
This performance is because of our efforts on diligent cost management initiatives and improved operational efficiencies. Top of these initiatives are lower variable costs because of the automation of our processing centres, investment in alternate channels which include Agency banking and digitisation of customer onboarding.

Our efficiency levels are within our strategic ambitions of mid 40's.

Sustained growth in shareholders' returns

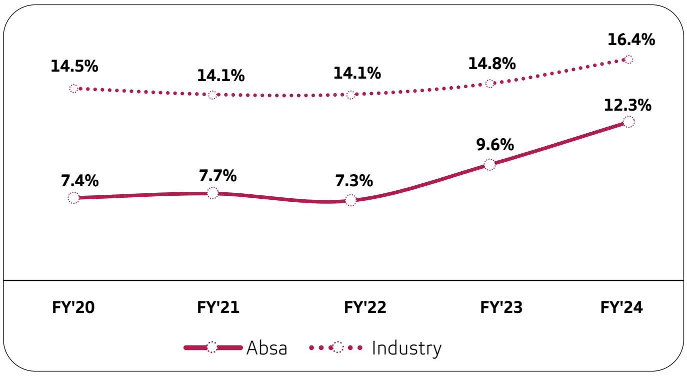


Reflections from the Chief Financial Officer continued



Our returns have improved anchored on business momentum and aligned to our commitments on shareholder returns.

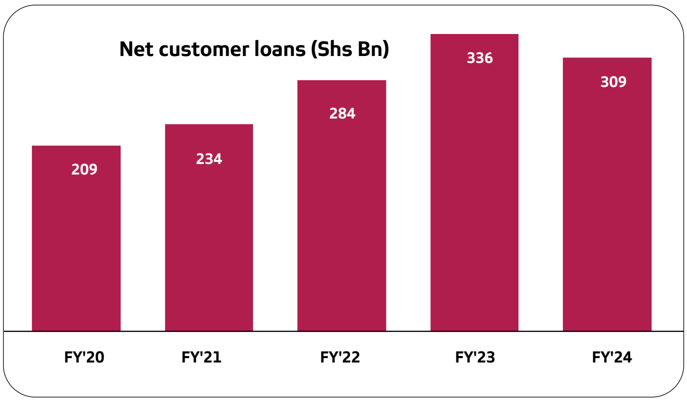
Credit quality



Impairment recorded a decline of 7 percent from Shs 8.4 billion in 2023 to Shs 7.8 billion anchored on increased collections and recoveries. This was offset by increased credit risk in Retail and SME occasioned by the challenging operating environment for our customers. This has resulted in a surge in our gross non-performing loans year on year to 12.3 percent, which is still better than the industry average at 16.4 percent. Our portfolio quality was impacted by headwinds coming from the operating environment resulting in strain on personal household, manufacturing and trade sectors.

We continue to mitigate impairment charge by enhancing our underwriting standards and creating internal efficiencies on the collections and recoveries fronts.

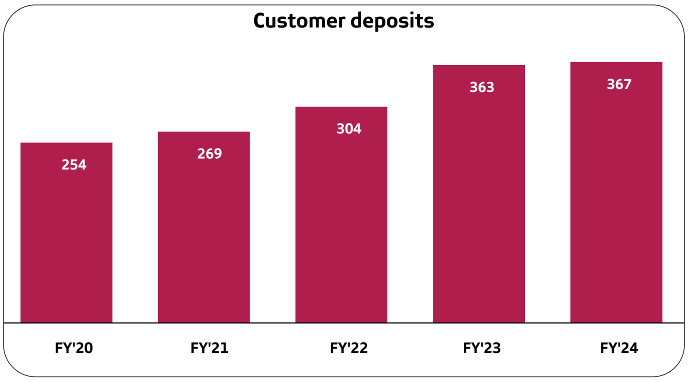
Resilient balance sheet



The Bank reported 8 percent decline in net loans and advances close at Shs 309 billion attributed to reduced customer borrowing appetite as a result high interest rates coupled with currency appreciation. This performance is in line with a contracted private sector credit of 1.4 percent in December 2024. Our loan book was flat on a constant currency basis.

Our key focus products namely Trade Loans, Mortgages, Overdraft and Virtual lending recorded good traction with respectable year on year growth.

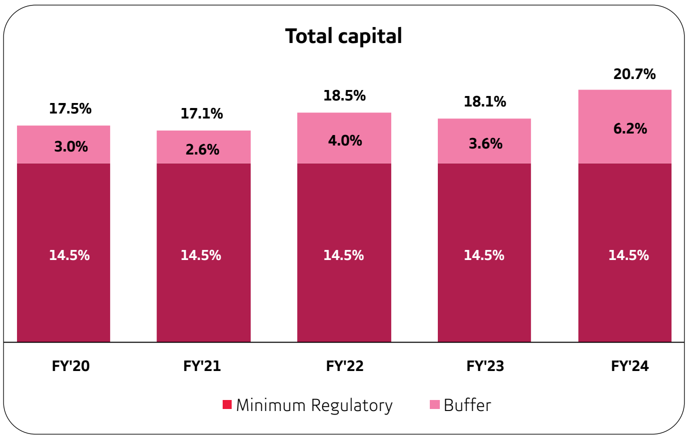
Key activities on building the asset book included strategic partnerships, leveraging on Ecosystem banking to reach the wider customer population, adoption of digital loan onboarding and deployment of loans on our digital channels as we continue to support customers on their financial needs.



Customer deposits grew by 1 percent boosted by growth in transactional deposit but offset by a decline in term deposits and currency appreciation. Our cost of deposits increased by 156bps in line with the operating environment characterised by high interest rates. Interest expenses increased to Shs 18.5 billion from Shs 14.5 billion in 2023 with growth recorded across all business segments. Customer deposits growth was 7 percent on constant currency basis.

We have adequate capital buffers to support our strategic ambitions

Our capital and liquidity ratios remain very strong showing sufficient headroom above the regulatory requirements. Our total capital adequacy ratio is at 20.7 percent and liquidity reserve position at 42.5 percent against the regulatory limits of 14.5 percent and 20 percent, respectively.



Reflections from the Chief Financial Officer continued

Five year review

Income statement analysis

Shs 'Millions	2020	2021	2022	2023	2024	Change (%)
Net interest income	23 381	25 257	32 315	40,044	46,228	15
Non-interest revenue	10 700	11 043	13 018	13,659	14,761	8
Total revenue	**34 081**	**36 300**	**45 333**	**53,703**	**60,989**	**14**
Operating expenses	(16 647)	(16 664)	(18 660)	(21,651)	(23,508)	9
Pre-provision profit	**17 434**	**19 636**	**26 673**	**32,052**	**37,481**	**17**
Impairment on loans and advances	(8 585)	(4 087)	(5 824)	(8,374)	(7,761)	(7)
Profit before tax	**8 849**	**15 549**	**20 849**	**23,678**	**29,720**	**26**
Exceptional items	(3 202)	-	-	-	-	-
Profit after exceptional items	**5 647**	**15 549**	**20 849**	**23,678**	**29,720**	**26**
Income tax expense	(1,484)	**(4 679)**	**(6 262)**	**(7,311)**	**(8,844)**	**21**
Profit after taxation	**4 163**	**10 870**	**14 587**	**16,367**	**20,876**	**28**
Normalised profit after tax	**6 524**	**10 870**	**14 587**	**16,367**	**20,876**	**28**

Sustained balance sheet momentum

Shs 'Millions	2020	2021	2022	2023	2024	Change (%)
Total assets	379 441	428 722	477 234	519 795	**506,476**	**(3)**
Net loans and advances to customers	208 855	234 234	283 579	335 714	**309,098**	**(8)**
Liabilities	332 936	372 274	413 621	450 600	**421,271**	**(7)**
Deposits due to customers	253 630	268 717	303 751	362 749	**367,115**	**1**
Total equity	46 505	56 448	63 613	69 195	**85,205**	**23**
Total equity and liabilities	379 441	428 722	477 234	519 795	**506,476**	**(3)**
Net advances to deposits (%)	82	87	93	93	**84**	

Looking forward

We see a lot of opportunities in the future as the economy continues to stabilise, We remain confident in our strategy, our people, our technology and our ability to deliver sustainable growth and create a lasting impact through the provision of tailor-made products for our customers and all our stakeholders.

We continue to make considered investments to modernise our technology and improve resiliency, as well as to enhance our services and meet evolving regulatory and customer requirements. Our investments support a safe, strong and resilient Bank, fit for the future.

We are committed to continue delivering value to all our stakeholders, as we implement and realise our strategic vision and impacting the lives in the communities we serve aligned with our purpose, "Empowering Africa's tomorrow, together...one story at a time".

Yusuf Omari
Chief Financial Officer

Our performance against strategy

We have made significant progress in executing our strategy, achieving strong financial and non-financial results. This progress has been achieved through diligent execution, positioning us well for future growth and stability. This includes an impressive growth in our customer numbers across our diverse business segments, signifying the health of our franchise. This increase in our customer base also highlights our enhanced ability to attract and retain customers.

Underpinning our progress is continued modernisation of our technology infrastructure with shillings 3 billion invested. By upgrading our infrastructure, we aim to deliver seamless, efficient, and innovative solutions to meet our customers' evolving needs. Furthermore, we are significantly investing in upskilling our people as we aim to build a home of talent, diversity, and inclusion. Our focus on professional development ensures our team remains competitive and motivated. By fostering a diverse and inclusive environment, we cultivate a culture of innovation, collaboration, and respect, which drives our overall success.

Our brand continues to be a pull factor, with a growing reputation and increased customer loyalty. This brand strength is a result of our consistent delivery of quality services and our commitment to customer satisfaction. It also showcases our efforts to reinforce the appeal of our brand through sound and strategic communication and the positive progress in the execution of our ESG agenda towards being a Force for Good in the communities we operate in.

Our performance against strategy continued

A modern-day consumer financial services business

We aim to develop a scalable, digitally-enabled consumer banking business to increase profitable customers. This includes digitalising our retail bank and evolving Timiza into a Mobile Financial Services operation. Our focus is on gaining affluent customers, enhancing our personal banking segment, and reaching the mass and youth markets to secure future core middle customers.

Material matters

- Economic volatility
- Social context
- Digital intelligence
- Regulatory environment

Capitals affected

Contributing to SDGs

A market leader in Business Banking

Our ambition is to expand our reach towards market leadership through enhanced physical and digital distribution, innovation of our propositions and a step change in customer experience. We will do this while investing for efficiency to drive profitable scale.

Material matters

- Economic volatility
- Country and Sovereign risk
- Capital flows and liquidity management
- Social context
- Digital intelligence
- Evolving workplace
- Regulatory environment
- Climate change and just transition

Capitals affected

Contributing to SDGs

Consumer Banking

Our guiding pillars

Over the year, our performance was guided by the following pillars:

Simplify our business by focusing on a segment led approach aimed at winning in Affluent, expanding our competitiveness in Personal Banking, and sustainably penetrating the Next Generation of customers, supported by product and distribution excellence.

Modernising our business through key initiatives, including Digital Revive, back-end automation and centralisation, Customer Relationship Management (CRM) platform development, an integrated payments solution, and the re-platforming of our Insurance and Investment businesses.

..and doing it with People by promoting a vibrant workforce (and workplace), integrating colleague wellness into everyday practice, and fostering an enabling culture that involves working in the frontlines or for the frontlines.

Embedded finance: We leveraged on technology through partnerships with key telecommunication partners like Safaricom and Phoenix. This partnership is designed to promote financial inclusivity and empower consumers by providing them with flexible payment options. It will also allow them to manage their finances more effectively, reducing the immediate financial burden and promoting responsible spending.

Lifestyle digital wallet: We have introduced a revamped lifestyle digital wallet tailored specifically for the youth demographic. The new digital wallet is designed to meet the evolving needs of young consumers, offering a comprehensive suite of features that promote responsible financial behaviour and long-term financial health. This user-friendly platform integrates seamlessly with their lifestyle. We aim to empower them to make informed financial decisions, manage their finances effectively, and build a sustainable financial future.

Ecosystems: We have partnered with value chains such as educational institutions to create a robust ecosystem that supports financial sustainability and inclusivity. One of our key initiatives in this regard is the Mizizi platform, an innovative edutech solution designed to streamline the payment of school fees. Through Mizizi, we are providing a seamless and efficient way for parents and guardians to manage educational expenses, thereby reducing financial stress and promoting long-term financial planning.

Our performance against strategy continued

Our strategy

To achieve sustainable robust growth, diversification and transformation, our strategy interlaces with the Bank's strategy as shown below;

Our Strategy

- Strongly grow, diversify and transform within the RBB sector
- Continue to expand retail banking
- Strive to be partner of choice for SMEs, digital lending, leveraging a loved and trusted brand

The Bank's strategy

- Become a modern-day consumer services business
- Be a market leader in business banking
- Bank the entire value chain
- Provide best in class Customer Value Proposition

Our performance

Expanded customer acquisition

We continue to pursue our ambitious 10X target, which aims at achieving a tenfold increase in our active customer base. In the year, we enhanced our digital onboarding process, which now enables end-to-end digital and mobile banking capabilities resulting in a marked increase in customer numbers. We attained a 12 percent increase in customer numbers, with approximately 11,500 new customers being onboarded each month. This achievement underscores our commitment to promoting responsible and scalable customer acquisition practices through enhanced business efficiencies using technology.

Year	Customers onboarded
2024	125 000
2023	65 000

In a key enhancement to our customer acquisition approach, we have moved from a product-led to segment-led approach, focusing on three critical business segments, namely:

i. Affluent - comprising wealth, premier and prestige customers
ii. Middle segment (personal banking)
iii. Next generation

Growing distribution

To support the growing number of customers and meet their needs, we have expanded our branch network by opening four new branches. This expansion is a direct response to our increased customer base and is aimed at enhancing our capacity to efficiently meet customers' expectations.

Through our physical presence, we ensure that we can provide accessible, high-quality service while supporting our commitment to consumer and community engagement. Our new branches are:

i. Rupa Mall in Eldoret
ii. Imara Mall - this was a relocation of Southfield Mall branch
iii. BBS Mall in Eastleigh, Nairobi
iv. Kamakis off the Eastern Bypass in Nairobi

86
branches

203
ATMs

5 300
point-of-sale (PoS) devices

60
cash deposit machines

3 131
agents

Service centres

In addition to branches, we will deploy service centres for sales and services, using Cash Deposit Machines (CDMs) and Automatic Teller Machines (ATMs) for cash handling.

Agents

We have made expansive growth in our agency proposition in the course of 2024. In 2023, we had a network of 580 agents. In 2024, through a strategic partnership, we acquired an additional 2,600 agents, surpassing our target of 3,000 agents. This significant expansion, growing our network to 3,131 agents, has enabled us to cover every County in Kenya. The aim is to ensure accessibility to the Bank while also providing relevant services that adapt to customers' evolving needs and preferences.

Cash Deposit Machines (CDMs)

To enhance customer convenience, we have significantly increased our network of Cash Deposit Machines (CDMs) reaching 60 CDMs by the close of 2024. These CDMs enable customers to deposit cash and cheques into their accounts seamlessly without the need for a teller. By operating 24 hours a day, these machines ensure efficient service delivery and address customer needs even when branches are closed. This initiative not only improves operational efficiency but also supports our commitment to sustainability by reducing the reliance on traditional banking hours and minimising the environmental impact associated with in-branch transactions.

Digital Revive

To enhance customer experience, we have revamped our channels by leveraging technology. By focusing on the customer journey, we identify areas requiring improvements. In this respect, we developed an enhanced user-friendly interface that replaces the traditional core banking system.

Further, we engaged in several interative changes to our customer proposition, including the launch of innovative products and processes. These include:

- Digital code lending channels have replaced manual methods, increasing efficiency and number of short-term loans issued. This has also improved the processing time for end-to-end SME secured loans
- The launch of our Visa Infinite Card, the first metallic card in the region for the affluent segment
- The enablement of digital onboarding of SME customers
- Enhanced internal ecosystem capabilities with an emphasis on consumer aspects of the value chains to deliver comprehensive solutions across customer ecosystems

Our performance against strategy continued

Business Banking

Wezesha Biashara

Wezesha Biashara is our flagship initiative that positions the Bank as a dedicated growth partner for our SME clients by providing comprehensive financial support, capacity building, and networking opportunities. In the year, we strengthened our collaboration with key business associations and institutions to deliver business-related training, financing, and networking opportunities specifically designed for SMEs.

We organised caravans in major urban centres nationwide to promote our SME offerings, launching these initiatives in the second half of the year. These caravans targeted both existing customers and potential clients in key regions, including the Coast, Mount Kenya, Western, and Rift Valley areas. The primary objective was to introduce and enhance recognition of our SME services by engaging directly with SME owners in their local business environments. This approach allowed us to interact with them, demonstrate the value of our tailored products and services, and encourage their adoption. By meeting SME owners where they operate, we aimed to foster stronger relationships and support their business growth and success.

Challenges faced

Interest rates

Unlike previous years when we consistently achieved double-digit growth, this year, our asset book saw a two percent increase. This was mainly due to higher interest rates in the earlier part of the year, compounded with constrained economic conditions. To maintain financial stability amid minimal growth, we adjusted our interest rates in the latter part of the year, resulting in improved uptake.

Fraud in the control space

We had an increase in fraud attempts within the control space, particularly affecting our customers through social engineering frauds. To address this challenge, we continue implementing robust security measures and educating our customers on fraud prevention. We aim to protect their assets and maintain trust, thereby supporting a secure banking environment.

Decline in disposable income

Increased taxes and statutory deductions had an impact on our customers' disposable income resulting to a noted decline in the consumer segment of our business.

Environmental issues

Between March and June, the country was inundated by intense rains that affected various regions. This resulted in heavy flooding across the country causing disruption of customer businesses and in some cases, our own operations.

Social upheaval

Protests against the Finance Bill 2024 started in June and were unprecedented in scale resulting in major disruptions that affected a wide cross section of our stakeholders, including customers and employees. Our adoption of remote working capabilities and digital banking solutions enabled us to provide services during this period while our physical touchpoints were moderately impacted.

Customer expectations

We consider customer feedback a vital component of our engagement strategy, conducting numerous surveys to assess our customers' satisfaction levels. We meticulously review all feedback and address key insights, ensuring these are communicated to our customer-facing staff to enhance future service provision.

Additionally, we actively engage through social media, emails, and short messaging services (SMS), providing our customers with appropriate and timely information. This includes detailed product and service-related information as well as anti-fraud messaging to protect their interests and ensure secure transactions. We also disseminate requisite information deemed appropriate to keep our clients well-informed about market trends, regulatory changes, and other relevant updates.

By equipping our customers with the necessary knowledge and resources, we aim to empower them to navigate the landscape effectively, mitigate risks, and capitalise on growth opportunities. Our holistic approach ensures that our customers are not only financially supported but also well-informed and engaged, fostering a robust environment for their sustained success.

This proactive two-way engagement enables continuous improvement of our offerings to align with our customers' needs while promoting long-term value creation. By fostering a customer-centric approach, we actively listen to our customers and implement their suggestions, thereby reinforcing our commitment to delivering responsible and high-quality banking services.

Throughout 2024, we monitored performance, including cross-channel feedback, allowing us to evaluate more areas within the retail and business banking segments.

What our customers value

Business Banking	Consumer Banking
• Efficient credit services • Secure banking • Accessibility • Diverse solutions	• Security • Efficiency • Equality of service • Fast loan processing • Accessibility and reliability of mobile banking

To achieve customer expectations, we have continued to ensure system reliability within the expected target based on our strategic intent of being “always on”. Although we have faced challenges in this area, we continue to invest in technology and skills required to achieve a consistency of delivery. Skills enhancements for our colleagues is a critical aspect of our approach to providing service excellence. We aim to entrench a culture that delivers high quality services and continues to acknowledge and reward colleagues that epitomise this ideal through the colleague reward programme.

SME growth preparedness programme

In 2024, we partnered with Strathmore University to launch an SME growth preparedness programme. The 8-week programme offers a unique opportunity for entrepreneurs to enhance their business operations and establish self-sustaining entities. Two cohorts have graduated and training of the third cohort will be conducted in 2025.

Our performance against strategy continued

SME Business Club

Established in 2007, the Absa Business Club is a platform where entrepreneurs receive financial and non-financial benefits, including training, networking opportunities, access to markets, business knowledge and information, thought leadership training and access to the bank's strategic partnerships.

In 2024, the Absa Business Club continued to host monthly thought leadership webinars providing our customers with access to knowledge and information. These engagements have benefitted over 14 000 customers through training sessions facilitated by subject matter experts who covered several topics including tax, human resource management, customer service, business structures and processes.

Part of the Business Club offering is to create opportunities for networking, exposure to markets and business benchmarking for our customers through trade missions to various destinations internationally, regionally, and locally. In 2024, we organised a trip to South Africa and Zambia in partnership with the Kenya National Chamber of Commerce and Industry (KNCCI).

Absa Bank's Business Banking Director Elizabeth Wasunna speaking during the flag off event at Absa HQ for over 30 entrepreneurs for a week long tour in Cape Town, South Africa.

Women in Business

Empower Her County programme launch and training in Kakamega

During the year, Absa Kenya partnered with the Executive Office of the President through the office of the Women's Rights Advisor and African Guarantee Fund to launch a Women Economic Empowerment and Investment Curriculum dubbed 'Empower Her County' Programme. This 2-day training programme targetting 30 000 women entrepreneurs was launched in May 2024 in Kakamega County. It seeks to address gender-based disparities and support women entrepreneurs to overcome challenges they face in business. Our goal is to drive economic participation and entrepreneurship, improve financial literacy and management skills of women entrepreneurs while also enabling them to increase their knowledge and uptake of the available government and private sector funding.

Our performance against strategy continued

Absa Inspire Me Conference 2024

The Absa Inspire Me conference is an initiative under the Bank's women in business proposition. It was launched in 2021 to bring together local, continental and global business titans with expansive accomplishments to deliberate on business, leadership and women related matters. The intent is to inspire confidence and hope that strengthens and uplifts women-led SMEs in their respective fields of endeavors.

The key objective of the conference is to create a platform for market linkages, business to business networking and mentorship. It is also aimed at helping women SMEs to become stronger leaders and build resilient generational businesses.

In 2024, the event was hosted in Kenya with the theme ***'Empowering your story for growth'.*** The conference drew over 10,000 women from across Africa, both digitally and physically, including entrepreneurs from Kenya, Zambia, Mauritius, Uganda, Rwanda, South Africa, Ghana, Gambia, and Nigeria.

Our partners, the International Trade Centre (ITC) supported 10 United Kingdom-based buyers, three Chamber of Commerce representatives, 17 representatives from large corporations in Africa, and 65 women entrepreneurs from SheTrades Hubs in Ghana, Kenya, Mauritius, Nigeria, Rwanda, the Gambia, and South Africa, to attend the conference.

Apart from knowledge sharing and inspirational sessions, participants had the opportunity to exhibit their products and services and embark on industry-specific visits.

Our performance against strategy continued

Agribusiness initiatives

In 2024, the Bank continued to strengthen its commitment to the agricultural sector, recognising its pivotal role in Kenya's economic development. Through strategic partnerships and innovative financial solutions, Absa aims to empower farmers and agribusinesses, driving sustainable growth, resilience and contributing to making Kenya a food secure country.

Key Initiatives:

Climate smart agriculture:

- **Climate financing:** Absa is committed to supporting climate-smart agriculture through funding initiatives that promote sustainable farming practices. This includes financing for renewable energy projects and climate-resilient infrastructure. In recent years, we have supported our clients in adopting climate-resilient solutions, especially in the adoption of solar energy, zero-till practices, enhanced mechanisation, and targeted support to anchor Agri-Enterprises with an ecosystem of small holder outgrowers.
- **Tree planting campaigns**: As part of our environmental stewardship, Absa plans to grow 10 million trees over the next five years, contributing to Kenya's reforestation efforts and carbon sequestration goals. Together with our clients and partners, we believe this will enhance our commitment towards net zero. During the year, we partnered with our clients in various tree planting activities.

Capacity building and training:

- **Farmer training programmes:** In partnership with agricultural experts and institutions, Absa offered training programmes to enhance farmers' skills in modern farming techniques, financial management, and market access. The programmes targeted dairy value chain, poultry value chain, among others. In line with empowering our colleagues, through partnerships, we trained 600 colleagues on various agricultural value chains, dubbed Agricultural Masterclasses. The classes have helped colleagues appreciate agriculture better and enhance client engagements.
- **Leadership training:** We also supported one senior leadership member to attend a course at the London School of Economics for a week-long training on sustainability.

Information and market events:

- **Global market events and SME caravans:** Through targeted market storms and caravans, we were able to reach stakeholders in various agricultural value chains. Through this, we were able to provide information for all and also mentor women under the Women In Business proposition. Specifically curated for exporters and importers, the engagements covered topics such as financial management, sustainable farming practices, and market access.
- **SME trip to South Africa:** Absa curated an SME trip to South Africa, focusing on agricultural advancements and market opportunities. This trip aimed to expose Kenyan agribusinesses to innovative practices and potential partnerships.

Sustainability Initiatives:

- **Kenya Flower Council (KFC) Pinnacle Awards:** Absa spotlighted the KFC Pinnacle Awards, recognising outstanding achievements in sustainability within the floriculture sector. This initiative aims to encourage and reward innovative practices that contribute to environmental conservation and sustainable development.

Absa's 2024 agribusiness initiatives were designed to foster sustainable growth, enhance productivity, and support the agricultural sector's resilience.

Outlook for consumer and business banking

After experiencing slow growth in our asset book, we are now targeting double-digit growth in the coming years. To achieve this, we have identified four core guiding areas:

i. **Rebuilding the core:** We aim to leverage strategic partnerships to accelerate growth and enhance customer acquisition.
ii. **Introducing the new:** We aim to launch borderless banking solutions tailored to the mass market youth segment.
iii. **Increase market penetration:** We plan to expand our reach through the upcoming Timiza initiative.
iv. **Expanding the universe:** We aim to fully digitise our ecosystem banking solution, enabling us to seamlessly integrate and optimise value chain solutions, including enhanced efficiency in the Wezesha stock proposition. In addition, we will strategically enhance our physical footprint by opening additional branches and service centres with the aim of opening 25 additional branches in the current strategic horizon (2023 – 2027).

Our performance against strategy continued

A leading Corporate and Investment Bank in connecting ecosystems

We aim to establish a leading Corporate and Investment Bank (CIB) that connects client ecosystems. Our goal is to deliver firm capabilities and become our clients' primary partner. This will use top-tier transactional banking, our talented people, and a strong East African CIB network from within Kenya.

Material matters

- Economic volatility
- Country and sovereign risk
- Capital flows and liquidity management
- Regulatory environment

Capitals affected

Contributing to SDGs

We aim to build a leading Corporate and Investment Bank (CIB) that excels in connecting client ecosystems. Our goal is to effectively deliver our capabilities and become the primary partner for our clients. Leveraging top transactional banking skills and exceptional talent, we plan to create a more connected East Africa CIB network with Kenya as the central hub.

We strive to stand out by connecting ecosystems across business segments. Focusing on anchor clients in the CIB space, we target key players to offer tailored solutions for their value chains, including suppliers, employees, and partners. This approach allows us to provide integrated financial services, fostering growth and stronger relationships for all stakeholders.

Our business strategy continues to be anchored on three key pillars: Transactional Banking, Investment Banking and Debt, and Primary Partner for Clients through Ecosystems. We continue to iterate and design these pillars to offer comprehensive solutions, driving seamless transactions, strategic investments, and integrated ecosystem services to meet the diverse needs of our clients. We realigned our key focus sectors and client segments with a renewed product approach spanning transactional banking, Investment banking and debt and pan-African bank ecosystems play with our corporate banking anchor clients being at the centre stage and solutioning the ecosystem value chains.

Performance

The corporate business is on track both on financial and non-financial performance metrics, having made significant strides in our strategic areas, and business headline earnings year-on-year growth. The key accomplishments include enhancements to the Absa Access Online platform, establishing the investment banking team and Custody business, revamping ecosystem pitching framework, and onboarding new ecosystem anchor clients.

We continue to see significant opportunities in driving liability mobilisation through biller collections, commercialising payments platforms and custody and expanding our presence among tier one clients. We continue to enhance customer primacy and develop client ecosystems, leveraging our strategic positions to foster deeper client relationships and drive growth.

We continue to drive strategic partnerships both in the private and public sectors, health and energy sectors. Our focus remains on commercialising the Absa Access Online platform, driving momentum in CASA liability book through biller collections, strategic partnerships and driving growth in Investment Banking and Custody with renewed focus on capital light products to boost returns.

However, we also faced significant challenges this year, primarily due to the high-interest rates that persisted for most of the year. This scenario has led to two major impacts on the business. Firstly, asset growth has been subdued as many companies opted to postpone asset drawdowns, resulting in flat balance sheet growth compared to 2023, a stark contrast to previous years. Secondly, clients have been demanding higher rates on deposits, which has squeezed the interest-earning margins on the liability book. These factors combined have created a tough operating environment for CIB, necessitating a reassessment of growth strategies and financial projections.

Additionally, the country's economic outlook has been further complicated by a series of country downgrades from leading credit rating agencies. Between July and August 2024, Fitch, S&P, and Moody's all downgraded Kenya's sovereign rating, highlighting the country's fiscal challenges and the weakening of fiscal consolidation efforts. These downgrades increased the weighted average assets and returns and realistically forced a downward revision of the projected books growth within the capital plan. The downgrades signal to international markets that the risk of sovereign default is high, which in turn discourages investors across the board, adding another layer of difficulty for CIB when navigating the current economic landscape. Overall, in the year, we noted a decline in the appetite for sovereign instruments.

Despite these remarkable achievements and business challenges, we remain vigilant on potential risks, including online system stability, market competition, macro challenges and competition for talent. Focusing into the medium term, we are repositioning the business with a deliberate focus on capital light products as country downgrade continues, improvements in our platforms for client experience, leveraging on Ecosystems and building business resilience through sector and product diversifications and sound risk control environment.

Ecosystem banking

Ecosystem banking is a flagship approach for CIB working across the other business segments, including Business Banking and Retail. Our products are meticulously designed with a keen focus on the anchor client and the unique aspects of the value chain, ensuring that all participants have financial access and appropriate products. This approach allows us to track transactions end-to-end across value chains, providing transparency and efficiency. A significant aspect of our role is to enhance the relationships between the anchor and other value chain players, fostering a collaborative and supportive environment. By doing so, we ensure that every participant can operate smoothly and efficiently within the value chain.

Our performance against strategy continued

Among our offerings are employee framework loans, which include employee scheme loans and company-guaranteed loans, enabling companies to better support their employees. Additionally, we provide working capital loans for business partners such as suppliers and distributors, ensuring they have the necessary financial resources to maintain operations. These financial products directly benefit the efficiency of doing business, streamlining processes and fostering a more cohesive and productive value chain.

Other propositions

In March, we launched our custody proposition and have made significant headway with growing assets under management (AUM) in line with our projections. In transactional banking, the Absa Access Online now offers a seamless collection, payments and integration solution, including connecting with major payment platforms and billers. Our biller integration engine has also performed well with improved interaction and integration on the backend.

We are committed to delivering sustainable finance, with a particular focus on areas such as the greening of buildings, addressing emissions in manufacturing, and environmental conservation which is evaluated through our credit framework. Our approach is guided by a comprehensive sustainable finance framework that we have developed to ensure that every deal and every client aligns with our sustainability goals. This framework not only directs our investments but also ensures that environmental and social considerations are integral to our lending decisions.

Data analytics is crucial for CIB as it allows us to understand each customer uniquely based on their behaviour, influencing our product offerings, including debt, working capital, advisory, cash, and collections. By utilising data mining inputs, CIB is able to fine-tune engagements with customers, ensuring tailored and effective interactions. We report monthly on performance, clearly outlining the contribution of each client and the product set they are utilising. These insights from data analytics support our client engagement strategies, enabling us to provide personalised and impactful financial solutions.

Outlook for CIB

The country downgrade will continue to impact our ability to engage in long-term lending and sovereign engagements. As a result, we will focus on short-term financial solutions. This approach allows us to remain agile and responsive to market conditions, providing our clients with the necessary financial tools to navigate their immediate needs while minimising exposure to long-term risks.

Our performance against strategy continued

A digitally powered business

The goal is to build a digitally powered bank through transformational investments in People, Propositions, Process and Platforms. On platforms specifically, we have a five year strategy of modernisation where we are actively adopting Cloud Technology enabling our propositions to scale. Additionally, we are poised to offer partnership at scale leveraging on our modernisation that has enabled us to expose traditional banking and payment rails via APIs' and microservices. We are boldly adopting AI technology to enable us scale the ladder to offering hyper personalised propositions to customers. On People and Processes, we are on a radical simplification agenda to accelerate and enhance automation, productivity and efficiency.

Material matters

- Digital intelligence
- Evolving workplace
- Regulatory environment

Capitals affected

Contributing to SDGs

Information Technology (IT)

IT is a critical enabler for the Bank, providing mission critical services that facilitate, in a controlled manner, all Bank operations. Key facets are automation, digitisation and digitalisation. It also enables scaling distribution and sales to maximise service propositions and reach to a broader customers base. Additionally, the IT function contributes to risk management and control.

Refinement of digital business strategy

In line with our strategic aspiration to be a digitally powered business, we continue to invest in technology and digital assets. Technology is therefore at the forefront of digitising the Bank.

A key overarching action in the year was the refinement of our digital business strategy focusing on the following core pillars:

- **Digitising the core**

  We have introduced short term end-to-end digital lending capabilities, aimed at providing our existing customer base with swift access to credit. This initiative not only enhances financial inclusion, but also promotes sustainable economic growth by supporting individuals and businesses in need of quick financial assistance.

  We have successfully implemented end-to-end digital onboarding, which has led to a significant increase in new customers, including those from the diaspora. This digital transformation reduces the need for physical paperwork and in-person visits. Additionally, it ensures that a broader customer base can access our banking services seamlessly, fostering financial inclusion and supporting our ability to contribute to the sustainable development goals (SDGs).

- **Embedded finance**

  We have developed a robust platform in collaboration with Amazon Web Services (AWS) to drive our Banking as a Service (BaaS) proposition. This platform leverages cloud technology to provide scalable, secure, and efficient banking services.

  Furthermore, we have consolidated and enhanced our payments platform to deliver a superior user experience. A significant enhancement includes enabling diaspora remittances through partnerships with global players such as World Remit. This facilitates seamless and cost-effective cross-border transactions and remittances contributing to financial inclusion and the economic empowerment in both the sending and receiving countries.

- **Challenger bank**

  We made significant progress in building iteratively a unique digitally native end-to-end banking proposition. The first iteration of this proposition will be launched in the market in 2025.

Technological partnerships

We established and continued our partnerships with key global players to drive and accelerate our digital strategy that is defined by the following operating principles:

- Cloud First
- API First
- Always Secure/ Secure by Design
- Reduce, reuse, recycle
- Data driven decisioning
- Always compliant
- Always on
- Radial simplification and automation
- All technology always in a supported version.

Our subsidiaries

We have undertaken a comprehensive overhaul of the platforms supporting our subsidiaries. We have successfully transitioned Absa Asset Asset Management Limited from legacy systems to a modern, digital platform. This re-platforming effort not only enhances operational efficiency but also aligns with our sustainability goals by reducing energy consumption and resource usage associated with outdated technologies.

We are also on track to re-platform Absa Bancassurance Limited, furthering our commitment to digital transformation. By modernising our infrastructure, especially cyber security and legacy technology risk, we are better equipped to deliver innovative, efficient, and sustainable financial services to our clients.

The transition journey

In an effort to deliver value propositions iteratively, we engage with our customers by providing them with frequent updates and progress on any technological upgrade. This allows for a smooth mind shift and transitioning. This approach not only enhances customer trust and satisfaction but also promotes the adoption of appropriate technologies.

Our performance against strategy continued

IT performance

This year, we sought to accelerate the technology modernisation program in the Bank, and by close of the year, we had achieved 70 percent of our projects. We have a tracker that enables us to measure our efficacy in executing on the Must Do Technology component of our modernisation programme. Additionally, for daily operations, we track service performance and technology availability. Our ambition is zero downtime, and our investment and modernisation programmes are targeted directly at achieving this ambition. This year, we have trended at an availability rate greater than 99 percent.

A key facet within our strategy is People. This year, we made significant strides with regards to organising ourselves to deliver value propositions iteratively, fully inclusive of focused squads empowered with budgets and decision autonomy. This mind shift overhaul has proven critical in the digital acceleration we have witnessed in the year. Additionally, we centralised key facets of control such as access management and tightened our vulnerability management strategy and user training on Cyber. Skills availability remains a challenge for certain aspects of IT and we have complemented this shortfall through strategic partnerships.

Outlook for IT

Recent investments have positioned the Bank strongly. We have built a technology foundation to scale our business and are optimistic about growing our customer base through digital onboarding and large-scale partnerships.

Data capabilities in Absa

Data protection regulations improvements

Kenya is emerging as a digital leader, with its banking and financial sector at the forefront of this transformation. Financial institutions are rapidly evolving, driven by technology and shifting consumer expectations. The Central Bank of Kenya (CBK), through its regulation on digital credit providers (DCPs), is committed to addressing issues such as exploitative interest rates and unethical debt collection practices. This aligns with consumer demands for financial institutions to uphold consumer rights and to operate with transparency.

Furthermore, the Data Protection Act of 2019 imposes strict requirements on the collection, storage, and use of consumer data. We are actively working to comply with these regulations. The Office of the Data Protection Commissioner (ODPC) has provided guidance on consent, emphasising that consent forms must be separate from terms and conditions, and that all consent must be informed and explicit.

This is happening at a time when the draft Banking Penalties Regulations of 2024 are set to significantly impact the financial sector, proposing fines of up to Shs 20 million for non-compliance in areas such as disclosing consumer credit costs or mishandling consumer data. The importance of robust data protection and privacy measures, particularly concerning AI, was highlighted during the International Data Protection Day, themed 'Fostering a Culture of Data Privacy'.

Our performance

We have broadened our data services to reach 10 African markets beyond Kenya, providing guidance and support through our specialised data team.

Our team is highly skilled in data science and Artificial Intelligence, with dedicated AI engineers. We are fostering development across the continent, leveraging advanced technology to support and empower communities.

This new role across the Absa countries is in recognition of the maturity that has been achieved by the business as relates to data governance and management. As indicated in previous years' reports, we have consistently invested in our data approach, resulting in a best-in-class data practice.

Artificial Intelligence (AI)

In our commitment to enhancing data protection and meeting consumer expectations, Absa Bank Kenya has developed Generative AI tools designed to manage large datasets and seamlessly connect internal documents. These innovations are in line with our strategic objectives outlined in our 2023 report. Among the tools we have launched is Citrus PowerPoint, an AI tool equipped with voice capabilities that can read policies and facilitate interactive chats.

To ensure compliance with the Data Protection Act of 2019, we have reviewed our documentation, including privacy policies on our websites. As part of our efforts to upskill our workforce, we conducted three comprehensive data literacy training sessions, combining self-paced learning with in-person classes. Additionally, we have organised specialised technical days targeting our data team with training sessions focusing on cloud technology, data quality, and AI analytics.

Data analytics

Through our 600 report and story dashboards, we have successfully automated our reporting processes, enabling timely decision-making based on insights aligned with the Bank's strategic aspirations in fostering a more responsive and responsible banking environment that benefits our customers, stakeholders, and the broader community. This technology helps us to monitor the utilisation of these insights in key areas such as revenue, customer accounts, cost of funds, and impairment checks. By doing so, we not only meet our customers' expectations but also enhance the Bank's revenue.

Over the past year, we have addressed 200 use cases and processed more than 4,000 requests from various business units, generating over Shs 4 billion in value for the enterprise.

Data modelling

We have implemented two key models: the Small and Medium Enterprise (SME) behaviour model and the SME scorecard. These models are designed to provide a deeper understanding of our operating environment, enabling our credit and risk teams to develop context-specific models.

By leveraging these tailored models, we can more accurately assess and support the unique needs of SMEs, fostering their growth and sustainability. It also enhances our risk management and credit assessment processes.

Through these initiatives, we aim to create a more resilient and inclusive financial ecosystem that supports the long-term success of SMEs, contributing to economic stability and community well-being. This ensures that we are not only meeting immediate business objectives but also promoting responsible and ethical practices that benefit all stakeholders.

Our performance against strategy continued

Data partnerships

We have established a partnership with Chums, a savings platform designed to help the everyday citizen, save effectively. This innovative model leverages data insights to seamlessly integrate with the card ecosystem, including Visa, enabling anyone to save through the Chums proposition.

Our collaboration helps promote financial inclusion by empowering individuals to build financial resilience. We aim to develop loan products that complement this savings initiative, providing comprehensive financial solutions that cater to the diverse needs of our community.

By fostering a culture of saving and responsible borrowing, we aim to support the financial well-being of our customers, where everyone has the opportunity to achieve financial security and prosperity.

Going forward

Having successfully achieved our 2024 target of integrating AI tools into our operations, we are now focused on the future with the following goals:

i. We aim to enhance our revenue impact by leveraging these technological upgrades to reduce operational costs and drive income growth. By utilising AI, we can streamline processes, improve efficiency, and make data-driven decisions that contribute to our financial sustainability.

ii. Our efforts to optimise resources and maximise value creation. This approach will ensure that we continue to meet the evolving needs of our customers while promoting long-term economic value and environmental sustainability.

Our performance against strategy continued

A trusted brand driving a sustainable future

We aim to be Kenya's top trusted financial services brand. We will achieve this by creating a relevant, continuous brand, fostering sustainability, and being a positive force in our communities. We intend to build strong connections with customers, colleagues, and stakeholders for brand loyalty, driven by our deep understanding of customer needs and excellent execution.

Material matters

- Social context
- Regulatory environment
- Climate change and just transition

Capitals affected

Contributing to SDGs

Our brand

Our ambition is to enhance brand consideration by delivering a unified narrative for Absa that is consistent across all touchpoints, thereby driving collective impact and supporting our marketing and business objectives. Our commitment to operational excellence is reflected in our efforts to elevate media effectiveness and efficiency by leveraging data, best-in-class media principles, and advanced digital capabilities to achieve execution excellence.

We have integrated sustainability into our brand narrative showcasing our commitment to responsible business practices and transparency to our stakeholders. This approach not only strengthens our brand reputation but also supports our long-term goal of fostering a sustainable future through innovative and ethical business strategies.

Performance

Target	Achievement
Entrench the Absa brand: Driving brand re-appraisal by engaging and connecting with local audiences through relevant and differentiated brand campaigns, assets, and sponsorships	During the year under review, we successfully launched our new brand positioning, "Your Story Matters," which was met with enthusiastic reception from all stakeholders. This initiative not only reinforced our commitment to understanding and valuing the unique experiences of our customers but also strengthened our brand presence in the market. We were able to reach the following customers through specific platforms. • Tv/radio - 28.5m • Digital platforms - 10m • YouTube views - 5.1m This strategic move supports our overarching goal of building a trusted and sustainable brand that resonates with the diverse communities we serve.
Driving primacy: Showcase empathy for our customers through benefit-driven propositions across Consumer Banking, Business Banking, and Corporate and Investment Banking.	• **Consumer banking** - 15 nationwide activations conducted. - Over 18 000 accounts opened • **Business banking relying on** - Wezesha Biashara platform - Women in Business engagements connected with over 5 000 businesswomen - 10m reached digitally across Kenya - La Riba proposition re-launched • **Corporate and Investment Banking using ecosystem banking**. - Over 600 CIB clients engaged - Global and regional thought leadership conferences attended - Invested in "Your Story" CIB campaign - Shs 50m expected revenue to be derived from these and other activities
Enhance stakeholder relationships through trust.	• GlobeScan recognised Absa as the most **reputable and trusted financial brand** in Kenya • Over 500 impact stories published • Shs 500m in Public Relations Value (PRV) achieved • 90% positive tonality achieved in the first half of the year
Build internal ambassadors	• 91% of colleagues' participation in initiatives

Our performance against strategy continued

Committed delivery

During the execution of our campaigns, we faced challenges due to the political protests that occurred mid-year. Despite these disruptions, our unwavering commitment to meeting stakeholder expectations drove us to maintain active engagement through various channels. We utilised site visits, digital platforms, emails, text messages, our contact centre, and relationship managers to keep stakeholders informed about new products, service interruptions, and to address their queries.

This multi-channel approach ensured continuous communication and transparency, reinforcing our dedication to customer satisfaction and trust. By proactively addressing concerns and providing timely updates, we upheld our promise to deliver exceptional service and support, even in the face of external challenges. This also bolstered our capability to adapt and maintain operational excellence during external disruptions.

Outlook for brand

The next phase is to entrench the meaning of the Absa brand in the lives and moments of our consumers through insights-led, relevant solutions and communication that deliver our brand promise – ***Your Story Matters.***

Fraud

Global fraud trends continue to rise. According to a survey by TransUnion, Kenya was ranked 10th highest in suspected digital fraud in the first half of 2024 out of nineteen (19) regions. About 80 percent of Kenyan consumers were targeted by digital fraudsters in the form of email, phone call and text messaging. In response to these trends, we have set up three strategic pillars to help us sail through the next year fraud free:

- Improved fraud awareness among customers and staff
- Set up a vibrant and timely response, reporting and traction plan
- More proactive in identifying and remediating gaps that could necessitate fraud

This is in addition to the Bank's 2024 initiatives undertaken to mitigate fraud:

- Identifying and ring-fencing vulnerable accounts
- Increased oversight by management teams to ensure robust fraud management
- More products were enrolled into the monitoring-based fraud monitoring system
- Various teams within the business received tailored training to enhance their fraud detection and prevention capabilities
- Monthly engagements with key business units were rolled out to ensure sustained engagement and sharing of trends and best practices
- Intelligence gathering from the industry was enhanced, and lessons learned were shared to evaluate their applicability to our environment.

Overall, in the year, we embedded maximum fraud controls in all critical processes, reviewed fraud rules to ensure they are up-to-date and effective and increased the scope of products on system based fraud monitoring solution (Fraud Fabric) for all products across the business to bolster the Bank's fraud management capabilities. However, despite these efforts, we have faced key bottlenecks due to the exploitation of technological E-payments services by fraud syndicates and data proliferation, especially Personal Identifiable Information (PII).

E-channels

We continue to advance our fraud analytics capabilities on e-channels, deploying machine learning models to proactively identify and mitigate fraud, guaranteeing customers' trust and security.

Fraud system

We upgraded our fraud detection system from Falcon 6.1.5 to Falcon 6.5, which is both robust and versatile. In this regard, we noted key improvements including:

- Enhanced fraud detection resulting in reduced financial losses
- Enhanced data analytics reduce false positives, leading to better operational efficiency
- Automated dashboards giving management better view and assessment ability of rule performance and efficacy.

Fraud metrics

Below are the fraud metrics used to assess our performance:

- **Losses vs STP:** Net Fraud Losses: Measures net fraud losses accrued by the bank against fraud loss limit (STP) – reported as cumulative for the period YTD (percent)
- **Loss BPS:** Measures net fraud losses as a proportion of total income – reported as cumulative for the period YTD (bps)
- **Loss prevented:** Measures proportion of fraud prevented as a percentage of total fraud exposure – reported as cumulative for the period YTD (percent)
- **Assurance Findings**: Assurance findings which have been rated Critical or Major
- **SFEs**: Significant fraud events which have not been remediated and closed
- **Breaches:** Fraud policy related breaches
- **Mandatory Fraud Training:** Completed fraud training assigned on Learning System.

We exhibited resilience in our management of fraud risk. This can be reported using figures as follows:

- Gross of Shs 169 million
- Recoveries of Shs 227 million
- Net loss - Over-recovery of Shs 58 million (arising from recoveries from previous cycles that materialised in 2024)
- Frustrated fraud amounted to Shs 334 million
- 17 tailored fraud training sessions were launched for different teams, through which 2,660 colleagues were trained
- 2,293 colleagues completed system based mandatory fraud training
- 14 fraud sensitisation SMS alerts were sent to our customers.

Our performance against strategy continued

A trusted brand

Accolades received

- Winner-Most reputable financial brand in Kenya – *Globescan*
- Winner- Fastest response rate on digital platforms in Kenya - *Ipsos*
- Winner- Highest positive sentiment on digital platforms in the financial category
- Winner- Most transformative Brand in Kenya - *The Knowledge Hub*
- KBA Customer Satisfaction Survey Results - Most Improved bank in Customer Experience - Overall
- 1st Runners up- Most Impactful Brand in Kenya - *The Knowledge Hub*

2024 Think Business Awards

We were recognised in below categories

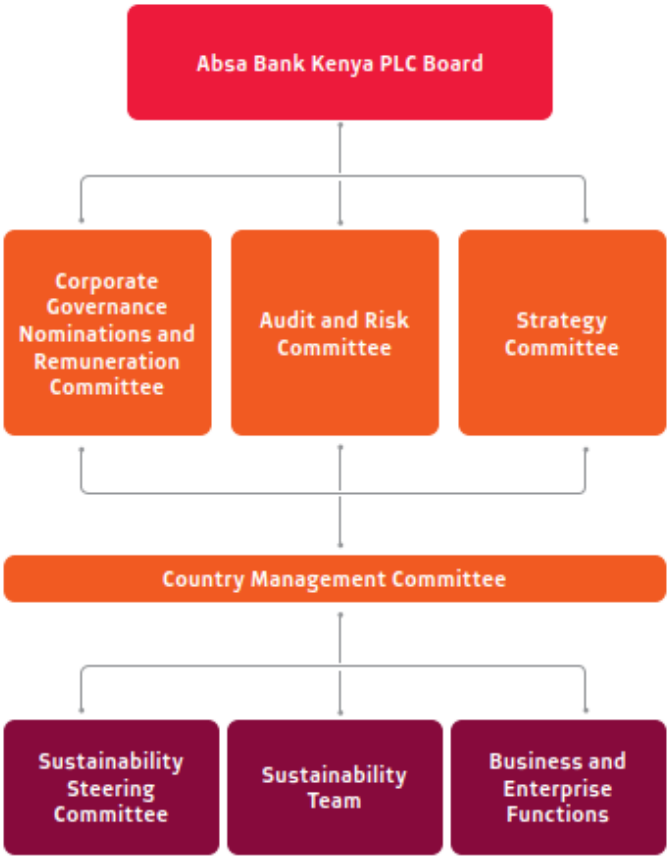
- Best Bank in Islamic banking
- 1st Runners up - Best Bank in SME Banking
- 1st Runners up - Best Bank in Asset Financing
- 1st Runners up - Best Bank in Agency Banking

Our performance against strategy continued

Sustainability leadership

Sustainability governance

The Board has the overall responsibility for ensuring that sustainability and climate aspects of the Bank are appropriately and adequately managed. This oversight role is managed through a clearly structured approach that includes designation of responsibility to two board committees – The Audit and Risk Committee and the Board Strategy Committee. The Board further delegates responsibility to management through the Country Management Committee, Sustainability Steering Committee and the Sustainability Team. This approach is depicted in the figure below:

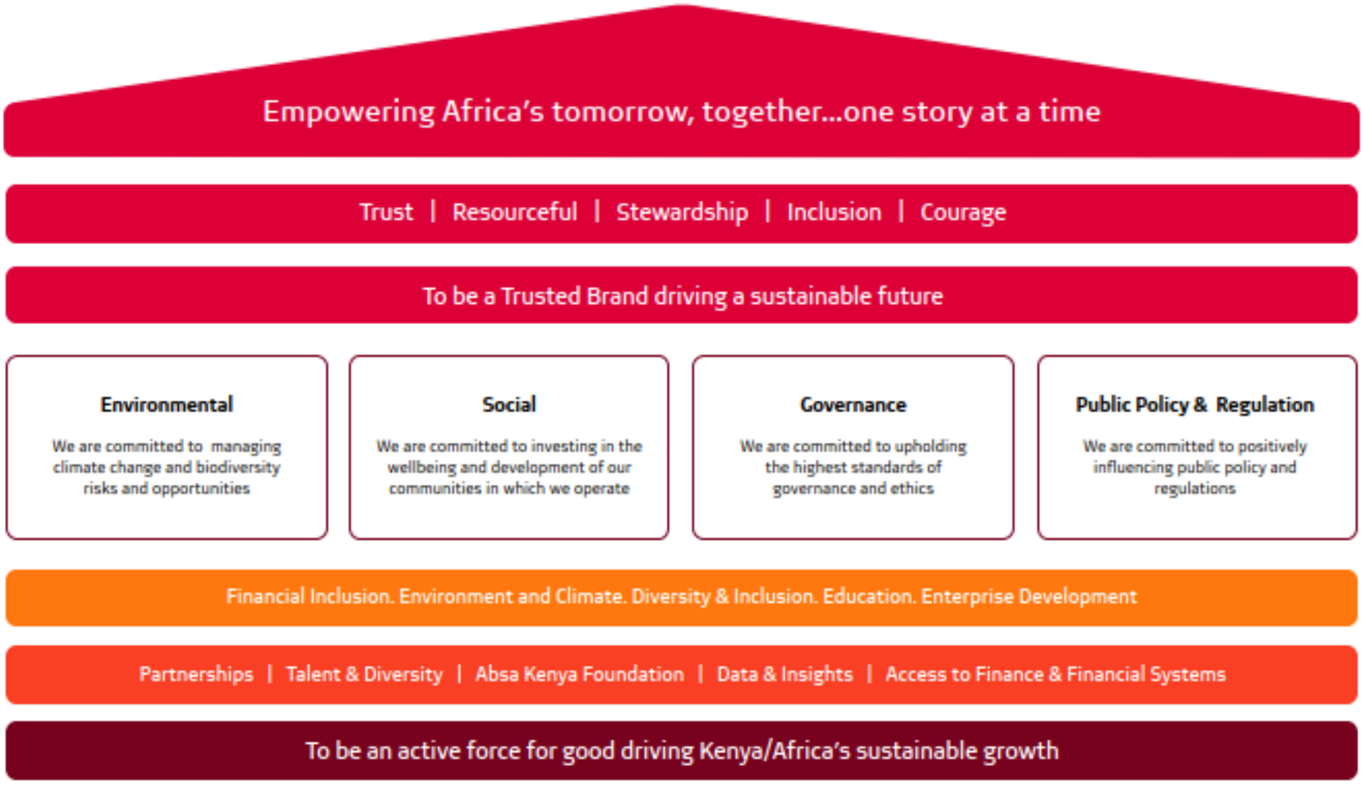


Further information on the Bank's governance approach to sustainability and climate change, including the specific role of Board Committees and Management teams, can be found in our 2024 Sustainability and Climate Report.

Our performance against strategy continued

Sustainability strategy

Our sustainability strategy contributes to the overall Bank strategy by ensuring that we are a trusted brand driving a sustainable future. Our overarching aim is to earn and maintain the trust of our stakeholders, an indelible aspect of our business that is of the highest value. We are unwilling to compromise on our high standards and values. This is also reflected in our intent to be "an active force for good in everything we do". Our sustainability strategy, reflected in the diagram below, is therefore underpinned by these intents as we pursue shared value.



Further information on the Bank's sustainability strategy can be found in our 2024 Sustainability and Climate Reportt.

Our performance against strategy continued

Sustainability risk management

Sustainability and Climate risk is catered for through the strategic and sustainability principal risk. The Bank has established several internal mechanisms to manage the risks created by climate change, environmental and societal factors. These mechanisms include policies, procedures, risk management plans, management systems and risk assessment processes. In addition, roles and responsibilities for sustainability and climate risk management have been clearly designated.

The Bank's sustainability risk policy specifies the broad principles and control requirements for managing sustainability and climate-related risk management covering four key areas:

At close of the year, the Bank had closed out all the items covered in its climate risk management plan of 2020, a total of 61 items. Seven aspects, which have a continuous nature, will continue to be implemented.

Further information on the Bank's sustainability risk management can be found in our 2024 Sustainability and Climate Report.

Our sustainability performance

Sustainable finance

Sustainable finance is an important aspect of the Bank's approach to financing business opportunities that create social, environmental and climate value. This is highlighted by the Bank's ambitious commitment to double sustainable financing to Shs 120 billion issued in 2023. The Bank continues to work towards reaching this ambitious target with Shs 47 billion disbursed in 2024.

Sustainable finance covers two key areas:

- **Inclusive finance:** Our aim is to enhance access to appropriate financial services for individuals and businesses, particularly those who are traditionally underserved or excluded from the formal financial system. This includes low-income households, small and medium-sized enterprises (SMEs), and marginalised communities in line with the UN definition of financial inclusion. Our goal is to promote economic empowerment, reduce poverty, and foster sustainable development by ensuring that everyone can participate in the financial system. In 2024, we provided support through the Timiza platform, SME lending and lending to youth, women and persons with disabilities (PWDs) to the tune of Shs 43bn in inclusive finance.

- **Climate finance:** Our focus here includes investments that provide environmental and climate value creation in the areas of renewable energy, energy efficiency, climate smart agriculture and green buildings. We utilise diverse financing instruments, green and climate loans, green bonds, social bonds and sustainable investment funds. In 2024, we issued financing to the tune of Shs 4 billion in climate finance. In 2025, the Bank intends to introduce new climate finance products and issue its inaugural climate finance strategy.

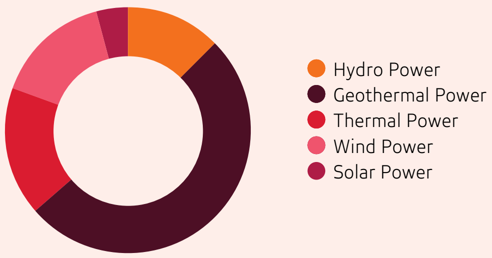
Our performance against strategy continued

Decarbonising our business operations

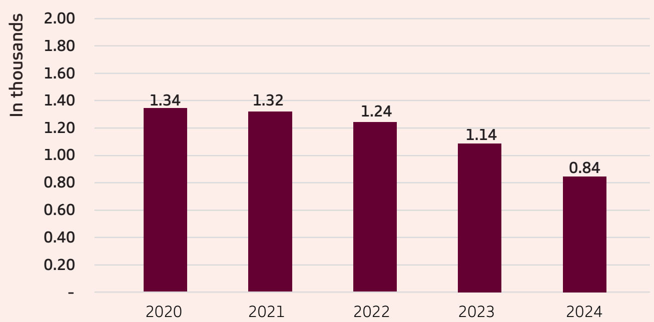
Beyond our financing, Absa is keen to ensure that impacts created by the business on the environment and climate are mitigated appropriately. For the past five years, our owned premises have retained their IFC Edge certification for green buildings, showcasing our continued adherence to energy efficiency, water savings, and reduced environmental impact.

We continue to make progress in reducing our Green House Gas (GHG) emissions in line with our broader Net Zero Strategy. In 2024, our performance was as follows:

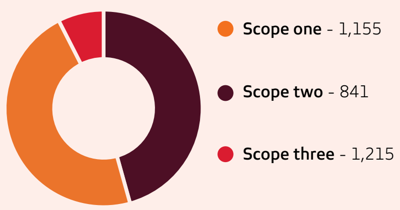
Kenyan Energy Mix 2024



Scope 2 total tonnes CO_2 equivalent releases year on year



Tonnes CO_2 equivalent 2024 broken down by type



In 2022, the Kenya Bankers Association developed a roadmap aimed at improving digital and physical accessibility of banking services to Persons with Disabilities (PWDs). In response to this initiative, Absa rolled out an inclusion roadmap in 2023 focused on five key areas:

1. **KYC (Know your customer):** Mapping staff, clients and stakeholders with disabilities.
2. **Access:** Ensuring physical access and creating strategies and policies for PWDs.
3. **E-Banking:** Enhancing accessibility across all the Bank's digital channels.
4. **Support:** Providing training and capacity building to support PWDs.
5. **Information access**: Improving documentation and signage to enhance information accessibility.

In 2024, the key focus was on enhancing physical accessibility and raising awareness among employees about the needs and rights of PWDs. The Bank invested in the requisite physical infrastructure to ensure physical access to Bank premises and service outlets for PWDs. In addition, the Bank conducted training and awareness sessions for colleagues.

In 2025, the focus will shift towards enhancing digital access. The emphasis will be on leveraging technology to ensure digital platforms and services are accessible to everyone, including PWDs. This will involve implementing accessible design principles, providing assistive technologies, and fostering a culture of digital inclusivity.

Financial inclusion

Absa Bank Kenya has partnered with the African Guarantee Fund (AGF) on the 'TUUNGANE 2XNa Absa' programme, an SME incubator initiative aimed at enhancing access to finance for women-owned and led SMEs.

This programme co-funded between Absa and AGF, with business development services delivered by Melanin Kapital, seeks to empower 600 women-led startups by offering comprehensive business development training and access to credit.

In 2024, the programme celebrated a significant milestone as the first cohort of over 200 business women successfully completed business development training and blended financing programme with their graduation held during the Absa Inspire Me conference in June 2024.

Our performance against strategy continued

ReadytoWork

ReadytoWork is an initiative that provides young people with workplace, entrepreneurial and social skills, to empower them with valuable skills for personal and professional growth as they pursue work- or business-related careers. The initiative includes several training programmes that focus on skills that are essential for the workplace, interpersonal engagements and teamwork. Financial literacy skills are also incorporated to enable prudent management of personal finances. For those aspiring to run their own business, ReadytoWork offers knowledge and tools required to thrive and succeed in business. Launched in 2015, the Bank has reached over 260,000 individuals through this initiative.

Tree planting and growing

In 2024, we continued our tree planting efforts, collaborating with institutions to ensure the growth and sustainability of the trees. Throughout the year, we successfully planted a total of 72,000 trees across the country. This initiative reflects our commitment to environmental conservation and our dedication to fostering a greener, more sustainable future. By working together with our partners, we aim to make a lasting positive impact on the environment and contribute to the fight against climate change.

Computers for schools

We closed the first phase of our Computer for Schools initiative. In total, we were able to kit 67 schools with computer labs. Each school received 20 desktop computers fully loaded with the required software, 20 computer seats and 10 tables. The computer labs are fully networked, and servicing of computers is provided.

Absa Kenya Foundation

In 2024, we proudly launched the Absa Kenya Foundation, a corporate foundation designed to deliver impactful social investment programmes in collaboration with our strategic partners. The Foundation is dedicated to addressing key societal challenges through its thematic focus areas: entrepreneurship, education, natural resource management, and health and humanitarian relief.. By leveraging our resources and expertise, we aim to create sustainable and scalable impact across these critical sectors. To demonstrate our commitment, we have allocated 1.5 percent of our annual earnings to the Foundation, beginning with an initial Shs 500 million in seed funding. This substantial investment will drive transformative projects that align with our strategic goals and societal needs.

The Foundation's overarching strategy includes several ambitious targets that reflect our dedication to fostering inclusive growth and sustainable development.

- One of our primary objectives is to empower 50,000 micro, small, and medium-sized enterprises (MSMEs) over the next five years. This initiative will focus on inclusivity, particularly for women, youth, and persons with disabilities (PWDs). By providing these groups with the necessary resources, training, and support and access to finance, we aim to enhance their entrepreneurial capabilities and contribute to economic growth and job creation.
- In the realm of education, the Foundation will continue its ReadytoWork initiative, with the goal of reaching at least one million youth. This programme is designed to equip young people with the skills and knowledge required to succeed in the modern workforce. Additionally, we will support 50,000 youth through the Absa Fellowship Programme, which offers mentorship, training, and opportunities for personal and professional development. Furthermore, we are committed to providing 500 Science, Technology, Engineering, and Math (STEM) scholarships to nurture the next generation of innovators and problem-solvers.
- Our efforts in natural resource management will focus on promoting environmental sustainability and resilience. We have set an ambitious target to plant 10 million trees, contributing to reforestation and carbon sequestration efforts. Moreover, we will support climate-smart agriculture and renewable energy to mitigate the impacts of climate change and promote sustainable development.
- In the health sector, the Foundation will collaborate with healthcare professionals and development partners to address critical health challenges through preventive interventions. This includes humanitarian relief in responding to societal crises such as floods and famine, as well as implementing initiatives to improve overall health and wellness.

Through these comprehensive efforts, the Absa Kenya Foundation is committed to driving positive change and creating long-term value for society. We recognise that achieving these goals require strong partnerships and collective action, and we are dedicated to working with stakeholders to build a sustainable and inclusive future for all.

In 2025, the Foundation will be operationalised following the successful preparation of its strategic plan through governance and programme design, resourcing and identification of partners and beneficiaries.

Our performance against strategy continued

A home of talent and diversity

Our ambition is to build a home of talent underpinned by a culture that fosters innovation and embraces all forms of diversity and inclusion, being cognisant of the evolving needs of colleagues.

Material matters
- Social context
- Digital intelligence
- Evolving workplace

Capitals affected

Contributing to SDGs

Impacts created

Talent Longevity (SDG 8: Decent Work and Economic Growth):

Building strategies to attract, develop, and retain talent, ensuring employees have the skills needed to support current and future business goals.

Employee Well-Being (SDG 3: Good Health and Well-Being):

Prioritising holistic wellness — mental, physical, and financial — so that employees are supported in a way that enhances engagement and productivity.

Diversity and Inclusion (DI) (SDG 5: Gender Equality & SDG 10: Reduced Inequalities):

Creating an environment where diverse talent can flourish and where inclusion and equity are woven into the organisation's culture and products.

Lifelong Learning and Future Skills (SDG 4: Quality Education):

Investing in ongoing training and development that aligns with the fast-paced changes in technology, data, and digital skills.

Agile Workforce Planning (SDG 9: Industry, Innovation, and Infrastructure):

Anticipating and adapting to shifts in workforce needs and external labor market trends, so the organisation can pivot effectively without compromising employee stability or engagement.

Absa Bank Kenya

Aspect	2021	2022	2023	2024
Participation rate	87%	90%	88%	92%
Colleague Experience Index	71.9%	73.4%	75.3%	70.2%
Job satisfaction	7.69	7.81	8.02	7.90
Employer advocacy	+35.47%	+41.3%	+49.6%	+30.8%
Colleague Sentiment	Delighted-27% Satisfied-51% Not happy-22%	Delighted-27% Satisfied-51% Not happy-22%	Delighted-27% Satisfied-51% Not happy-22%	Delighted-25% Satisfied-54% Not happy-21%

People feedback

Colleagues who...	2022	2023	2024
Believe they know what they need to do to be successful in their roles	92%	92.9%	93%
Are proud to be working for Absa	89%	90.4%	91.4%
Have access to learning and development opportunities	87.2%	89.4	87%
Inspired by Absa's purpose and look for ways to live this in their everyday work	88.2%	89.9%	91%

Our performance against strategy continued

Absa is committed be a "home of talent" through employee development, operational excellence, and a positive organisational culture, aligning with the Bank's strategic goals while creating value for customers and stakeholders.

Highlights

Kayas:
The establishment of Kayas has fostered a collaborative environment, enhancing team cohesion and productivity.

10X Academy:
This programme has strengthened core sales, service, and relationship management capabilities, aligning with the Bank's strategic objectives.

Learning week:
A dedicated period focusing on continuous learning offering diverse sessions on future skills, digital transformation, and professional growth, creating an engaging learning culture within the organisation.

Young Leaders Council:
This inaugural council fostered a platform for young talent to voice innovative ideas and influence strategic initiatives, promoting leadership development and collaboration.

Squads portal:
The introduction of the Squads Portal to facilitate team collaboration, the Squads Portal empowered employees to work effectively in agile teams, enhancing productivity and cross-functional coordination.

Kudos:
This peer-recognition platform encouraged a culture of appreciation and recognition across the organisation, boosting morale and engagement among colleagues.

Interbank Sports – 2nd Place:
Securing second place in the Interbank Sports competition has boosted employee morale and showcased the Bank's commitment to holistic wellness and team spirit.

Colleague Gateway:
Launched as 'My Gateway,' this platform has provided seamless access to tools such as the People Portal, Workday, Knowledge Hub, Process Hub, pay slips, and leave booking, enhancing the digital employee experience.

Building resilience:
Programmes focused on building personal and organisational resilience supported employees in managing stress and adapting to change, tips on financial discipline, fostering a culture of well-being and adaptability in a dynamic environment.

Key themes in the year

The key themes of the year reflect a strategic focus on building a resilient, skilled, and adaptive workforce highlighting a balanced approach to organisational growth and employee development, to address both current and future needs:

- **Culture:** Emphasising a collaborative and inclusive work environment where recognition programmes (e.g., Kudos) and engagement activities (e.g., Interbank Sports) reinforce a sense of community and shared values. Fostering a positive organisational culture enhances employee engagement and productivity.
- **Future skills:** Investing in learning and development initiatives (e.g., Talent Academies and Learning Week) to equip employees with critical skills for an evolving business landscape, particularly in Sales, Service, and Relationship Management roles. According to McKinsey, organisations that prioritise continuous learning and adaptability are better positioned to navigate market changes and technological advancements.
- **Talent Management:** Focusing on attracting, developing, and retaining top talent through initiatives such as the Young Leaders Council, which supports emerging leaders and succession planning. Research has shown the importance of robust talent management frameworks in driving organisational success and sustainability.
- **Leadership:** Building leadership capabilities at all levels, from young leaders to senior management, to ensure the organisation has visionary guidance for long-term success. Effective leadership development is crucial for fostering resilience and adaptability within the workforce.
- **Agile:** Adopting flexible structures and tools, such as the Squads Portal, to support cross-functional collaboration and adapt quickly to changing demands. Agile methodologies enable organisations to respond swiftly to market shifts and enhance overall efficiency.
- **Wellness:** Prioritising holistic well-being through initiatives like the Building Resilience Caravans, which enhance physical, mental, and financial health to support sustainable employee performance. Global research underscores the significance of comprehensive wellness programmes in improving employee engagement and reducing turnover.

These themes are underpinned by a strong culture and an effective Employee Value Proposition (EVP), which together foster an inclusive environment where employees feel valued and engaged. This strategy aims to create a sustainable, high-performing organisation capable of navigating future challenges while supporting the well-being of its workforce.

Our performance against strategy continued

Delivering on strategy

The human capital approach is integral to all the Bank's strategic priorities and enablers, given the pivotal role our colleagues play in value creation. This integrated approach to achieving strategic goals is as follows:

By prioritising the reskilling and upskilling of employees with critical skills, the Bank ensures it can effectively deliver its mandate to all stakeholders. This focus on **critical and power skills** supports the Bank's priority to build a modern-day financial services business. Skilled employees can leverage digital tools and insights, enhancing client interactions and service delivery across all business units and enabler functions.

A comprehensive talent management framework, coupled with D&I initiatives, strengthens the Bank's capacity to become a hub of talent and diversity. This approach ensures the Bank attracts, retains, and develops a high-performing workforce, which is crucial for achieving **market leadership and fostering connections across all businesses.** Promoting gender and generational diversity is vital for building a sustainable business.

Supporting employee wellness aligns with the Bank's emphasis on being a **trusted brand driving a sustainable future.** Wellness programmes enhance employee engagement, productivity, and satisfaction, all of which positively impact client experiences and brand reputation.

Agile, hybrid, and collaborative working practices help build a **digitally powered business** capable of rapid response to market shifts. This flexibility also supports the Bank's aim to lead in business banking and corporate investment by maintaining high adaptability and collaboration.

A strong culture and EVP promote engagement and align employees with the Bank's purpose. This is crucial for **sustainable growth** and for establishing a reputation as a top employer, reinforcing the Bank as a **trusted brand.**

Key challenges faced

Throughout the year, the Bank encountered some challenges and bottlenecks stemming from both external and internal pressures. External factors such as regulatory changes and taxation, along with internal issues like employee wellness, retention and change management, impacted the ability of individual employees and teams, to deliver at optimal potential. These challenges included:

- **Retention risk:** High turnover risks in critical areas like Treasury, Relationship management, and Technology functions, driven by market competition for specialised talent, highlighted a need for robust retention strategies
- **Internal fraud risk:** Increased risks of fraud necessitated tighter controls and monitoring, placing pressure on both human resources and compliance functions
- **Financial management risks:** Elevated taxation rates increased pressure on fiscal management, with implications for operational costs and benefits administration
- **High Employee costs:** Rising employee costs, from salaries to benefits, presented budget constraints, limiting headcount flexibility
- **Wellness support gaps**: The need for enhanced financial, mental, and wellness support was crucial, especially as employees faced increased financial pressures and stress
- **People management capability:** Gaps in people management skills highlighted the need for more robust development programmes to deliver a great employee experience.

HR Strategy Outlook

In the coming year, the Bank's HR strategy will focus on building a digitally skilled, inclusive, and agile workforce that can adapt to changing demands.

This strategy will be informed by current global trends and local realities in Kenya.

1. **Digital transformation:** As organisations worldwide continue to embrace digital transformation, the Bank will prioritise reskilling and upskilling employees in digital and data literacy. This will enable employees to leverage digital tools and insights, enhancing client interactions and service delivery across all business units and enabler functions.
2. **Diversity and Inclusion (D&I):** Promoting gender and generational diversity among employees is crucial for building a sustainable business. The Bank will continue to strengthen its DEI initiatives to create a more inclusive work environment.
3. **Employee well-being:** Comprehensive wellness programmes are essential for improving employee engagement and reducing turnover. The Bank will expand its initiatives on holistic wellness, covering mental, financial, and physical well-being.
4. **Agile workforce:** Adopting flexible structures and tools to support cross-functional collaboration and adapt quickly to changing demands will be a priority. This will help the Bank maintain high adaptability and collaboration.
5. **Regulatory changes:** The Bank will focus on adapting to potential regulatory changes, such as updates to taxation and health insurance policies, with an increased emphasis on compliance and cost management.
6. **Talent retention:** Retention efforts will remain a priority, especially for critical skills across the Bank. The Bank will implement robust retention strategies to address high turnover risks in critical areas.
7. **Economic Pressures:** Rising employee costs and elevated taxation rates will impact fiscal management. The Bank will need to balance these pressures while continuing to invest in employee development and wellness programmes.

By aligning with global trends and addressing local realities, the Bank aims to create a sustainable and engaging employee experience, contributing to long-term business resilience and growth.

Our performance against strategy continued

Value created over time

Financial capital Primary interest group: Shareholders	unit	Long term		Medium term		Short term
		2020	2021	2022	2023	2024
Headline earnings	Shs	4.2bn	10.9bn	14.6bn	16.4bn	20.9bn
Deposits	Shs	254bn	269bn	303.8bn	362.7bn	367.1bn
Total assets	Shs	379 441m	428 722m	477 234m	519 795m	506 476m
Return on equity	%	14.1%	19.3%	22.9%	23.7%	24.5%
Cost-to-income ratio	%	48%	46%	41%	42%	39%
Market capitalisation	Shs	64.3bn	64.4bn	66.8bn	62.2bn	100bn
Net loans and advances	Shs	209bn	234bn	283.6bn	335.7bn	309.1
Net interest margin	%	7.8%	7.3%	8.5%	9.7%	10.7%
Gross NPL ratio	%	7.4%	7.7%	7.3%	9.6%	12.3%

Human Capital Primary interest group: employees	unit	Long term		Medium term		Short term
		2020	2021	2022	2023	2024
Employee headcount	FTE headcount	1 991	1 979	2 070	2 130	2 167
Turnover rate	%	5.7%	11.9%	8.30%	8.60%	7.70%
Female-to-male ratio,	ratio	52:48	51:49	51:49	51:49	51:49
Women in senior leadership	%	P/MP –30% AVP/VP - 41%	P/MP –23% AVP/VP - 39%	P/MP –26% AVP/VP - 39%	P/MP –33% AVP/VP - 41%	P/MP –39% AVP/VP - 41%
Training & development spend	Shs	50 000 000	52 000 000	83 000 000	68 000 000	95 000 000
Colleague experience index	%	70%	71.9%	73.4%	75.3%	70.2%
Job satisfaction,	ratio	7.47	7.69	7.81	8.02	7.9
Employer advocacy,	%	+34.0%	+35.47%	+41.3%	+49.6%	+30.8%
Participation rate	%	85%	87%	90%	88%	92%

Intellectual & Manufactured Capital Primary interest group: Customers and employees	unit	Long term		Medium term		Short term
		2020	2021	2022	2023	2024
ATMs	items	210	208	196	196	203
Branches		85	84	83	83	86
Agents	items	-	-	-	3 000	3 131
PoS devices	pieces	-	-	5 209	5 209	5 300
Cash Deposit Machines	pieces	-	-	60	60	60
Channels availability	%	98%	99%	99%	99%	99%
ATM uptime	%	-	-	96%	99%	99%

Our performance against strategy continued

Value created over time (continued)

Social and relationship capital Primary interest group: Society, regulators, clients, investors and suppliers	unit	Long term 2020	2021	Medium term 2022	2023	Short term 2024
Customer numbers	headcount	-	917 507	1 009 287	1 047 422	1 156 700
Treating customers fairly score	%	-	83%	86.1%	86.1%	87%
Customer experience index	%	-	-	86.1%	71.9%	112
Net Promoter Score (Consumer Banking)	%	N/A	33%	41%	52%	52%
Net Promoter Score (Business Banking)	%	N/A	31%	23%	46%	47%
Women entrepreneurs benefited from women in business	headcount	N/A	5 850	10 703	15 939	26 281
ReadytoWork participants	headcount	221 000	221 000	252 014	231 776	263 410
Fraud gross loss	Shs	N/A	29 m	108m	81m	167m

Natural capital Primary interest group: Planet	unit	2020	Long term 2021	2022	Medium term 2023	Short term 2024
Scope 1	tCO_2e (in thousands)	N/A	N/A	N/A	2.41	1.16
Scope 2	tCO_2e (in thousands)	1.34	1.32	1.24	1.14	0.84
Scope 3	tCO_2e (in thousands)	N/A	N/A	N/A	0.52	1.22
Trees planted	Trees	N/A	6 600	303 664	728 095	72 000

Outlook

Despite the challenging economic situation in Kenya, economic growth is projected by the World Bank at 5.2% between 2024 – 2026 driven by increased private sector confidence. Agriculture and the service sector, which have continued to support growth, are expected to be the key drivers with marked growth in the tourism sector.

Inflationary pressure, which has been on the decline is expected to increase mildly and remain within the government's target of 2.5 percent to 7.5 percent. Currency stability will remain a key consideration given the volatility witnessed in 2023 and earlier parts of 2024 but is generally expected to reduce with the shilling appreciating against the United States dollar. However, the current account deficit will persist given the heavy dependence of the economy on imports.

Financial sector

The financial sector is expected to experience increased competition from both traditional and non-traditional financial institutions. Consolidation in the mid-term is anticipated following the regulators directive increasing the capital requirements for banks ten-fold from Shs 1 billion to Shs 10 billion.. Smaller banks are expected to struggle with this increase leading to downgrades in some banks' licenses and opportunities for other regional lenders to enter the market, increasing competitive pressure. The financial sector will remain resilient and is anticipated to continue experiencing growth even as it navigates ever increasing regulatory pressures and requirements.

In February 2025, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) to 10.75%. The MPC is expected to continue lowering the rates gradually in the short to medium term therefore lowering borrowing costs, leading to increased spending and an uptick in the business environment. Further, this is expected to support the private sector credit growth, which has recorded low credit growth rates in 2024. However, increased government borrowing from the local market and foreign markets to meet the fiscal deficit of Shs 769 billion, may result in a crowding out effect for local borrowers. Interest rates on government paper is anticipated to remain attractive.

Regulatory environment

The regulatory environment will remain robust. With the country on the FATF grey list, stringency in ensuring adherence with the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and other requirements will be a priority, requiring unyielding compliance. Further, regulators will continue to prioritise enhancement of effective and systemic risks management, including improved reporting standards and governance practices among financial institutions.

In 2024, CBK made marked progress in the oversight of digital payments and lenders, regulating fintech firms, mobile money operators, and digital lenders to ensure compliance with consumer protection and cybersecurity resilience standards, with increased interventions expected in the mid-term.

Emphasis on ESG aspects, including enhanced climate risk reporting and the adoption of IFRS S1 and S2 by 2027 is expected to align financial sector operations with global sustainability initiatives and risk management approaches. The launch of the CBK's Climate Disclosure Framework and Kenya Green taxonomy Framework will also impact on ESG reporting and asset classification.

Key trends

Competitive pressures will be most evident in the Small and Medium Enterprise (SME) segment as most leading banks are focused on enhancing their market share in this segment. It is anticipated that several new propositions will be launched with SMEs and SME owners as the key targets, including non-financial and value adding services. Digitisation will be the cornerstone of delivery with self-service channels preferred. This means that the sector will continue to witness increased uptake of new technologies, and technological innovation. Further, tools like AI will increase in their centrality for delivering tailored value propositions for clients underpinned by sound data analytics. With the rise of digital banking, cybersecurity will remain a critical concern.

The growing emphasis on sustainability and green finance in the banking sector is expected to increase as leading bank continue to unveil products and services with ESG credentials. Banks will increase their focus on financing projects that promote environmental sustainability and social impact, aligning with global trends towards sustainable development. Increased innovation and sophistication in financing models are anticipated as banks seek to tap into international funds focused on climate, social and green finance.

In summary, the banking sector in Kenya in 2025 is poised for growth, driven by technological innovation, regulatory support, and economic development. However, it will also need to navigate challenges such as cybersecurity threats and economic uncertainties.

Political

The political environment remains uncertain in the short term but with elections expected in the mid-term horizon, increased political tension will prevail. The 2024 unrest portrays a country in flax creating marked concern about the 2027 elections and requiring concerted course correction in the mid-term.

Although investor sentiment has shown a rebound in the latter part of 2024 and is expected to remain positive on account of reduced inflationary pressures, political uncertainty and the limited fiscal space for government remain key concerns. In the mid-term, government revenue collection is expected to have muted growth as increased taxation avenues remain minimal without widening of the tax base. The country's debt vulnerability will continue to strain public sector expenditure and delivery on much needed public services and servicing of pending bills estimated at Shs 528 billion in 2024.

Social

Kenya's demographic, which is predominantly youthful, could drive innovation and economic progress. However, constraints in accessing employment or finances for business mean many of them are either unemployed, underemployed or outside the labour force. While this creates opportunities for financial institutions seeking to support next generation empowerment, participation in economic opportunities is highly competitive. Youth engagement in social and political processes in anticipated to remain robust.


Let's write
this story
absa

Our value preservation approach

Our Board of Directors

Our Country Management Committee

Our Board of Directors

The Absa Board is committed to continuous improvement in our corporate governance principles, policies and practices, and does so by remaining abreast of evolving regulations and best practices. This is further enhanced through engagement with regulators and industry bodies, and regular feedback from other stakeholders.

Good corporate governance practices are important in creating and sustaining shareholder value and ensuring that behaviour is ethical, legal, transparent and for the benefit of all stakeholders.

Charles Muchene 67
Chairman

Abdi Mohamed 56
Managing Director and Chief Executive Officer

Yusuf Omari 50
Chief Financial Officer

Patricia Ithau 58
Non-executive director

Japheth Olende 71
Non-executive director

Louis Onyango Otieno 60
Non-executive director

Charles Njenga Murito 48
Non-executive director

Fulvio Tonelli 64
Non-executive director

Christine Sabwa 51
Non-executive director

Kedibone Imathiu 43
Non-executive director

Marion Gathoga-Mwangi 53
Non-executive director

Anne Nyongesa 41
Company Secretary

Our Board of Directors continued

Charles Muchene
Chairman and Independent Non-executive director
Appointed to Board: August 2016
Appointed Chairman: October 2016
Committee membership: CGNRC, SC

External directorships
- AIG Kenya Limited

Previous roles
- Chairman and Non-executive director, East African Breweries Limited
- Independent Non-executive director, CfC Stanbic Holdings Limited
- Country Senior Partner and Financial Service Industry Leader, PricewaterhouseCoopers

Qualifications
- Bachelor of Commerce (Hons), University of Nairobi
- Fellow, Institute of Certified Public Accountants of Kenya
- Member, Institute of Certified Public Secretaries of Kenya
- Member, Institute of Directors

Abdi Mohamed
Managing Director and Chief Executive Officer
Appointed to Board: 1 May, 2023
Committee membership: None

External roles and memberships
- Board Member, Touch Foundation Inc.
- Board Member, Global Compact Network Kenya
- Board Member, Integrated Payment Services Ltd Kenya

Previous roles
- Managing Director, Absa Bank Tanzania Limited
- Acting Managing Executive, Retail and Business Banking Absa Regional Operations
- Chief Operating Officer, Absa Bank Kenya
- Retail and Business Banking Director, Absa Bank Kenya and Absa Zambia
- Operations Efficiency Manager, Barclays Global Retail & Commercial Banking, London

Qualifications
- Bachelor of Commerce (Hons) - Kenyatta University
- Masters Business Administration (MBA) – Edith Cowan University
- Advanced Management Programme (IMD Business School – Switzerland)

Yusuf Omari
Executive Director and Chief Financial Officer
Appointed to Board: June 2009
Committee membership: None
External roles and memberships
- Board Member, University of Nairobi Enterprise Services

Previous roles
- Head of Compliance, Barclays Kenya
- Head of Internal Audit East and West Africa, Barclays Kenya
- Senior Auditor, KPMG
- Board Member, Institute of Certified Public Accountants of Kenya (ICPAK)

Qualifications
- Professional Affiliation: Fellow of the Institute of Certified Public Accountant (FCPA)
- Sustainable Finance (ESG) - London School of Economics
- Global CEO Programme – Yale School of Management
- Advance Management Programme - IMD Switzerland
- Advance Management Programme - Strathmore Business School & IESE - Spain
- Master of Business Administration (MBA) - Strathmore Business School
- Certified Internal Auditor - Institute of Internal Audit
- Certified External Assessor
- Hons Bachelor of Economics - University of Nairobi - Kenya

Patricia Ithau
Independent Non-executive director
Appointed to Board: March 2016
Board Chairperson: Absa Securities Limited
Committee Chairperson: CGNRC
Committee membership: ARC

External roles and memberships
- CEO and Executive Director - WPP-Scangroup PLC
- Non-executive director - Jambo Jet Ltd
- Non-executive director - Vivo Activewear Ltd
- Trustee - Vodafone Foundation UK
- Trustee - M-Pesa Foundation
- Non-executive director - British Chamber of Commerce and Industry
- Non-executive director – Palms Residents Group Limited
- Chairperson, Kenya Millenium Development Fund Board

Previous roles
- Regional Director - Stanford Institute for Innovation in Developing Economies - Seed
- Managing Director - L'Oreal East Africa Ltd
- Managing Director - EABL International
- Managing Director - Uganda Breweries Ltd
- Non-executive director - Trade and Market East Africa Ltd (TMEA)
- Non-executive director - Kenya Private Sector Alliance (KEPSA)

Qualifications
- Advanced Management Programme (AMP) Strathmore University and IESE Business School
- MBA - United States International University
- B.Com (Hons) University of Nairobi
- Certified Emotional Intelligence Practitioner - Genos International
- Accredited Executive Coach - Academy of Executive Coaching

Japheth Olende
Independent Non-executive director
Appointed to Board: March 2018
Board Chairperson: Absa Bancassurance Intermediary Limited
Subsidiary Board Membership: Absa Asset Management Limited
Committee Chairperson: CC
Committee membership: CGNRC

External roles and memberships
- Board Member, Jumbo Chem Company Limited
- Board Member, Ler Ltd
- Executive Director, OBG Company Limited
- Board Member, Kenya Broadcasting Corporation

Previous roles
- Board Member, Retirement Benefits Authority
- Board Member, AIG Kenya Insurance Company
- Board Member, AIG Uganda Insurance Company
- President, American Chamber of Commerce Kenya Chapter
- Director, Association of Kenya Insurers
- Director, Eagle Eye Laser Centre

Qualifications
- Bachelor of Commerce (Hons), University of Nairobi
- Chartered Insurer, CII London
- Member, Institute of Directors
- ARC Audit and Risk Committee
- CC Credit Committee
- SC Strategy Committee
- CGNRC Corporate Governance Nominations and Remuneration Committee

Louis Onyango Otieno
Independent Non-executive director
Appointed to Board: March 2018
Board Chairperson: Absa Asset Management Limited
Committee Chairperson: SC
Committee membership: ARC

External roles and memberships
- Board Member, Nation Media Group PLC
- Chairman, Airtel Networks Kenya Ltd

Previous roles
- Director, Corporate Affairs, Microsoft 4Afrika
- General Manager, East and Southern Africa, Microsoft Corporation
- President, American Chamber of Commerce - Kenya

Our Board of Directors continued

- ICT Advisor to the Presidents of Tanzania, Uganda and Mozambique
- ICT Advisor, COMESA Business Council
- Board Member, Kenya Vision 2030
- Board Member, Red Media Africa (Nigeria)
- Board Member, Enablis East Africa
- Board Member, Fintech International

Qualifications
- MBA, Long Island University
- BSc (Hons) Computer Science, Mercy College

Charles Njenga Murito
Independent Non-executive director
Appointed to Board: June 2020
Committee membership: CC, SC

External roles and memberships
- Regional Director, sub-Saharan Africa, Government Affairs and Public Policy, Google

Previous roles
- Country Director, Google Kenya
- MD and Chief Commercial Officer of Programming, Wananchi Group (Zuku)
- Director, Business Development, Middle East and Africa, Turner Broadcasting (Europe)
- Senior Manager, Programming Strategy, Turner Broadcasting (Europe)
- Chief of Staff to the President, Warner Bros. Entertainment Inc.
- Brand and Sales Manager, East Africa, MTV Networks Africa
- Sales Executive, Content Sales, Domestic TV Distribution, Warner Bros. Entertainment Ltd

Qualifications
- MBA, Entertainment Business and Finance, Cass Business School, London, 2011
- Bachelor of Science, Psychology and Management, Woodbury University Burbank, California, 2000

Fulvio Tonelli
Non-executive director
Appointed to Board: October 2020
Committee membership: ARC, CC, SC

External roles and memberships
- Board Member, Absa Group Limited
- Chairman, Independent Regulatory Board of Auditors
- Non-executive director, the Ethics Institute

Previous roles
- Partner, Chief Risk Officer, Chief Operating Officer, PwC South Africa
- Qualifications
- BCom (Honours), The University of Witwatersrand, Johannesburg, SA
- BCom, University of The Witwatersrand, Johannesburg, SA

Christine Sabwa
Independent Non-executive director
Appointed to Board: February 2022
Committee Chairperson: ARC
Committee membership: CC
Director: Absa Asset Management

External roles and memberships
- Managing Partner, Sabwa & Associates
- Board Member, Britam Life Assurance Kenya Limited
- Board Member, Multichoice Group Limited
- Board Member, ECLOF Kenya
- Board Member, Shalom Group of Hospitals

Previous roles
- Group CFO, Stanbic Bank Kenya Limited
- COO, Airtel Money Africa
- Board Member, Spire Bank Kenya Limited
- Board Member, Royal Nairobi Golf Club
- Qualifications
- BCom (Accounting), University of Nairobi, Kenya
- Certified Public Accountant, Kenya

Kedibone Imathiu
Independent Non-executive director
Appointed to Board: 1 November 2022
Committee membership: ARC, CGNRC

External roles and memberships
- Non-executive director, AIG South Africa (Pty) Limited
- Non-executive director, AIG Life (Pty) Limited
- Non-executive director, The Federated Employees Mutual Assurance Company (Pty) Ltd
- Non-executive director, Old Mutual Investment Services Nominees (Pty) Ltd
- Non-executive director, Sekta Group (Pty) Ltd
- Non-executive director, BK Capital Group Ltd
- Director: Kazi Investments II (Pty) Ltd

Previous roles
- Co-Founder and Executive Director : Kazi Capital (Pty) Ltd, South Africa
- Fund Principal: Public Investment Corporation, South Africa
- Corporate Finance Consultant: Investec Limited, South Africa and UK
- Audit Manager and Senior Associate: KPMG, South Africa and USA
- Non-executive director, TMS Group Industrial Services (Pty) Ltd

Qualifications
- BCom, University of South Africa
- Bachelor of Accounting Science (Honors), University of South Africa
- MBA, Cranfield University, UK
- Chartered Accountant, South Africa
- Chartered Director, South Africa

Marion Gathoga-Mwangi
Independent Non-executive director
Appointed to Board: October 2024
Committee membership: ARC

External roles and memberships
- Group Chief Executive Officer, Standard Group PLC
- Non-Executive Director, Palmhouse Foundation
- Non-Executive Director, Kenya Association of Manufacturers
- Adjunct Faculty at Strathmore Business School Training – Women In Leadership programme

Previous roles
- Managing Director, BOC Kenya PLC
- Executive Positions, African Oxygen (Pty) Limited, a Linde company

Qualifications
- BSc (Hons) International Business Administration, USIU-A
- Practitioner Diploma in Executive Coaching from Academy of Executive Coaches

Anne Nyongesa
Company Secretary
Appointed to the role: 28 February 2025

Previous roles
- Head Counsel, Governance and Shared, KCB Group Plc
- Head of Legal and Company Secretary, Rafiki Microfinance Bank
- Assistant Group Company Secretary, Britam Holdings Plc
- Legal Manager, Consolidated Bank
- Legal Documentation Manager, KCB Group Plc

Qualifications
- LL.M, Commercial Law, University of South Africa
- LL. B, University of Nairobi
- Diploma in Law, Kenya School of Law
- Diploma in Business Management, Kenya Institute of Management
- Associate Diploma in Banking, Kenya Institute of Bankers
- Certified Governance Auditor, Institute of Certified Secretaries
- Practicing Certified Public Secretary (Kenya)

ARC	Audit and Risk Committee
CC	Credit Committee
CGNRC	Corporate Governance Nominations and Remuneration Committee
SC	Strategy Committee

Our Country Management Committee

Our management committee is a diverse and experienced management team comprising the Chief Executive Officer, Chief Financial Officer and 10 other members in senior management.

Abdi Mohamed
Managing Director and Chief Executive Officer

Yusuf Omari
Chief Financial Officer

Moses Musyoka-Muthui
Director, Consumer Banking

James Agin
Executive, Corporate and Investment Banking

Chiera Waithaka
Chief Risk Officer

Christine Mwai-Marandu
Director, Country Credit

Mumbi Kahindo
Chief People Officer

Ken Kanyarati
Director, Legal and Compliance

Sharon Ingari
Chief Internal Auditor

Elizabeth Wasunna-Ochwa
Director, Business Banking

Julius Kamau
Chief Operating & Digital Officer

Mwihaki Wachira
Director, Marketing and Corporate Affairs

Detailed biographies of our Country Management Committee members are available on our website.

Corporate Governance Statement

The Board of Directors (the "Board") of Absa Bank Kenya Plc (the "Company" or the "Bank" or "Absa") regards Corporate Governance as key to the achievement of the Company's mission and vision, and is therefore committed to the highest standards thereof. In this regard, the Board has adopted Corporate Governance principles and practices that are in compliance with the requirements of the Companies Act, No. 17 of 2015 (the "Companies Act"), the Capital Markets Act, Chapter 485A (the "Capital Markets Act"), the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the "Code"), the Capital Markets (Public Offers, Listings and Disclosures) Regulations of 2023 (the "POLD"), the Central Bank of Kenya Prudential Guidelines (CBK Prudential Guidelines), King IV Report on Corporate Governance in South Africa (King IV Code), the Absa Group Corporate Governance Framework and Corporate Governance best practice (together "the Corporate Governance Framework").

The Board recognises its responsibility to the Company's stakeholders, and has therefore, jointly with Management, formulated appropriate strategies and policies for the long term sustainability of the Company. These are hinged on the Company's vision and mission and the broad strategic objectives of the Company. The Vision, Mission and strategic objectives as set out below, are at the centre of our Corporate Governance Framework, and influence all actions towards the maximisation of value not only for our shareholders, but for the broader key stakeholder groups.

At Absa, our purpose *is Empowering Africa's tomorrow, together...one story at a time*

The Bank aspires to be a truly purpose-led organisation. This means we are deeply committed to positive contribution to the world around us and putting our purpose at the heart of everything that we do. Our purpose serves as the 'North Star', illuminating our reason for existence.

At Absa, we have 5 values that are essential to what we do:

1. **Trust** - We believe in ourselves and each other
2. **Resourceful** - We innovate for our colleagues, clients and communities
3. **Stewardship** - We take actions today that sustain our tomorrow
4. **Inclusion** - We are stronger together
5. **Courage** - We show up as our authentic selves to own our story.

Our Aspirations

- **For our people,** we will create a culture that appreciates, unifies and differentiates us from our competitors
- **For our customers,** we will create unprecedented, seamless experiences to engage and delight while adding value
- **For society**, all our employees will lead with a conscience, doing their best for people and for the planet.

Our strategy for 2023 - 2027 is founded on three priorities and three enablers

Our Three Strategic Priorities

1. **A modern-day consumer financial services business** - Our ambition is to build a scalable consumer banking business that is digitally enabled to drive reach, targeting a significant increase in profitable customers.
2. **A market leader in Business Banking** - Our ambition is to expand our reach towards market leadership through enhanced physical and digital distribution, innovation of our propositions and a step change in customer experience.
3. **A leading Corporate and Investment Bank in connecting ecosystems** - Our ambition is to build a leading Corporate and Investment Bank (CIB) in connecting client ecosystems. Our objective is to deliver integrated capabilities and in doing so, become the primary partner for our clients.

Our Three Strategic Enablers

1. **A digitally powered business** - Our ambition is to build a digitally powered bank through, among others, sustained investments towards modernising our technology chassis, executing a digital transformation programme leveraging cutting-edge cloud-based technologies, enabling scale in partnership and acquisition through the launch of an Open API Gateway.
2. **A trusted brand driving a sustainable future** - Our ambition is to become the number one Trusted Financial Services Brand in Kenya. This effort will involve building a locally relevant, always-on brand that drives a sustainable future and being a "Force for Good" in the communities in which we operate, while building relevance, consideration and connection with our customers, colleagues and stakeholders that will ultimately lead to brand advocacy and loyalty.
3. **A home of talent and diversity** - Our ambition is to build a home of talent underpinned by a culture that fosters innovation and embraces all forms of diversity and inclusion, being cognisant of the evolving needs of colleagues.

At the heart of these strategies and policies is the important pillar of Corporate Governance, one of the three pillars of the Company's ESG agenda. In this regard, the Board is keen in ensuring that it is fostering a culture that values ethical behavior, integrity and the need to conduct the business and operations of the Company in accordance with the generally accepted Corporate Governance principles of accountability, fairness, probity and integrity, transparency, efficiency and effectiveness, while recognising the legitimate interests of various stakeholders.

The Corporate Governance Framework serves as a comprehensive guide to the Company in navigating the complexities of the operating landscape. The Board utilises the Corporate Governance Framework as a compass for decision-making and steering the Company towards long-term success and resilience in the financial sector.

The Board regularly assesses compliance with the Corporate Governance Framework and confirms that for the year under review it has complied with all material governance principles. The Board seeks to adopt best practice in matters governance and therefore constantly seeks to go beyond regulatory requirements in matters where it considers that the same will add value to the Company's stakeholders.

The Board

The Articles of Association vest the governance of the Company in the Board of Directors. The Board is committed to providing strategic direction, the necessary support and advice to Management and to fulfilling its fiduciary duties, demonstrating reasonable skill, care and diligence as stipulated under the Corporate Governance Framework.

The Board is composed of eleven Directors whose profiles are set out at page 98 to 100 of this report.

Responsibilities of the Board

The Board is clear on its role and responsibilities. During the year under review, the Board appointed a consultant to undertake a comprehensive review of the Corporate Governance Framework and to update its Board and Committee Charters with a view to ensuring that they are aligned to the latest developments in Corporate Governance. The Board is confident that these Charters reflect best practice and provide it with the necessary guidance in the performance of its role and responsibilities. The Board Charter, which alongside Committee Charters are now contained in a Board Manual, has also been disclosed on the Company's website as required by the Code.

The Board is also guided by a number of policies including a Code of Conduct, the Board Appointments Policy and Procedures, the Conflict of interest Policy, the Board Succession Policy and Plan, the Dispute Resolution Policy, the Stakeholder Management Policy, the Related Party Transactions Policy, the Whistle-Blowing Policy as well as a Board Diversity and Skills Matrix, all of which are contained in the Board Manual.

In line with the Board charter, the Board has diligently continued its practice of establishing an annual work plan outlining its scheduled activities for the year. The comprehensive work plan serves as a strategic guide which shapes the Board's engagements and focus areas throughout the year, enabling it to plan efficiently, focusing on the most important activities while ensuring that it is sufficiently forward looking, shaping the future of the Business and ensuring that its Board meetings are planned and executed in an effective manner.

Besides Board and Committee meetings, the Work Plan sets out other Board activities including Board development, Evaluation, strategic retreats and stakeholder engagements. The Board's Work Plan is approved before the commencement of the financial year to which it relates. For the year under review, the Board was operating pursuant to a work Plan approved on 29 November 2023.

The Board continued to provide oversight over the successful implementation of strategy in a year that had many challenges and was pleased with the Company's ability to navigate and to overcome those challenges, without losing sight of the overall strategic destination. In this regard, some of the key select decisions made by the Board during the year include;

- the approval of the strategic initiatives for the period 2024-2026 and the financial medium term plan to be implemented by management;
- the review and approval of the Company's 2025 Strategy Execution plan and Scorecard;
- the continued monitoring of the implementation of the strategic initiatives as well as strategy enablers;
- the continued oversight of the implementation of the Bank's sustainability program;
- approval of the appointment of Ms. Marion Mwangi as a Director;
- approval of the appointment of Mr. Louis Otieno as Lead Independent Director;
- the enhancement of the director pipeline and identification of director candidates, with the help of an external recruitment agency;
- approval of the 2024 audited financial statements and recommending of a final dividend;
- approval of the Internal Capital Adequacy Assessment Process (ICAAP);
- approval and launch of the 2024 sustainability report;
- approval and launch of the Absa Kenya Foundation;
- the consideration and approval of various significant capital expenditures and investments;
- the continued oversight of the risk management framework, ensuring that Management maintain a system of internal control incorporating the combined assurance model which provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations;
- the review of the succession plan for the Management team and the continued oversight of the recruitment, development, motivation and retention of the right talent;
- approvals of policies spanning the entire business;
- Set the Company's risk appetite within which management is expected to operate;
- Provided oversight over performance against targets and objectives; and
- the provision of oversight over the activities of the subsidiaries of the Company.

During the year under review, the Board increased its involvement in high-profile stakeholder engagements, always ensuring that its involvement was at the right level and without stepping in to the management arena. The Board onboarded a new Independent Non-Executive Director, and undertook a rigorous recruitment process for Directors to be onboarded in 2025 after obtaining regulatory approvals. There was also continued implementation of recommendations from the Governance and Legal and Compliance Audits.

In October 2024, the Bank launched the Absa Kenya Foundation through which the Bank will pursue its societal intentions while deploying its competencies to enhance social advancement and partnerships.

In order for it to effectively discharge its role, the Board has clarified for Management the information it needs, and in the period under review, Directors received all relevant information for the discharge of their obligations in an accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues.

The Chairman

The Chairman leads the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities including setting its agenda to ensure substantive discussion on strategy, performance and key value issues. In this capacity, he works with Committee chairpersons to ensure that there is alignment and congruence of Committee activities to priorities and responsibilities of the Board.

The role of the Chairman is clearly set out in the Board Charter, and amongst other roles, he ensures that the Board leads ethically and effectively, conducting itself in a way that cultivates and exhibits the characteristics of integrity, competence, responsibilities, accountability, fairness and transparency. He encourages collegiality, teamwork and collaboration among Board members and ensures that the Board fulfils its fiduciary duties for the long-term sustainability of the Company. The Chairman leads the annual Board evaluation process in order to ensure that the Board remains a high performing Board, always collaborating with the Managing Director, Chief Financial Officer, and the Company Secretary to guarantee that Directors receive accurate, timely, and clear information about the Company's business and operations to enable the Board to fulfil its obligations effectively.

Corporate Governance Statement continued

The Managing Director

The Managing Director is appointed by the Board and bears delegated responsibility for the Company's day to day management, including stakeholder management, risk management and internal controls, leading the Country Management Committee and ensuring the effective management of the Company's human resources, developing talent for the future needs of the Company. Once the Board has approved the strategy, it endorses the Medium-Term Plan and annual budget aligned with the strategy and thereafter provides oversight as the Managing Director implements the approved strategy. The Managing Director ensures accurate and timely reporting to the Board and its Committees and is empowered to seek the Board's assistance whenever needed. Whereas the roles of the Chairman and the Managing Director are distinct, they maintain frequent contact with each other and other Board members throughout the year outside of the formal meetings.

The responsibilities of the Board and Management are also separate, clearly articulated in the Board Charter and understood by the Board and Management. The Board and Management have maintained an open, cordial and symbiotic relationship ensuring regular communication, whilst at the same time respecting the boundaries between their respective roles. During the year under review, the Board and Management had regular engagements including during Board development programmes and strategy retreats.

The Lead Independent Director

During the year, the Board introduced into the board structure the role of Lead Independent Director and upon consideration of the key qualifications appointed Mr. Louis Otieno as the Lead Independent Director effective 1 July 2024. The introduction of this role will not only formalise the current role of Board Emergency Chair but strengthen the role to include other tasks. The holder has specific tasks outlined in the Board Charter which are all triggered by the occurrence of specified events. The role of the Lead Independent Director is to support the Chairman and the Board in three broad areas :

- supporting the Board by serving as an alternative communication channel for Board members who might not be comfortable with the Chairman on any significant matter or have concerns that have not been fully or properly addressed by the Chairman;
- leading the Chairman's annual performance appraisal discussions as a proxy for the Board; and
- in a period of Chairman transition, supporting the Nominations Committee in its search for a new Chairman (if not a candidate for role) and helping the new Chairman settle in role.

The Company Secretary

The Company Secretary is an employee of the Company and a registered practising member of the Institute of Certified Secretaries of Kenya (ICS) in good standing. The office holder offers dedicated practical support to the Board, its committees and to individual board members.

During the year 2024, this vital role was played by Mr. Wilson Murage who was appointed Interim Company Secretary on 12 October 2023 and was confirmed in the role on 28 May 2024 following receipt of regulatory approvals. Anne Nyongesa was appointed as the Company Secretary of Absa Bank Kenya PLC effective 28th February 2025.

As the custodian of governance, the Company Secretary ensures compliance with legal and regulatory requirements while supporting the effective functioning of the Board. Acting as a key advisor, the Company Secretary facilitates transparent communication among Board members, ensures regular review of the Corporate Governance Framework including the Company's Articles of Association, Board and Committee Charters, maintains accurate records and guides the Board in adhering to best practices.

In particular, for the year under review, the Company secretary ensured the timely induction of a new director, the periodic development of Board members, with each Board member achieving the required continuous development hours, the development of the annual Board and Committee work plans, coordinated the Board Evaluation exercise, coordinated the comprehensive review of the Board Charter and Committees terms of reference and maintained the statutory registers among other functions.

The performance of the Company Secretary was assessed by the Board as part of the annual Board performance evaluation process.

Board size and composition: fostering diversity, expertise and strategic alignment

The size and the composition of the Board as determined by the Board is in accordance with the Articles of Association, the Board Charter and relevant laws.

The Board comprises Executive Directors, Non-executive directors and Independent Non-executive directors as required by the Code. Two out of eleven are Executive Directors, one is a Non-executive director while eight, being the majority of the Board are Independent Non-executive directors. The Chairman of the Board is an Independent Non-executive director.

The Board is deliberate about its size and composition, regularly assessing the required blend of skills, expertise and experience among other diversity requirements based on the Company's strategy, future sustainability and stakeholder needs, and is confident that collectively, the Directors possess the necessary qualifications, skills and diversity commensurate with the size, complexity and risk profile of the Company and that its size is similarly appropriate. As diversity is a key principle of the Absa Way Code of Ethics, the Board has developed a detailed Diversity and Skills Matrix that guides it in identifying any deficiencies or gaps in its composition, and therefore the basis for recommending potential Directors for appointment and election to the Board or developing existing ones in order to enhance effectiveness. The Diversity and Skills Matrix is aligned to the Company's strategy and has set out the desired diversity requirements including personal attributes as well as non-skills considerations.

Board nomination and appointment: Ensuring excellence

The Corporate Governance, Nominations and Remuneration Committee (the "Nominations Committee") ensures that there is a meticulous process for selecting Board members. The Nominations Committee outlines precise criteria for selection and ensures that the same is aligned to gaps identified based on the Diversity and Skills Matrix. The Committee leverages the extensive networks of the Board or the support of professional consultants, where needed to identify candidates who meet the selection criteria.

Once identified, the candidates undergo rigorous vetting and thorough assessments, considering non skill criteria such as ethical standards, diversity and alignment with the Company's culture and mission. The Nominations Committee requires potential Directors to disclose any potential conflict and reviews the nature of the candidates' other interests and the likelihood of any actual or potential conflict of interest in order to satisfy itself that the Directors' commitments will not hinder their ability to act in the best interests of the Company.

Re-appointments to the Board for a further term is dependent on good performance, with the Nominations Committee assessing the Director's performance and fit on the Board before making the necessary recommendations to the Board. In this regard, the Nominations Committee is also guided by the Diversity and Skills Matrix.

Corporate Governance Statement continued

All candidates must meet the Central Bank of Kenya ("CBK") "fit and proper" requirements and receive regulatory approval before their appointment is confirmed. Upon appointment, each Director is issued with a detailed letter of appointment setting out the terms and conditions of service, and each Director is expected to accept their appointment in writing. The Chairman has a specific letter of appointment as Chairman of the Board.

Pursuant to this process, Ms. Marion Gathoga-Mwangi was appointed to the Board on 2 October 2024 as an Independent Non-executive director, having received Regulatory approval.

Directors' induction and continuing development: nurturing leadership excellence

In line with the Corporate Governance Framework, the Company has put in place a formal immersive Board induction program designed to give Directors an in-depth understanding of the Company's history, vision and values as well as its business, familiarise them with the Board, legal, regulatory and governance framework and give them an understanding of their individual roles and expectations, thereby equipping each new Director with appropriate knowledge, tools, and connections which they need to effectively discharge their duties. All newly appointed Directors participate in the induction program within the first three months of their appointment. As part of their induction, newly appointed Directors also meet senior Management, the Company Secretary and the Chairman of the Board before their first Board meeting.

The Company understands the pivotal role continuous learning plays for Board effectiveness, and through the Nominations Committee ensures that a competence needs assessment is carried out periodically and an annual development plan, for a minimum of 12 hours per Board member per year, is put in place to address identified gaps. The plan is designed to empower and equip the leadership with the latest industry trends, legal and regulatory changes, developments in governance, strategic insights and other skills necessary to steer the Company. The plan takes into account Directors' training and development needs identified through their one-on-one engagements with the Chairman and feedback from the annual Board performance evaluation.

The approach to Board development involves engaging Directors in thought-provoking seminars, workshops and curated learning modules facilitated by local and overseas experts. Each of the Board Members who was in office for the whole year 2024 achieved the minimum prescribed twelve hours of Board development on governance related matters. The Board members also engaged in personal development sessions beyond those offered by the Company.

There were four scheduled Board trainings in the year focusing on emerging trends in Corporate Governance, the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 the role of the Board and Management in compliance, masterclasses on exponential technology risks, challenges and opportunities, how boards can navigate the macroeconomic landscape to make strategic decisions and Environmental, Social and Governance (ESG) and sustainability for business opportunities. Other trainings focused on emerging trends on data privacy, AML/CFT/CPF and Treat Customer Fairly Guidelines. The Board also workshopped on the global approach to Corporate Governance Practices for Boards as well as increased role of corporate governance for sustainability, IFRS sustainability disclosure standards, sustainable finance product standards and Board oversight over digital transformation and innovation.

Board succession planning: Fostering continuity

The Company's Articles of Association require a third of the Non-Executive Directors and Independent Non Executive Directors to retire by rotation at every AGM and to present themselves for re-election, if eligible. The Directors who retire from office by rotation each year are those who have served the longest term in office since their last election. While the Board Charter limits the term of a Non-Executive Director to nine years for all Board members appointed prior to 2023 in line with the Code, the POLD, together with the revised Board Charter further limit the term of office of newly appointed Independent Non-Executive Director to six years.

The Board manages its succession planning with the assistance of the Nominations Committee in order to maintain an appropriate balance of skills and experience and to ensure progressive refreshing of the Board. The Committee has put in place a succession plan for the Board and key roles within the Board including Executive Directors. In this regard, a third of the Non-Executive Directors will retire by rotation at the Annual General Meeting this year and present themselves for re-election, if eligible.

The Board also maintains a succession plan for senior Management and key roles within the Company. The Nominations Committee is responsible for ensuring that the succession plan is reviewed regularly and that the necessary interventions are in place, taking into account the work place trends, to ensure that the Company is not exposed to the risks that come with gaps in the organisational structure.

Conflict of interest and independence: Upholding transparency and integrity

All Directors and employees are expected to avoid activities and financial interests that could undermine their responsibilities to the Company. The Directors are expected to steer clear of situations where their personal interests could conflict or be perceived as conflicting with those of the Company. While Directors declare any conflict of interests upon appointment, a Director with an actual or potential conflict of interest in relation to a matter before the Board or Committee is required to disclose such interest and to recuse himself or herself from the discussions relating to the matter in question.

In this regard, declaration of conflict of interest is a standing agenda item during Board and Committee meetings. In addition, Directors are required to immediately notify the Chairman and Company Secretary of any potential conflicts of interest as soon as they become aware of them. Where a conflict is material or of an ongoing nature, the Board will consider it and may call upon the Director to resign, if necessary, to proactively manage the conflict.

In addition to declarations made during Board and Committee meetings, the Board has an established practice where every quarter, Board members declare their interests and sign attestations. The declared interests are then tabled at the Board meeting, discussed and noted by the Board.

The Directors who acquire shares in the Company are expected to disclose the interest acquired. This enables the Company Secretary to maintain an up-to-date Directors' interests register. The table below shows the directors' interests in the Company in the year ended 31 December 2024: -

Director	Number of shares in the Company
Abdi Mohamed	10 000
Yusuf Omari	100 000

Corporate Governance Statement continued

To ensure Director independence, assessments are conducted annually in line with the criteria specified in the Board Charter, Prudential Guidelines, Corporate Governance Code and best practices. Independent Board members are obliged to confirm annually their sustained independence through an evaluation of the independence criteria. This systematic evaluation enables the Board to gauge its overall level of independence in the execution of its duties. The evaluation of Directors' independence also scrutinises their capacity to provide an unbiased challenge to Management, question assumptions, beliefs, or perspectives, advocate for their own convictions in support of the organisation, engage in constructive questioning and debate, and appropriately scrutinise information and responses provided by Management.

Based on the annual declarations of independence and the assessment of Directors' independence, the Board is satisfied that all the eight Independent Non-executive directors (including the Chairman) are independent as defined in regulatory guidelines and that the Company is in compliance with legal and regulatory requirements because the majority of its members are independent Non-executive directors.

Board performance and evaluation: Sustaining effectiveness

On annual basis, the Board evaluates its performance, that of individual Directors, the Chairman, the Managing Director and Company Secretary as well as that of its committees as required by CBK, the Capital Markets Authority ("CMA") and best practice. The evaluation is facilitated externally after every two years.

In 2024, the Company conducted Board Evaluation internally, using a tool developed externally by Dorion Associates LLP. The detailed evaluation tool examined the balance of the skills of the Directors, the operation of the Board in practice, including governance issues, and the content of the Board meetings. Feedback from the process was used to identify opportunities to improve the performance of the Board and the Directors. The evaluation tool also included a series of questions for each Director to assess their own performance and the performance of each other as well as to identify development opportunities. The Board evaluation results were presented to the CBK in March 2025 in line with the regulatory requirements.

The Board has fully deliberated on the results of the Board Evaluation, and the Chairman has held one on one sessions with individual Directors with a view to discussing their performance and to identify and development needs, support required or areas where the Directors desire to add more value. The Chairman, in turn, has had discussions with the Lead Independent Director on his performance during 2024. Each Board sub committee also held a review session with the members of the respective sub committee.

The implementation of the recommendations from the 2024 evaluation are being closely monitored by the Nominations Committee.

Directors' emoluments

The Board has put in place a Board Remuneration Policy and the amount of emoluments paid to each Director including benefits enjoyed for services rendered during the financial year 2024 are disclosed in the notes to the financial statements, and more particularly set out in the Director's Remuneration Report contained at pages 122 to 125 of this report. The Shareholders will be requested to approve the Board Remuneration Policy at the Annual General Meeting held May 2025.

Compliance with Laws, Regulations and Standards

Compliance with all applicable laws, regulations and standards is a fundamental aspect of the Company's Corporate Governance Framework. The Company has put strategies in place to ensure that Management continuously monitors the evolving regulatory landscape and best practices in the banking industry and timeously proposes updates the Company's frameworks, policies, practices and procedures to align with any noted developments, in many instances being ahead of regulations. The Board through the Audit and Risk Committee monitors the Company's compliance with all legislation, regulation, codes, standards and internal policies, ensuring that there is in place a robust compliance framework that adheres to all local and applicable international laws and regulations. During the year under review, the Board in particular was focused on data collections in relation to the newly introduced IFRS S1 and IFRS S2 issued by International Sustainability Standards Board.

While all the Board Committees focus on compliance in relation to their mandates, the Corporate Governance, Nominations and Remuneration Committee and the Audit and Risk Committee in particular have a broad view of the Company's overall status of compliance through the Governance Audit on the one hand and the Legal and Compliance Audit, internal and external audit reports and legal and compliance reports respectively.

Through these reports, the Board is confident that there is no known material non-compliance with laws, regulations and standards, or any material departures from required compliance including with internal policies.

Strategic planning process

The Board is responsible for creating and delivering sustainable shareholder value and ensuring that the interests of shareholders and other stakeholders are protected. In order to do this, the Board has determined the strategic objectives and policies of the Company to deliver long-term value. The Strategy Committee of the Board is charged with the responsibility of oversighting the strategic planning and implementation process, ensuring that the same is an agile and dynamic ongoing process that allows for regular review and updating of strategies based on market changes and new opportunities or threats, all the while ensuring alignment to the Company's mission, values and long-term vision.

The Board has approved a 5-year strategy for the period 2023 to 2027. In addition, and for the period under review, the Board approved the annual business plan supported by an agreed budget. The plans take into account identified risks and opportunities.

The Board held a two-day board strategy off-site session where the Board evaluated and re-affirmed the strategy and held robust discussions on implementation progress, risks facing the strategy implementation, the need to pivot, the focus areas for the future. The Board also delves into deeper into the forces impacting the business and the industry. During the session, the Board adds tremendous value to strategy discussions helping shape and challenge the strategy and its underlying assumptions as conditions change. The Board also examines whether critical alignments are maintained (e.g., strategy, risk management, key performance indicators (KPIs), controls, incentives, and talent) as strategy is recalibrated. At the end of the retreat, areas of improvements and recommendations are discussed and actions developed are followed-up and tracked by the Board.

Corporate Governance Statement continued

Governance Audit

In line with CMA guidance by way of circular, the Company did not commission a Governance Audit during the year but continued to resolve the issues raised in the prior audit.

In addition, during the year, CMA assessed the Company's status of implementation of the Code as set out at page 118 of this report.

Legal and Compliance Audit

During the year, the Board of Directors commissioned a Legal and Compliance Audit by the law firm of Mohammed Muigai LLP to confirm the level of compliance with legal and regulatory requirements. The report and recommendations are under consideration.

Access to information and independent advice: Empowering Informed decision-making

The Company upholds the principle that informed decisions drive success. Accordingly, the Company ensures that Directors have unfettered access to comprehensive information and independent advice when needed, fostering a culture of informed decision making and sound governance.

In practice, where the Board or its Committees determine the need for independent professional advice, the Company through the Company Secretary avails such a resource at the Company's expense.

Appreciating that the Board accesses and comes into contact with critical information, the Directors are expected to strictly adhere to the provisions of the statutes applicable to the use and confidentiality of information.

Championing Sustainability: The Environmental, Social and Governance (ESG) commitment

The Board of Directors plays a critical role in ensuring Absa's commitment to sustainability is upheld and strengthened as an integral part of corporate strategy and governance. This is demonstrated through its continued adherence to the approved sustainability commitment of November 2020 that aligns with the Sustainable Development Goals, the Paris Climate Agreement, and the UN Global Compact Principles among others.

The Board achieves this through actively assessing and approving strategies which embed sustainability into the business model, fostering innovation and resilience. The Board also acknowledges environmental, social and governance risk, guides Management in mitigating these risks and seizing opportunities for sustainable growth. The Board also ensures transparent and robust reporting on sustainability performance through the Sustainability Report. The Bank, on 3 October 2024 launched its sustainability report for the year under review.

The Board has developed ESG policies focused on each of the three pillars. The Strategy Committee is responsible for overseeing the embedding and implementation of ESG considerations into the strategic planning process, policies and day to day practices of the Company. The Board, through this Committee has ensured the development, implementation and regular review of value-led ESG policies, strategies and initiatives aligned to the broader strategy of the Company. This has included the setting of sustainability targets and incorporating ESG risks and opportunities into decision-making in line with the Enterprise Risk Management Framework and the Strategic, Sustainability and Reputational Risk (SSR).

Details on the sustainability commitments and how they are embedded into the Company's wider business units and integrated into its operations can be found in the 2023 Sustainability Report, which is available on the Company website (www.absabank.co.ke).

Risk Governance: Guiding resilience

The Board has implemented a comprehensive Enterprise Risk Management Framework to identify, assess, and manage risks across all areas of the Company's business. The Framework aligns with the Company's risk appetite and regulatory requirements, prudential capital and liquidity requirements as well as the strategic and business priorities, safeguarding the Company's financial health and reputation. The Board through the Audit and Risk Committee provides vigilant oversight and strategic guidance to ensure that the Company is resilient in the face of increased uncertainty and in the context of the evolving geo-economic and geo-political shifts. The Committee is responsible for ensuring that both strategic and operational risks are identified and managed in accordance with the processes set out in the Enterprise Risk Management Framework.

The Board sets and regularly reviews the Company's risk appetite and tolerance levels, monitoring the effectiveness of the Enterprise Risk Management Framework which sets out a number of policies related to risk management, and making changes to it, as necessary. The Risk Management Policy's key provisions are set out at pages 36 to 40 at this Report.

Internal controls: Safeguarding the Company and its objectives

The Board through the Audit and Risk Committee ensures that the Company has a defined framework for internal controls to ensure the integrity of the assets of the Company and the reporting of complete and accurate financial information. The framework includes the segregation of duties, authority levels for approval transactions, physical controls for assets, decision-making protocols and Enterprise Resource Planning systems including accounting systems with financial and operational performance measurement indicators.

The Board, through the Audit and Risk Committee assesses the effectiveness of the systems of internal controls especially through the reports of both internal and external auditors.

Internal Audit

The Internal Audit function reports to the Board through the Audit and Risk Committee. The function is independent of Management and is not involved from an operational perspective in the activities it reviews. Internal Audit provides assurance that the design and operation of the Company's risk management and internal control systems are effective and that the Company's assets are safeguarded.

A risk-based audit approach is used to ensure that the annual audit Work Plan, which is approved by the Audit and Risk Committee targets the higher risk activities. All audits are conducted in a manner that conforms to international auditing standards.

The Audit and Risk Committee met the Head of Internal Audit at least twice a year without the presence of Management to deliberate on any critical matters during the period under review including any challenges experienced. The internal auditor was audited by an external auditor and satisfactory report was provided by Ernst & Young Advisory Services (Pty) Limited, South Africa.

Corporate Governance Statement continued

Relationship with the External Auditor

The Audit and Risk Committee oversees the selection appointment and relationship with the external auditor including the requirement to review their performance and to ensure their independence. The Audit and Risk Committee oversights the work of the external auditor, reviewing and approving the audit plan, including the scope of work, focus areas, and timelines to ensure that the same covers all critical areas, especially those related to financial risks and internal controls, and ultimately the effectiveness of the external audit process and the responsiveness of Management to the audit findings. The Committee meets with the External Auditor in the absence of Management at least twice a year.

IT Governance: Leveraging Technology for growth

The Board recognises the importance of information technology in the success of the Company and seeks to ensure that technology enables and supports the Company's strategic objectives, while managing the attendant risks. Following a review of the Digital Maturity Strategy, the Board has approved digital maturity investments focused on modernising technology and supportive infrastructure to leverage the power of modern digital and innovative solutions to drive new business paradigms, serve and delight our customers, enable operational excellence and drive value for our stakeholders.

The Board is committed to robust IT governance and has approved an IT policy and strategy to ensure that investments in this regard deliver value for money, are stakeholder centric and focus on improved integration to deliver flexibility and performance while ensuring that any attendant risks are effectively managed. The Board has also ensured that there is a renewed focus on cybersecurity to establish resilience and on data privacy to ensure compliance with best practice and applicable laws.

Transparency and disclosure: Fostering accountability

The Board is committed to transparent communication with stakeholders, providing timely and accurate information and reporting on financial performance, governance practices, and strategic initiatives. In addition to the Annual Integrated Report for the period under review, the Company published and released its Sustainability Report for the same period on 3 October 2024. Stakeholders are kept informed on material developments through a robust website: https://www.absabank.co.ke/investor-relations/, the publication of full year, half year and quarterly financial results in the press and on the Company's website. There are also quarterly investor briefings per annum for investors.

On its website and media platforms, the Company disseminates crucial information on its approach to corporate citizenship and ESG and the Company's significant impact on society.

The Company also files monthly investor returns to meet the continuing obligations as prescribed by CMA and the Nairobi Securities Exchange (NSE). The complete list of Shareholders is also filed annually with the Registrar of Companies as prescribed by the CMA Corporate Governance Code and the Companies Act. The list of top thirty direct shareholders as at 31st December 2024 is contained at page 34 of this report. The Company releases material information to CBK, CMA and NSE in line with all disclosure requirements in the CBK Prudential Guidelines, the Capital Markets Act, and applicable regulations.

Periodically there are press releases announcing any major company developments, which could be considered as being price sensitive information. During the year under review, besides publication of financial results, the Board announced the appointment of Ms. Marion Gathoga-Mwangi as a Director on 7 October 2024 and also announced confirmation of Mr. Murage as the company secretary on 29 May 2024. In this regard, the Company also complies with the continuing listing obligations of the CMA and NSE. The Annual Report is published each year on the Company's website together with the notice of the Annual General Meeting.

Code of ethics and ethical behaviour

The Company is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. It has put in place a Code of Ethics, the "Absa Way," which outlines its legal obligations and its values. It also sets out the acceptable behavior when engaging with our fellow employees, customers and clients, shareholders, governments, regulators, business partners, suppliers, competitors, the broader community, and how these stakeholders are expected to engage with us. The Code emphasises the importance of making the right decisions and behaving in a manner that builds respect and trust in the organisation, setting out consequences for failing to meet clear behavioural requirements.

The Company has also put in place a suite of policies and practices to promote a culture of compliance, honesty and ethical behaviour including in relation to anti-money laundering and counter-terrorism financing, whistle blower protection, gifts and entertainment, anti-bribery, and conflicts of interest. The Code of Ethics is reviewed and updated by the Board on a regular basis and distributed to all employees and Directors. The Code is disclosed on the Company's website.

The Ethics survey is conducted to assess Absa's current key ethics risks and opportunities and to measure where we are as an organisation since the implementation of the previous Ethics Management Plan. The rationale for a survey is to fulfill Absa's obligations under the King IV Report on Corporate Governance which requires that an organisation must have mechanisms in place to have ethical governance oversight and create an ethical culture. This is also to ensure proportionate representation is achieved in understanding Absa's ethical culture.

The Bank's ethics performance was assessed in an ethics survey against eight key which are Awareness of Ethics, Perception of the Ethics Function, Observing & Reporting misconduct, Pressure, Organisational Justice, Manager Perceptions, Perception of Leadership and Perception of Peers and Environment.

Compared to a previous survey conducted 2 years ago, the Bank had a marked improvement across the spectrum. There was positive growth in 7 out of 8 pillars. The growth in each pillar was at least by 3 points, and some pillars grew up to 12 points.

The results highlighted the importance of the annual ethics initiatives that are sanctioned by leadership and rolled out across the year to ensure embedment of an ethical culture within the Bank.

Whistle blowing

The Company has zero-tolerance for all forms of unethical behaviour, legal or regulatory non-compliance or questionable accounting, or other forms of inappropriate behavior and strongly encourages individuals to speak up about behaviours and practices which contradict Absa's values. The Company has in place a Whistle Blowing Policy and a whistle-blowing program that fosters an environment and culture of information sharing without the fear of retaliation and provide protection and support to whistle blowers.

Corporate Governance Statement continued

The program provides confidential and anonymous communication channels to raise concerns. These channels are supported and monitored independently by Deloitte, details of which are provided below:

Telephone Communication: Toll free number: 0800 722 626 (Kenya)

E-mail Communication : protect@tip-offs.com

There is zero tolerance for any actual or threatened act of reprisal against any whistleblower and the Company takes reasonable steps to protect a person who makes a disclosure including taking disciplinary action potentially resulting in dismissal for any person taking reprisal against a whistle-blower.

The Audit and Risk Committee receives reports on Whistleblowing on a regular basis (minimum twice a year) and holds enquiries into any issues raised.

A copy of the Whistle Blowing Policy is available on the Company's website and is subject to annual review.

Corporate social responsibility and investment

The Company recognises the challenges facing ordinary Kenyans, and seeks to be responsive, aiming to address and influence the root causes of the social challenges in society, being a "force for good". The Company has continued to make significant social investments into youth, women, and communities. In addition, as part of its 3 year Shs 100 billion commitment made in 2023, the Company continued to support MSMEs across various value chains. A full corporate social responsibility and investment report is contained in the Company's Sustainability Report and on the Company's website; https://www.absabank.co.ke/sustainability/

Restrictions on insider trading

The Company has a strict insider trading policy to which the Directors and Senior Management must adhere. As a publicly listed entity, in strict adherence to its continuing listing obligations, the Company prohibits insider trading to restrict any persons who have or may be perceived as having relevant unpublished price sensitive information from potentially profiteering or avoiding loss unfairly. In line with the approved Absa Group Securities Dealing Code, Directors, employees, and contractors (and their associates) are restricted from dealing with any securities and other financial products during closed periods as they possess insider information. They are prohibited from passing on insider information to others who may use the inside information to trade in the Company's securities.

The Company has closed periods four times a year prior to the release of the Company's financial statements during which all related persons, Directors, employees, and contractors (and their associates) must not trade in the Company securities. There were no known insider dealings within the Company during the year.

Related party transactions

The Board reviews related party transactions to assess risk and ensure they are disclosed and subjected to appropriate restrictions and controls. All related party transactions during the year under review have been considered and disclosed in the Company's audited financial statements shown at page 257 to 259 (Note 47) of this report.

Stakeholder engagement

The Board is committed to recognising the legitimate interests of all stakeholders. The Company fosters open communication and dialogue with stakeholders and has implemented its Stakeholder Engagement Policy to guide it in identifying and managing relationships with the key stakeholder groups. The policy, which is available on the Company's website, outlines the Company's stakeholder engagement principles which include consistency, collaboration, transparency, commitment, and responsiveness. Pursuant to the Policy, the Company has implemented strategies to actively engage with stakeholders, including customers, employees, shareholders and regulators, to understand their legitimate needs, expectations and interests. The Board considers these groups as the key stakeholders who may have an influence on the Company's performance and sustainability. The engagements inform decision-making and help the Company build lasting relationships based on trust and mutual respect.

In particular, the Board is committed to developing and maintaining collaborative and open relationships with all Regulators, ensuring the proactive disclosure of all pertinent information and resolving any concerns notified to the Company. In line with the foregoing, Absa had several engagements and sessions with various regulators such as Central Bank of Kenya, South Africa Reserve Bank, Capital Markets Authority among others from which valuable insights have been shared and adopted by the Bank.

The Company is also committed to engagement with the investment community and consistently shares its story and communicates its strategy through its website. The investor relations program includes liaising with institutional investors, brokers, analysts, and rating agencies including presentations during announcement of our quarterly and annual results. The investor relations team is responsible for drafting certain market announcements, providing feedback to Management and the Board on market views and perceptions about the Company and coordinates roadshows including half-year and full-year results announcements. The investor relations team has the primary responsibility for managing and developing the Company's external relationships with existing and potential institutional equity investors. Supported by the Managing Director and the Chief Financial Officer, the investor relations team achieves this through a combination of briefings with analysts and institutional investors.

Treatment of minority shareholders

The Board is committed to treating minority shareholders fairly and equitably, cognisant of its fiduciary duties. All shareholders have access to similar information, which is released to them at the same time. Minority shareholders attend Annual General meetings and have an opportunity to vote on all proposed resolutions. Further, the Board structure and composition lends itself to the representation and protection of minority shareholders. The majority of Directors, that is eight out of Eleven Directors are Independent Non-executive directors. All Committees are also chaired by Independent Non-executive directors. Minority shareholders have access to the Directors and Management especially during Annual General meetings and Investor briefing sessions. They can also raise any matters through the contacts provided on the Company's website and through the Company's Shares Registrar, **Custody & Registrars Limited** (C&R Group) who can be reached at their offices on the **1st Floor, Tower B, IKM Place, 5th Ngong Avenue, P. O. Box 8484 00100, Nairobi** or through their e-mail address info@candrgroup.co.ke and also through their telephone numbers **+254 20 869 0360, 0726 971 599, 0737 095 124.**

Corporate Governance Statement continued

During AGMs, reasonable opportunity is given for the Shareholders to ask questions in advance of the meeting and an online portal is made available to allow Shareholders to register, attend and vote on all resolutions put to the meeting. To enhance accessibility, the portal is made available online, via USSD and special arrangements are made for registration of Shareholders outside Kenya at the time of the meeting.

Procurement

The objective of the Company's procurement policy is to deliver the best possible value for money and spend optimisation for the Company's procurement requirements through the use of professional procurement practices aligned with the Company's corporate objectives.

The procurement policy which aims at delivering value for money, provide uniformity, inclusivity, fairness, professionalism, honesty and transparency in the management of the Company's procurement activities. The Policy which also aims at building strong relationships with the Company's supplier base, seeks to optimise supply chain efficiency and effectiveness by rationalising the supplier base, and developing long term strategic partnerships with competent, like-minded suppliers whose values are aligned to the Company's values.

Relationship between the Board and Management

The Board and the Management execute their mandate in an environment of mutual trust and respect, having regard to the principles of good Corporate Governance. There is a clear separation of roles between the Board and Management, with distinct lines of responsibility and accountability stipulated in the Board Charter. The role of the Chairman of the Board is separate from that of the Managing Director. The Board has delegated authority for the conduct of day-to-day business to the Managing Director, as defined in the Board Charter.

Under the direction of the Board, Management ensures that the Company's activities are consistent with the strategy and risk appetite set by the Board, as well as policies approved by the Board. The Board monitors and holds Management accountable for delegated responsibilities, actively challenging assumptions and oversighting actions. In particular, the Board holds Management accountable for the day-to-day management while ensuring that integrity permeates all aspects of the Company's operations, the implementation of the approved strategy, annual business plans and Board decisions, the implementation and adherence to policies, practices and standards as laid down by the Board, the establishment of systems to facilitate efficient operations and communications, the development of processes to facilitate achievement of targets and objectives, all staff matters including recruitment, retention, development and training, compliance with the Code of Conduct and all relevant laws, regulations, codes, guidelines and standards, the maintaining of all required records to ensure the integrity of reporting, the reparation of budgets, business plans and management accounts, and the implementation of the risk management framework and adequate system of Internal Controls.

The Board nonetheless remains accountable for the overall governance and long-term success of the Company.

Board Committees

The Board has established four standing Committees to focus on specific areas and provide effective oversight. These are the Audit and Risk Committee, the Credit Committee, the Corporate Governance Nominations and Remuneration Committee and the Strategy Committee. The Board also has an *ad hoc* Committee, the Crises Response Committee to deal with any crisis requiring the Board's intervention or involvement.

The membership of each Committee is determined by the Board on the recommendation of the Nominations Committee, which annually reviews the mandate and structure of the Committees. This review was done in 2024 as part of the exercise to review the Board and Committee charters. Procedurally, each Committee is required to comprise of at least three members, a majority of independent Non-executive directors and an independent Chairperson.

The Board Audit and Risk Committee is made up of only Non-executive directors, a majority of whom are independent in line with the provisions of the CBK Prudential Guidelines. The members of the Audit and Risk Committee are appointed by the Shareholders in accordance with Section 769 of the Companies Act.

Each Committee operates under a Charter that outlines its specific roles, responsibilities and authority levels ("Terms of Reference") as approved by the Board, ensuring focused and effective oversight. The Terms of Reference of the Board Committees are reviewed annually to ensure they remain relevant and aligned to the Company's needs. In 2024, the re-drafted Terms of Reference for the Board Committees were comprehensively reviewed and approved during the Board meeting held on 28 November 2024.

Each Committee developed its annual work plan and ensured that it covered all pertinent tasks, with quarterly reporting to the Board. The reports on the activities of each Committee are on pages 112 to 116 of this Report.

During the year under review, the Board also evaluated the effectiveness of each Committee, and each Committee is focused on implementing the recommendations therefrom. The Company Secretary also serves as secretary to the Committees.

Board and Board Committee meetings

The agenda for Board and Committee meetings is derived predominantly from the Board and Committee Work plans respectively, ensuring that these are considered well in advance and that in any given year, the Board and its Committees will consider all matters required of them from strategic, statutory and regulatory perspectives.

In order to fulfil their Work Plans, the Board and each of its committees, holds quarterly meetings, with special meetings being planned as need arises. During the year under review, the Board held four scheduled Board meetings while each of the four standing Board Committees met quarterly. The Audit and Risk Committee held a special meeting each quarter to review the quarterly financial results. In addition, the Board held a two-day board strategy off-site session.

The Directors commit to regularly attend and to effectively participate in Board meetings through robust debate. This is made possible by early planning. Board attendance for the period under review is as set out below, indicating that regular attendance at meetings is the norm.

Directors collectively acknowledge that, while each member carries individual responsibility towards the Company, they share joint accountability for the Board's decisions. The Board typically adopts a consensus-driven approach to decision-making.

Directors' attendance at scheduled Board and Board Committee meetings in 2024:

Total Number scheduled meetings	Board	Audit & Risk Committee	Corporate Governance, Nominations & Remuneration Committee	Credit Committee	Strategy Committee
	4	8	4	4	4
Members	**Attended**	**Attended**	**Attended**	**Attended**	**Attended**
Charles Muchene	4		4		4
Patricia Ithau	4	8	4		
Louis Otieno	4	8			4
Japheth Olende	4			4	4
Charles Murito	4		3(4)	3(4)	
Fulvio Tonelli	4	8		4	4
Abdi Mohamed	4				
Yusuf Omari	4				
Christine Sabwa	4	7(8)		3(4)	
Kedibone Imathiu	4	8	4		
Marion Mwangi	0(1)	2(2)			

Numbers in brackets denote the number of meetings which these members were eligible to attend.

* Mr. Japh Olende, Mr. Charles Murito, Ms. Christine Sabwa, Mr. Charles Murito and Ms. Marion Mwangi missed some meetings due to urgent engagements which could not be avoided.

**Ms. Marion Mwangi joined the Board and Audit & Risk Committee on 2 October 2024.

All the Directors in office at the time of the AGM held on 16 May 2024 attended the annual general meeting.

Corporate Governance Statement continued

Board Committee reports

Audit & Risk Committee

"I am pleased to present the report of the Audit and Risk Committee."

Committee Members

The members who were in office during 2024 are listed below. All members are Non-executive Directors, and all except Mr. Fulvio Tonelli are determined as being Independent. Their profiles are set out on pages 98 to 100 of the integrated report while their attendance at meetings has been reported on page 111.

Chair
Christine Sabwa

Christine Sabwa (Chair)

Patricia Ithau

Louis Otieno

Fulvio Tonelli

Kedibone Imathiu

Marion Mwangi (joined 2 October 2024)

Role and mandate of the Committee

The Audit and Risk Committee was established to assist the Board of Directors in discharging its oversight role in matters relating to the Company's financial reporting and internal control system, capital and liquidity management, compliance, risk governance and to complement the work of the Corporate Governance, Nominations and Remuneration Committee in providing oversight over the Corporate Governance Framework. In carrying out its primary role of ensuring integrity in financial reporting and audit and overseeing the maintenance of sound internal control and risk management systems, the Committee's work involves establishing the internal audit function headed by the chief internal auditor, which reports directly to the committee, approving the work plan of the internal auditor, considering the adequacy of the scope of the external audit plan, the effective adoption of a combined assurance approach by the responsible business units and oversight of the Company's Sustainability programme.

In addition to overseeing controls and financial reporting, the Committee also oversees the enterprise-wide view of risks and controls and assesses the overall risk appetite and risk profile of the business. It meets quarterly to oversee all matters about credit, market, operations, legal, environmental, compliance and other risks. The Committee is also responsible for ensuring that the Company has a robust Business Continuity Plan that is tested annually. The Committee is also responsible for ensuring that the Company maintains sufficient capital to absorb unexpected losses and meets regulatory capital requirements, establishing Board-level systems for compliance oversight and receiving assurance that the Company has adopted appropriate corporate governance principles and strategies in line with the provisions of section 770 of the Companies Act, 2015. The Committee has unrestricted access to Company information falling within the Committee's mandate and liaises with Management on the information it requires to carry out its responsibilities.

Key activities in FY 2024

In 2024, the Committee met eight (8) times during the year for the following activities, among others;

- Reviewed quarterly, half yearly and full year financial results.
- Received reports on the findings of the Internal Auditor in relation to the activities set out in the internal audit work plan for the year under review.
- Approved the 2025 internal and external audit work plans.
- Reviewed the Committee Charter, the Internal Audit Charter and the annual attestation of independence of the Internal Auditor in the year.
- Approved the 2025 Internal Audit Plan.
- Considered and approved the Bank's Risk Appetite statement, 2024 and the Integrated Planning Report.
- Reviewed the operational risk management policies and risk frameworks.
- Considered the overall status of the statutory and policy compliance by the Company.
- Received a report on the Bank's sustainability programme and reviewed the 2024 sustainability report
- Considered the Bank's litigation status report.
- Received the Cyber and Technology Control Reports quarterly.
- Considered and approved the Bank's recovery plan.
- Reviewed and approved the annual review of the Bank's Business Continuity Plans.
- Reviewed and approved the Enterprise Risk Management reports quarterly.
- Received the regular reports on Anti Money Laundering and Whistle Blowing.
- Received the key control positions report.
- Received and discussed External Auditor's, KPMG East Africa Limited, Audit reports together with their findings and recommendations.

Looking forward

In FY 2025, the Committee will continue to oversee the implementation of actions and initiatives that will ensure that the business remains resilient and sustainable. At the same time, there will be continued focus on risk management and the overall internal control environment. The key priorities in 2025 are to;

- Oversee the maintenance of sound internal control and risk management systems and ensure that the Bank's internal control systems are robust and effective.
- Oversee the enterprise-wide view of risks and controls and assesses the overall risk appetite and risk profile of the business.
- Oversee the control functions and activities.
- Oversee the implementation of combined assurance approach.
- Oversee the compliance with laws and regulations.
- Oversight of the Company's sustainability programme.
- Oversee the operations of the finance function and safeguard the integrity of the financial reporting process controls and financial reporting.
- Ensure that the Company has a robust Business Continuity Plan that is tested annually.

Corporate Governance Statement continued

Corporate Governance, Nominations & Remuneration Committee

"I am pleased to present the report of the Corporate Governance, Nominations & Remuneration Committee."

Committee members

The members who were in office during 2024 are listed below. All members are Independent Non-executive Directors. Their profiles are set out on pages 98 to 100 of this report while their attendance at meetings has been reported on page 111.

Chair
Patricia Ithau

Patricia Ithau (Chair)

Charles Muchene

Japheth Olende

Kedibone Imathiu

Role and mandate of the Committee

The Corporate Governance Nominations and Remuneration Committee was established to assist the Board in discharging its oversight role in matters relating to Corporate Governance, Stakeholder Engagement, Directors Affairs, Compensation and Oversight of the management of human capital. The Committee's overall strategic objectives are to implement best-in-class governance practices, to procure the best talent for the Board, develop and obtain the highest value from them, to monitor the Company and its subsidiaries' human resource practices at a strategic level and to promote the right Board culture.

In carrying out its role, the Committee is responsible for developing a Board succession pipeline, Board development, top talent management and succession planning, development of the Remuneration Policy and oversight of the remuneration philosophy which involves overseeing the Company's compensation system's design and operation against strategic objectives and desired culture and reviewing the compensation arrangements and incentives against the risks posed to the Company.

Key activities in FY 2024

In 2024, the Committee met four (4) times during the year for the following activities, among others;

- Reviewed proposals on the remuneration to be paid to Non-executive directors and the Chairman. A report of the Directors' Remuneration is presented to the Shareholders in the Annual General Meeting for their approval as required by the Companies Act and is also disclosed in the audited annual financial statements of the Company. The Directors' Remuneration Report is contained in pages 122 - 125 of this report.
- Received and reviewed the CMA Assessment Report (2023) and its recommendations and the progress report on the Governance Audit Report (2023).
- Reviewed the staff performance evaluation and remuneration, noted key vacancies at CMC level and talent management efforts in general and also received a report on reputational matters affecting the Company.
- Approved the 2025 staff salary mandate.
- Reviewed a report of the serving Directors which identified and evaluated the Directors to be recommended to the shareholders for re-election at the 2024 AGM, the renewal of terms of office of Non-executive directors, the continuation in service of a Director who had reached the retirement age limit and any matters relating to the continuation in office of any Director.
- Reviewed the Board Skills Matrix and the board composition and succession planning of the Board of the Bank and its subsidiaries.
- Reviewed the Board Charter, the Board Committee's Terms of Reference and also reviewed and approved the 2025 Board calendar.
- Received progress reports and reviewed the 2023 Board Evaluation tracker.
- Oversaw the enhancement of the pipeline of board members.

Looking forward

In FY 2025, the Committee will continue to ensure that the Company and its subsidiaries adhere to the highest standards of governance. The key priorities in 2025 are to;

- Oversee the Bank's governance framework, ensuring that it adheres to legal and regulatory requirements, best practices, emerging trends and ethical standards, while mitigating risks related to corporate governance.
- Ensuring that the Bank has adopted best policies and practices in relation to its engagements with stakeholders.
- Oversee Board and Directors affairs including nomination and appointment, size and composition of the Board, evaluation of the Board, induction, Board development and succession planning.
- Oversight of Human Capital and ensure that human resources is positioned as a strategic asset, driving the organisation's long-term success through its people.
- Establish and oversee the Bank's compensation philosophy, ensuring it supports the attraction and retention of top talent while aligning with the Company's performance and strategic goals and culture.

Corporate Governance Statement continued

Credit Committee

"I am pleased to present the report of the Credit Committee."

Committee members

The members who were in office during 2024 are listed below. All members are Non-executive Directors, with all except one being Independent. Their profiles are set out on pages 98 to 100 of this report while their attendance at meetings has been reported on page 111.

Chair
Japheth Olende

Japheth Olende (Chair)

Charles Murito

Fulvio Tonelli

Christine Sabwa

Role and Mandate of the Committee

The Board Credit Committee ("the BCC or the Committee") was established to assist the Board in discharging its oversight role in governance of Credit in order to improve the quality of credit assessment and in maintaining a credit risk appetite that is aligned to the long-term strategic objectives of the Company.

The key objectives of the Committee are to provide a continuing forum to discuss and review the Company's Credit policy and strategy, monitor and advise on credit risk appetite and tolerances, track compliance with statutory and regulatory requirements on lending limits, capital adequacy and statutory ratios, give input on non-credit risk issues, including political environmental and social economic matters that should be taken into account in making sanctioning decisions, offer guidance on lending to persons and institutions who may impact the Company's reputation and relationships with key stakeholders and monitor the overall health of the Company's lending book.

To achieve its objectives, the Credit Committee plays a critical role in the formulation and review of lending policies while ensuring they are in compliance with regulatory requirements and assesses the credit quality and risk profile of the Bank's lending book by sector and by product.

Key activities in FY 2024

In 2024, the Committee met four (4) times during the year for the following activities, among others

- Considered the quarterly credit reports.
- Reviewed and approved the retail credit paper.
- Reviewed the performance of Absa Business support and Corporate Recoveries Accounts, the Insurance Panel, the Wholesale Credit Policies and noted the business support – write offs. The Committee also approved the Wholesale Credit Committee Terms of Reference.
- Approved several policies including the primary credit risk policy, wholesale credit standard, retail credit standards and policies and the retail credit risk standard.

Looking forward

In FY 2025, the Committee will continue to ensure that the Company adopts best practice in lending. The key priorities in 2025 are to;

- Maintain a sound credit policy, lending and approval limits, and lending strategy that are aligned to the overall strategy of the Bank and are in line with legal and regulatory requirements thereby increasing stakeholders' confidence in the credibility and standing of the Bank.
- Ensure that the credit risk appetite and tolerances are aligned to the strategic objectives and overall risk appetite and tolerance limits of the Bank and that the same ensure long term value for stakeholders.

Corporate Governance Statement continued

Strategy Committee

"I am pleased to present this report of the Strategy Committee."

Committee members

The members who were in office during 2024 are listed below. All members are Non-executive Directors, and all except Mr. Fulvio Tonelli are determined as being Independent. Their profiles are set out on pages 98 to 100 of this report while their attendance at meetings has been reported on page 111.

Chair
Louis Otieno

Louis Otieno (Chair)

Charles Muchene

Fulvio Tonelli

Charles Murito

Role of the Committee

The Board Strategy Committee ("the BSC" or the "Committee") was established to assist the Board in discharging its oversight and monitoring role in matters relating to the development and implementation of the strategic plan and evaluating mitigations to the risks associated with such a plan.

To achieve its objectives, the Strategy Committee considers Management's proposals on the various strategic options available to the Company and makes recommendations to the Board regarding the development of the Company's long-term strategic plans. The Committee reviews capital allocation and planning to ensure an acceptable return on capital while ensuring the timely exit of businesses that do not provide an acceptable return or have limited growth prospects; reviews Management's proposals on new business areas and systems, partnerships, acquisition targets and the potential impact on the growth of the business; encourages the Company to actively promote and reward a culture of innovation across the Company in a manner that benefits customers and Shareholders, among many others.

Key activities in FY 2024

In 2024, the Committee met four (4) times during the year for the following activities, among others;

- Regularly reviewed quarterly reports on the progress of implementation of the Company's Strategy.
- Reviewed the strategy development process, the strategy execution risks and mitigations thereof.
- Reviewed execution of the change book of work.
- Reviewed the Committee's 2025 Annual Work Plan.
- Reviewed and considered the financial year forecasts in alignment of strategy to the MTP and 2025 strategy.
- Reviewed the 2025 strategic initiatives and score card.
- Reviewed the implementation of the sustainability strategy.
- Reviewed the overall progress on the strategy KPIs quarterly.
- Reviewed the strategies for the Bank's subsidiaries.

Looking forward

In FY 2025, the Committee will continue to ensure that the Company continues to monitor the implementation of the strategy, while at the same time ensuring that the same takes in to account changes in the operating environment. The key priorities in 2025 are to;

- Oversee the Company's strategic planning and implementation process and ensuring alignment to the Company's mission, values, overall business objectives, and long-term vision
- Oversee Management in prioritising digital transformation and the adoption of innovative technologies and transformational initiatives to enhance operational efficiency, effectiveness and customer experience.
- Ensuring that technology enables and supports the Bank's strategic objectives while collaborating with the Audit and Risk Committee to manage associated risks.
- Oversee the embedding and implementation of environmental, social and governance (ESG) considerations into the strategic planning process, policies and day to day practices of the Company.
- Oversee on behalf of the Board the development and implementation of the investments, capital expenditure required to effect both continuing activities as well as strategic initiatives.

Corporate Governance Statement continued

Ad Hoc Crises Response Committee

"I am pleased to present this report of the Ad Hoc Crises Response Committee."

Committee members

The committee membership is made up of the Lead Independent Director as the committee Chair, with the Board Chair and the Committee Chairs as members. The names of the members who were in office during 2024 are listed below:

Chair
Louis Otieno

Louis Otieno (Chair)
Charles Muchene
Christine Sabwa
Japheth Olende
Patricia Ithau

Role of the Committee

This ad hoc Committee's role is to assist the Board in oversight of the Bank and its subsidiaries' Business Continuity Plans in the event of any significant crisis, such as pandemics or force majeure events as assessed by the Board. The mandate of the Committee involves overseeing the identification, management and mitigation of crisis risks in a comprehensive and integrated manner, providing strategic leadership and making appropriate recommendations in response to the emerging crisis, overseeing the allocation and approval of sufficient resources towards development and testing of the crisis management strategy, policy, and framework, among others.

The Committee did not meet during the year.

Conclusion

During the year, the Board ensured that the Company was managed and operated in line with the Corporate Governance Framework. The Board is committed in ensuring that the Company continues to adhere to, and comply with, the best Corporate Governance practices, applicable laws, regulations and standards, in order to continue creating long-term value for all stakeholders and fulfil its purpose of Empowering Africa's tomorrow, together, one story at a time.

Corporate Governance Statement continued

Legal and Compliance Audit

MOHAMMED MUIGAI LLP

1. **Introduction**

The Capital Markets Corporate Governance Code for Issuers of Securities to the Public, 2015 (the "Code"), requires the Board of a listed Company to subject the Company to Legal & Compliance Audit with the objective of ascertaining the Company's state of compliance with applicable laws, regulations and standards.

2. **Governance Responsibility of the Board of Directors**

Absa Bank Kenya PLC (the Company), a publicly listed entity on the Nairobi Securities exchange is regulated under the Capital Markets Act, CAP 485A of the Laws of Kenya, by the Capital Markets Authority.

Under the Code, the Company's Board is required to ensure the following:

a) Save for when the independent legal and compliance audit is carried out, an internal legal and compliance audit shall be carried out on an annual basis, with the objective of establishing the level of adherence to applicable laws, regulations and standards;

b) That a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya; and

c) That the findings from the audits are acted upon and any non-compliance issues arising are corrected as necessary.

3. **Audit and Auditor**

In compliance with the Code, the Company retained Mohammed Muigai LLP ("the Auditor") to conduct the Legal and Compliance Audit. The independent legal and compliance audit was led by Mr. Muigai Githu, an Advocate of the High Court of Kenya in good standing with the Law Society of Kenya.

The Audit covered the following broad areas:

a. Corporate, board and management;
b. Material contracts;
c. Property rights;
d. Licenses and regulatory framework;
e. Financial returns for regulatory purposes;
f. Intellectual property;
g. Information technology;
h. Litigation;
i. Anti-Bribery and anti-money laundering framework; and
j. Data protection

4. **Governance Auditor's Responsibility**

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Company in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted the Audit in accordance with the applicable standards and guidelines, which conform to global standards.

5. **Legal and Compliance Auditor's Opinion**

The legal and compliance audit confirmed that the Company was generally in compliance with applicable laws and regulations including the Capital Markets Act, Companies Act, 2015, the Banking Act, CAP 488, and the Occupational Safety and Health Act, 2007.

In our opinion, the Company and the Board has put in place a governance framework that is compliant with the legal and regulatory corporate governance requirements and in this regard, we issue an unqualified opinion.

Signed ....
29th January 2025

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Corporate Governance Statement continued

Capital Markets Authority (CMA) – Corporate Governance Assessment report

for the year ended 31 December 2023

The Company complies with the provisions of the Capital Markets Act and all the rules, regulations, and guidelines there under with monthly reports made to CMA and material information shared in line with all disclosure requirements in the Capital Markets Act.

During the year, CMA assessed the Company's status of implementation of the Code for the year ended 2023 based on a review of the following areas: -

a) Commitment to Good Corporate Governance (Leadership rating of 95%)

b) Board Operations and Control (Good rating of 79%)

c) Rights of Shareholders (Leadership rating of 80%)

d) Stakeholder Relations (Good rating of 73%)

e) Ethics and Social Responsibility (Leadership rating of 92%)

f) Accountability, Risk Management, and Internal Control (Leadership rating of 90%)

g) Transparency and Disclosure (Good rating of 83%)

The overall rating awarded to the Bank was a leadership rating of 83% which solidifies the Board's commitment to sound corporate governance practices.

The Directors are satisfied that the Bank complies with the corporate governance principles and spirit of the Code. In addition, the Directors are also committed to continuous implementation of the provisions of the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023.

Key policies

All the Company's policies are reviewed periodically to assess their effectiveness and identify areas of improvement, to ensure that they are aligned with the latest legal requirements, to adapt them to the evolving needs of the Company, to ensure that emerging risks are identified and addressed promptly and for quality assurance.

During the year 2024, a total of over seventy policies and frameworks were reviewed, among them the following notable frameworks and policies. While some remained unchanged, minor changes were made to others to enhance their effectiveness:

- Strategic Sustainability and Reputational Framework.
- Sustainability Policy
- ICT Policies (including Technology Risk Policy, Information Security and Cyber Risk Policy, Cloud Computing Policy, Physical Security Risk Policy)
- Conflict of Interest Policy
- Reward (Remuneration) Policy
- Enterprise Risk Management Framework
- Procurement Policy
- Transfer Pricing Policy
- Stakeholder Engagement Policy
- Anti-Money Laundering Policy
- Data Privacy and Protection Policy
- Anti-Bribery and Anti-Corruption Policy

These policies apply to all employees and Directors of the Company, and to anyone working on the Company's behalf, including contractors and consultants. The Company adopts zero tolerance to all forms of corruption, bribery, and unethical business practices.

The Board's approach to continuous stakeholder engagement

The Board is committed to balancing the need to maintain commercial success against meeting stakeholder expectations, maintaining the licence to operate, and building and maintaining trust. The Board values continuous stakeholder engagement as a cornerstone of its governance approach and accordingly, prioritises ongoing dialogue and collaboration with stakeholders. Through active engagement, the Board seeks to understand their expectations and respond to them effectively with the aim of promoting transparency and driving sustainable value creation.

Due to the influence and importance of the varying stakeholder groups, the Board must always make balanced decisions. To support it make decisions in the context of what is relevant and important to each stakeholder, the Board engages stakeholders to obtain feedback and identify emerging issues. This allows the Board to build an understanding of how the company's actions or plans could impact stakeholders.

The Board receives certain information about stakeholders' perspectives from the work of the Audit and Risk Committees as part of its oversight role over sustainability and by collection of investor feedback and communication via the investor relations function. The Corporate Governance Nominations and Remuneration Committee is responsible for communication with stakeholders and handles all aspects of stakeholder engagements. Board members also regularly receive the Managing Director's report to the board, updates on developments in the macroeconomic environment and the legal and regulatory space as well as regulatory corporate governance reports which provide additional information on stakeholders. Engagements such as the annual general meeting, employee surveys and experts presenting to the Board, or its Committees also provide additional sources of investor and other stakeholder feedback. Directors are also encouraged to report to the Board on their own personal experiences where these are relevant or material.

The Company has implemented its Stakeholder Engagement Policy to guide it in identifying and managing relationships with the key stakeholder groups. The policy outlines the Company's stakeholder engagement principles which include consistency, dialogue collaboration, transparency, commitment, and responsiveness. The policy is available on the Bank's website.

The Board is aware that continuous assessment and monitoring of the Company's stakeholder engagement efforts is critical in ensuring that the Company remains responsive to stakeholder needs and interests. To this end, it has engaged assessment tools such as surveys, client feedback channels, relationship managers, social media, seminars, conferences and one-on-one meetings to collect any relevant feedback from the stakeholders.

To disseminate its own information to the stakeholders, which includes the shareholders, the Company employs diverse channels and mechanisms which include the Company's Annual Integrated Report, its Sustainability Report and availing full year, half-yearly and quarterly financial results on the Company's website and through quarterly investor briefings. On its website and media platforms, the Company disseminates crucial information on its approach to corporate citizenship and significant impact on education and skills. The Company also provides crucial information on entrepreneurial development, financial inclusion and some of the key challenges facing the society. The website further provides updates and detailed information on what the business is doing in terms of sustainable finance, social, environmental, and economic responsibility as well as governance and reporting.

The Company also files monthly investor returns to meet the continuing obligations as prescribed by the Capital Markets Authority (CMA) and the Nairobi Securities Exchange (NSE). The complete list of Shareholders is also filed annually with the Registrar of Companies as prescribed by the Companies Act.

The Company releases material information to CBK, CMA and NSE in line with all disclosure requirements in the CBK Prudential Guidelines, the Capital Markets Act, and applicable regulations such as the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, the Banking Act, as well as all other relevant regulations.

Where appropriate, the Company uses media and other communication channels to disseminate pertinent information on its governance or performance to investors and other stakeholders. Among the significant communications made during the year were the appointment of the Managing Director and the change in the Company Secretary.

Our shareholders

The Board seeks to engage directly with private retail and institutional Shareholders through regular communications and the annual general meeting. During the year the Bank's senior management also gave quarterly investor briefings to institutional investors, analysts, and the media.

The Board of Directors is cognisant and committed to upholding their fiduciary duty to the company and its minority Shareholders to act in the best interests of the company. This is achieved through its commitment to adhere to exemplary corporate governance practices by ensuring that the Board remains comprised of a strong majority of independent Non-executive directors. By maintaining this balance and ensuring that there is an adequate proportion of independent Non-executive directors on all its Committees, the Board structure satisfies the representation of minority shareholders as required by the code.

The Annual General Meeting

The 2024 Annual General Meeting (AGM), held on 16 May 2024 in compliance with the requirements of the Companies Act 2015, was virtual and was attended by institutional Shareholders, individual Shareholders, and a number of proxies. Members present as at the commencement of the proceedings exceeded 1,000. Members registered in person and by proxies represented over 74.24% of the issued share capital.

Reasonable opportunity was given for the Shareholders to ask questions in advance of the meeting and an online portal was availed to allow Shareholders to register, attend and vote on all resolutions put to the meeting. To enhance accessibility, the portal was made available online, through USSD and special arrangements were made for registration of Shareholders outside Kenya at the time of the meeting.

The key agenda items deliberated on at the 2024 Annual General Meeting were the 2023 audited financial statements, consideration of the final dividend, election of Directors retiring by rotation, appointment of the Members of the Audit and Risk Committee, Directors' remuneration and appointment and remuneration of the Auditors.

The Board's approach to continuous stakeholder engagement continued

Investment community

The Company is committed to engagement with the investment community and consistently shares its story and communicates its strategy through its website https://www.absabank.co.ke/investor-relations/. The investor relations program includes liaising with institutional investors, brokers, analysts, and rating agencies including making presentations to them during announcement of quarterly and annual results. The investor relations team is responsible for drafting certain market announcements, providing feedback to management and the Board on market views and perceptions about the Company and coordinates roadshows including half-year and full-year results announcements. The investor relations team has the primary responsibility for managing and developing the Company's external relationships with existing and potential institutional equity investors. Supported by the Managing Director and the Chief Financial Officer, the investor relations team achieves this through a combination of briefings with analysts and institutional investors.

All Shareholders queries, application for registration of transfer of shares of the Company, immobilisation of shares, dividend queries and dividend cheques are handled by the Company's appointed share registrar – **Custody & Registrars Limited** (C&R Group) who can be reached at their offices on the **1st Floor, Tower B, IKM Place, 5th Ngong Avenue, P. O. Box 8484 00100, Nairobi** or through their e-mail address info@candrgroup.co.ke and also through their telephone numbers **+254 20 869 0360, 0726 971 599, 0737 095 124.**

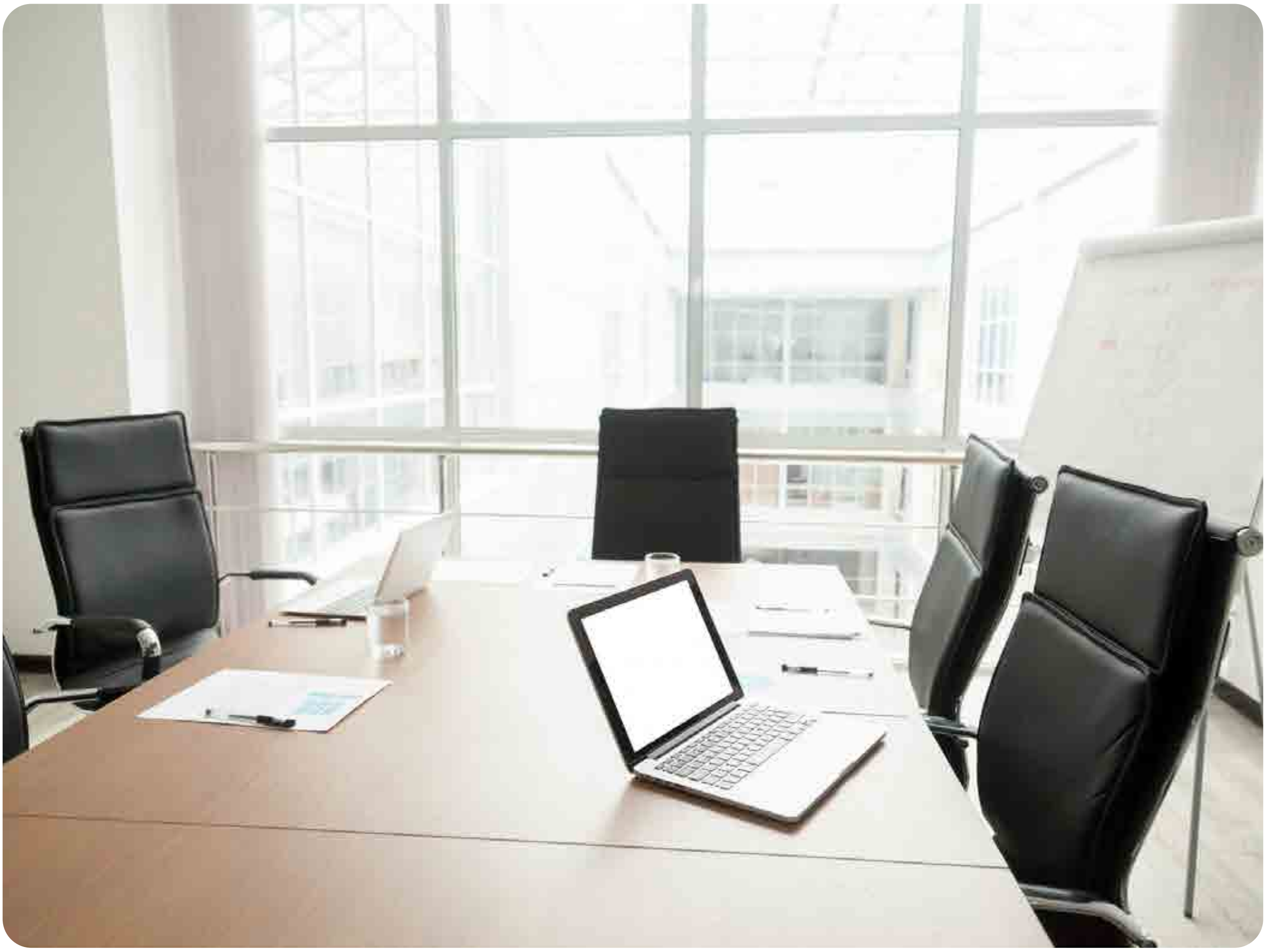
Audits and assessments

During the year, the Board of Directors commissioned the governance audit to check the level of compliance with sound governance practices. The report and recommendations are under consideration. The Company did not have a Legal and Compliance Audit during the year but continued to resolve the issued raised in the prior audit.

In addition, during the year, CMA assessed the Company's status of implementation of the CMA Governance Code. The assessment report is set out on page 118.

Conclusion

As demonstrated in this statement, during the year, the Board ensured that the Company was managed and operated in line with the corporate governance framework and best corporate governance practices. The Board is committed in ensuring that the Company continues to adhere to, and comply with, the best corporate governance practices, applicable laws, regulations and standards, in order to continue creating long-term value for all stakeholders and fulfil its purpose of Empowering Africa's tomorrow, together, one story at a time.



Directors' remuneration report

The Directors' Remuneration Report sets out the policy that the company has applied to remunerate executive and non-executive Directors. The report has been prepared in accordance with the relevant provisions of the CMA Code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015 and the Companies (General) (Amendment) (No.2) Regulations, 2017.

This report covers the remuneration governance arrangements and the 2024 outcomes for the Executive Directors and Non-Executive Directors.

Shareholder engagement

The Directors remuneration report and policy as at 31 December 2023 was approved by shareholders during the 45th Annual General Meeting held on 16 May 2024

The 2024 Directors Report will be presented to the shareholders for approval during the 46th Annual General Meeting to be held on 22 May 2025.

Fair and responsible remuneration

Our remuneration principles and practices are designed to deliver remuneration that is competitive and fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and is aligned with the risk and conduct expectations of the Group. The Banks Board is acutely aware of the need to deliver value to shareholders and to pay for performance and takes this into account when considering management's remuneration.

Fair remuneration is:

- Impartial, free from discrimination, prejudice, favouritism or self-interest;
- Rational (not subject to emotion); and
- Purposeful in addressing unfair remuneration differentials.

Responsible remuneration is:

- Approved within appropriate levels of authority;
- Subject to independent oversight;
- Linked to positive outcomes and value creation; and
- Sustainable.

Our reward philosophy

Our reward philosophy underpins our growth strategy, entrepreneurial culture and risk management approach. Its objective is to direct the efforts of our colleagues in delivering our strategy of creating sustainable value for all our stakeholders in a fair and responsible way.

Our reward principles

1. **Support the realisation of our stakeholder aspirations,** with a specific focus on rewarding our employees for the achievement of our strategy within our risk appetite relative to performance and shareholder returns.
2. **Align the long-term interests of our executives and shareholders** by ensuring transparent remuneration outcomes aligned to the value we create in the short, medium and long term. This entails a specific emphasis on the contribution of longer-term incentives for senior and executive employees, which are aligned with market practice.
3. **Attract, retain and engage** high-calibre individuals with the skills, ambition and talent to deliver our strategy.
4. **Drive our culture** while taking ownership and accountability for responsible, sustainable business growth and success. We aim to achieve this by:
   - ensuring that employees share in the Group's success, differentiated based on their contribution, in both the short and long term; and
   - ensuring that our employees' ethical behaviour, values and adherence to our risk management principles are recognised in their performance ratings.
5. **Pay-for-performance** by aligning incentive outcomes to performance and value created. Within this context, we apply deferrals, malus, and clawback provisions to ensure the effective alignment of risk and reward within the context of Group performance outcomes and to discourage inappropriate behaviour.
6. **Deliver fair and responsible remuneration** through regular reviews of remuneration differentials and appropriate decisions that impact our most junior employees. This includes a concerted emphasis on addressing differentials in reward, considering diversity.
7. **Continuously build confidence and trust** in our reward outcomes through high-quality reward governance, engagement in our disclosure with shareholders, and internal transparency and effective communication

Directors’ remuneration report continued

Our approach to performance management

Performance Management philosophy: The 3Cs

The performance management philosophy is centred around a **conscious** connection between the Group strategy, business priorities and individual objectives. Performance conversations adopt a **coaching-focused** approach, emphasising continuous improvement. Performance management practices are driven at a **cadence** that creates value for the employee and organisation.

Performance management is an integral part of our short-term planning and strategy execution process. To ensure a robust process, there is rigorous focus on high-quality objective setting, the mid-year review and management of poor performance.

The Absa values form part of the objective-setting and feedback processes, and of performance evaluation.

Performance management outcomes are a critical underpin to the implementation of our pay-for-performance principle.

2024 elements of remuneration

The Absa Group Remuneration Committee made no changes to the Group Remuneration Policy in 2024. This remains fit for purpose and maintains its focus on pay for performance in support of sustainable business performance, long-term stakeholder value creation and ensuring that Absa’s reward practices continue to be market related.

In considering the 2024 remuneration outcomes from a policy perspective, we maintained an emphasis on performance-based variable remuneration as a significant proportion of the total remuneration mix potential for the most senior employees.

We deliver on our strategy and create shareholder value by ensuring retention and high performance of top-quality colleagues. We aim to apply a consistent remuneration framework and structure across the Bank. While targeting a market median position on total remuneration, we may pay above the market median for our top performers and scarce and critical skills.

Market positioning is reviewed relative to appropriate market benchmarks, to ensure that outliers, either above or below the overall target market positioning receive attention. This is in line with our commitment to be competitive, fair and to improve overall consistency in our remuneration practice.

Remuneration that is not aligned to market levels can be addressed over time by, among other actions, above-average increases in fixed remuneration or slowing or stopping fixed pay progression for above market positioning.

Our remuneration mix comprises fixed remuneration (total guaranteed package), short-term incentives (cash and deferred awards, where deferral applies) and long-term incentives (where applicable). Deferred awards and long-term incentives are in the form of Absa Group Limited shares.

Long-term incentives

Long-term incentive awards may be awarded to eligible senior colleagues based on criteria set by the Group Remuneration Committee and in accordance with the Policy from time to time. These aim to:

- Align shareholder and executive interests over the long-term through short, medium and long term actions, with reference to the Absa Group share price and achievement of Group performance targets.
- Align key employees at a senior level who can materially influence the delivery of the Group strategy and those who are key talent or possess scarce and critical skills in terms of long-term, sustainable future performance.

Accordingly, our long-term incentive awards consist of the following two structures:

- Awards that vest subject to the achievement of Group performance targets. This applies to 100% of the award to those whose roles impact strategic delivery.
- For other participants, 50% of the awards vest based on Group performance targets measured over a three-year performance period, with the balance subject a minimum individual performance requirement over the vesting period.
- Vesting of awards takes place, subject to achievement of the Group performance targets as described above and continued employment, on the third anniversary of the award date for all participants.

Information subject to audit (Auditable part)

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

Directors' remuneration report continued

Implementation of remuneration policy for financial year 2024

a) Executive Directors' remuneration

Executive Directors are remunerated in accordance with the company's staff remuneration policy. They receive remuneration appropriate to their scope of responsibility and contribution to operating and financial performance, taking into account industry norms, external market and country benchmarks.

The determination of the pay is based on the established salary scale. The remuneration of Executive Directors consists of fixed and variable components that are designed to ensure a substantial portion of the remuneration package is linked to the achievement of the company's strategic objectives thereby aligning incentives awarded to the creation of sustainable shareholder value.

Executive Directors' contracts and termination arrangements

The Appointment dates for the executive directors during the year were as follows:

Name	Date of appointment	Type of contract	Notice period
Abdi Mohamed	1 May 2023	Permanent	Six (6) months
Yusuf Omari	1 June 2009	Permanent	Three (3) months

Remuneration

The total Executive Directors' remuneration adjustments in 2024 were, majorly, informed by the overall performance and external market competitiveness.

In the year under review, the executive remuneration for the executive directors were as follows compared to 2023.

Abdi Mohamed, Managing Director	**2024 Shs**	2023 Shs
Base Salary	**50 445 591**	35 946 981
Retirement Benefits (Pension Contribution by Employer)	**5 044 559**	3 594 698
Other Employee Benefits	**22 021 754**	10 997 313
Total Fixed Remuneration	**77 511 904**	50 538 992
Cash Bonus Award (Non-deferred)	**19 801 301**	15 329 834
Deferred Bonus/ Cash Value Plan (CVP)	**12 468 699**	12 670 166
Total Variable Remuneration	**32 270 000**	28 000 000
Total Remuneration (Cost to Company)	**109 781 904**	78 538 992

Yusuf Omari, Chief Financial Officer	**2024 Shs**	2023 Shs
Base Salary	**38 343 060**	34 057 023
Retirement Benefits (Pension Contribution by Employer)	**3 834 306**	3 405 702
Other Employee Benefits	**8 677 620**	9 029 744
Total Fixed Remuneration	**50 854 986**	46 492 469
Cash Bonus Award (Non-deferred)	**13 941 302**	17 596 871
Deferred Bonus/ Cash Value Plan (CVP)	**6 608 698**	9 903 129
Total Variable Remuneration	**20 550 000**	27 500 000
Total Remuneration (Cost to Company)	**71 404 986**	73 992 469

Long-Term Incentive Plans

Executive Directors	**Abdi Mohamed**		**Yusuf Omari**	
	2024 Shs	2023 Shs	**2024 Shs**	2023 Shs
Share Incentive Plan Deferred Award	**11 553 130**	12 386 699	**9 041 958**	8 965 378
Share Incentive Plan Performance Award	**31 611 040**	33 653 378	**25 991 830**	26 623 676
Total emoluments	**43 164 170**	46 040 077	**35 033 788**	35 589 054

These awards are subject to Group performance conditions which apply over a minimum performance period of three financial years, and a continued employment condition.

Directors' remuneration report continued

b) Non-executive directors' fees

The non-executive directors' fees are determined through a survey conducted by Absa Group Limited to look at competitive rewards. The same is recommended to the Board of Absa Bank Kenya PLC who proceed to approve.

The following is considered when setting the fees for our non-executive directors

- Benchmark against the fees paid by large, listed companies
- General level of inflationary increase applied to our employees
- Time commitment expected from our Directors

Non-executive directors do not have employment contracts with the company and therefore do not participate in any of the company's incentive plans.

The non-executive director's fees are reviewed every two years and revised appropriately. The current fees were effective 1 January 2024 and were approved by the Board retrospectively in a meeting held on 25 June 2024.

The Board Chairman is entitled to an annual retainer of Shs 10,650,400 for performing all the duties of the chairman of the board and is not entitled to any additional retainer for his membership of any of the committees of the Company. Other non-executive directors are entitled to an annual retainer, payable quarterly in arrears, depending on their roles on the Board, its committees and on the boards of subsidiary companies, as outlined below:

	2024		2023	
Capacity	**Chairman**	**Member**	Chairman	Member
Board of Directors	**-**	**3 428 100**	-	3 007 100
Audit & Risk Committee	**1 761 800**	**880 900**	1 355 200	677 600
Credit Committee	**1 122 200**	**561 200**	935 100	467 600
Strategy Committee	**1 122 200**	**561 200**	935 100	467 600
Corporate Governance, Nominations Remuneration Committee	**1 122 200**	**561 200**	935 100	467 600
Subsidiary Board of Directors	**2 200 200**	**766 100**	1 864 500	672 000
Subsidiary Audit and Risk Committee	**348 400**	**174 200**	268 000	134 000

During the year, the Board also, appointed one of the Board members to be the Lead Independent Director (LID). The LID is paid an annual retainer as a board member of Shs 4,113,800 which is 20% higher than the retainer of Shs 3,428,100 paid to other non-executive directors.

In the fourth quarter, 2024, there were workstreams that required significant Non-Executive Directors involvement outside of the scheduled board and/or committee meetings and relevant approvals were sought and granted to pay ad-hoc fees to Board members (including the Chairman) for these meetings in accordance with the non-executive directors remuneration framework.

The amounts paid to individual board members during the year were as follows:

Non-executive directors	**Date of appointment**	**Total emoluments 2024 (Shs)**	Total emoluments 2023 (Shs)
Charles Muchene	22 August 2016	**11 390 400**	9 938 700
Japheth Olende	7 March 2018	**8 974 200**	7 200 550
Patricia Ithau	23 February 2016	**8 427 400**	7 264 300
Louis Otieno	7 March 2018	**8 102 250**	7 132 300
Christine Sabwa	9 February 2022	**6 679 400**	5 582 100
Fulvio Tonelli	1 October 2020	**5 551 400**	4 637 433
Kedibone Imathiu	1 November 2022	**5 210 200**	4 098 500
Charles Murito	24 June 2020	**4 630 500**	4 122 300
Marion Mwangi	2 October 2024	**1 077 250**	-
Laila Macharia	August 2014	**-**	3 830 475
Total		**60 043 000**	53 806 658

Statement regarding compliance with remuneration policy

The Board's responsibility under this policy is oversight and through its Corporate Governance and Nominations Committee, has satisfied itself that the remuneration policy as detailed in the 2024 remuneration report was complied with, and there were no substantial deviations from the policy during the year.

Approval of Remuneration Report by the Board of Directors

This directors' remuneration report was approved by the Board of Directors on 20 March 2025

Charles Muchene
Chairman

Financial review

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2024 in accordance with Section 22 of the Banking Act and Section 650(1) of the Kenyan Companies Act 2015 which discloses the state of affairs of Absa Bank Kenya PLC (the "Company"/" Bank") and its subsidiaries (together the "Group").

Company registration number	C.18208	
Country of incorporation and domicile	Kenya	
Nature of business and principal activities	The Company is registered as a bank under the Banking Act. The Group is engaged in the business of banking and the provision of related services.	
Directors	The directors who served during the year and to date of this report are:	
	C K Muchene	Chairman
	AM Mohamed*	Managing Director
	YK Omari*	Chief Financial Officer
	PE Ithau	
	JO Olende	
	LO Otieno	
	C N Murito	
	F Tonelli**	
	CM Sabwa	
	K Imathiu**	
	M Mwangi	Appointed 2nd October 2024
	*Executive directors **South African	
Registered office	Absa Bank Headquarters Waiyaki Way PO Box 30120 – 00100 Nairobi	
Parent company	Absa Group Limited	
Auditor	KPMG Kenya 8th Floor, ABC Towers Waiyaki Way P.O. Box 40612 - 00100 Nairobi	
Company secretary	Wilson Murage	Resigned 27 February 2025
	Anne Nyongesa	Appointed 28 February 2025
Dividend	An interim dividend of Shs 0.20 per share (2023: Shs 0.20 per) was paid during the year amounting to Shs.1 086 million (2023: Shs. 1 086 million. The directors recommend the approval of a final dividend for the year ended 31 December 2024 of Shs 1.55 per share amounting to Shs 8 419 million to be paid on or about 22 May 2025.	

Report of the Directors continued

Results/business review	Group		Bank	
	2024	2023	**2024**	2023
Summary results	**Shs'million**	Shs'million	**Shs'million**	Shs'million
Profit for the year	**20 876**	16 367	**19 638**	15 376
Total comprehensive income	**24 378**	13 211	**23 126**	12 242
Income tax expense	**(8 844)**	(7 311)	**(8 336)**	(6 883)
Dividends declared and paid				
-Interim declared and paid	**1 086**	1 086	**1 086**	1 086
-Final proposed	**8 419**	7 333	**8 419**	7 333
Net assets	**85 205**	69 195	**80 177**	65 424

The financial results of the Group and the Bank are as set out within this document. A summary has been included above. The principle risks and uncertainties facing the Group and Bank as well as the risk management framework are outlined in note 42 of the Consolidated and Bank financial statements.

Authorised and issued share capital
There were no changes to the authorised or issued share capital for the year under review. The share capital is disclosed in note 35.

Events after the reporting date
The directors are not aware of any other events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 31 December 2024 and the date of authorisation of these consolidated annual financial statements.

Auditors
The Company's auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 721 (2) of the Kenyan Companies Act, 2015 and Section 24 (1) of the Banking Act.

Going concern
The annual financial statements have been prepared based on accounting policies applicable to a going concern.

Relevant audit information
The Directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Company's auditor is unaware; and

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

Approval of financial statements
The consolidated and separate financial statements were approved and authorised for issue by the Board of Directors.

Company Secretary
Anne Nyongesa
Date: 20 March 2025

Statement of Directors' responsibilities

for the year ended 31 December 2024

The Directors are responsible for the preparation and presentation of the Consolidated and Bank financial statements of Absa Bank Kenya PLC ("the Bank") and its subsidiaries (together, "the Group") set out on pages 136 to 263, which comprise the consolidated and Bank statements of financial position at 31 December 2024 and the consolidated and Bank statements of comprehensive income, consolidated and Bank statements of changes in equity and consolidated and Bank statements of cash flows for the year then ended and the notes to the annual financial statements, including a summary of material accounting policies and the information identified as subject to audit in the Directors' Remuneration Report.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the consolidated and separate financial statements in the circumstances, preparation and presentation of the consolidated and separate financial statements in accordance with IFRS® Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of Consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the financial year and of the operating results of the Group and Bank for that year. It also requires the Directors to ensure the Group and the Bank keep proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Group and the Bank.

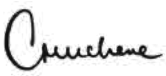
The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS® Accounting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Group and the Bank and of the Group's and Bank's profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of consolidated and separate financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Bank and its subsidiaries' ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The consolidated and separate financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 20 March 2025.



Charles Muchene
Chairman

Abdi Mohamed
Managing Director

Independent Auditor's report

to the members of Absa Bank Kenya PLC

Report on the audit of the consolidated and separate financial statements

We have audited the consolidated and separate financial statements of Absa Bank Kenya Plc (the "Group" and the "Bank") set out on pages 136 to 263 , which comprise the consolidated and bank statements of financial position as at 31 December 2024, and the consolidated and bank statements of comprehensive income, the consolidated and bank statements of changes in equity and the consolidated and bank statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Absa Bank Kenya Plc as at 31 December 2024, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Expected credit losses on loans and advances to customers in the consolidated and separate financial statements
The disclosure associated with expected credit losses on loans and advances to customers is set out in the consolidated and separate financial statements in the following notes: - Note 2.14.4 – Expected credit losses (ECL) on financial assets– IFRS 9 drivers - Note 3.8 – Judgements and estimates, impairment losses on loans and advances - Note 21 – Loans and advances to customers - Note 42.2 – Credit risk

Independent Auditor's report continued

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

Key audit matters (continued)

<table>
<tr><th colspan="2">Expected credit losses on loans and advances to customers in the consolidated and separate financial statements</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We identified the audit of expected credit losses (ECL) on loans and advances to customers as a key audit matter which required significant audit effort due to the following:
• The Group's and Bank's loans and advances to customers are material to the consolidated and separate financial statements;
• There is a high degree of estimation uncertainty and significant judgements and assumptions are applied in estimating modelled ECL on loans and advances to customers;
• Significant increase in credit risk ("SICR") – the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's and Bank's ECL calculation as these criteria determine whether a 12 month or lifetime ECL is recorded;
• We have focussed on the following areas of significant judgement and estimation which required the use of specialists:

Modelled ECL impairment losses
• A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions, and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD).
• Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment, and the determination of credit impaired loans and advances to customers, incorporates judgement and estimation by management.</td><td>Our audit procedures in this area included:
• We obtained an understanding of management's process over credit origination, credit monitoring and credit remediation and evaluated the design, implementation and operating effectiveness of the relevant controls identified within these processes.
• We evaluated the appropriateness of the ECL methodologies applied and the ECL disclosures in terms of the requirements of IFRS 9.
• We assessed the appropriateness of the Group's and Bank's SICR methodologies and with the assistance of our actuarial specialists reperformed stage allocations for a sample of portfolio and individual exposures.

Modelled ECL impairment losses
• With the assistance of our actuarial specialists, we have assessed the design and implementation of the ECL models, including assessing the significant assumptions applied with reference to the requirements of IFRS 9 and have tested the operating effectiveness of management's ECL modelling controls which support the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters used in the models.
• With the assistance of our actuarial specialists, we have reperformed the model calculations using assumptions as per the model documentation, and independently reperformed the PD, EAD and LGD parameters, to test the accuracy of the ECL calculations.
• We assessed the appropriateness of the SICR methodologies and model calibrations and tested the resultant stage allocations and application of cure rules for a sample of individual exposures. For retail exposures, we also tested the performance of the SICR approach by considering historic volumes of accounts moving into arrears and the forward looking view of default risk.
• We tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs such as early watchlist classifications, discount factor, and number of days past due, among others, back to information sourced by management from internal systems.</td></tr>
<tr><td>Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation
• These scenario forecasts are developed by the Group's and Bank's economics unit and require management judgement, given the uncertain macroeconomic environment and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL.</td><td>Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation
• We tested the design and implementation and operating effectiveness of controls over the approval of updated macroeconomic forecasts used within the ECL models.
• With assistance from our actuarial specialists, we have assessed the appropriateness of the economic modelling and incorporation of macroeconomic forecasts into the ECL models and assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external evidence and economic data.</td></tr>
</table>

Independent Auditor's report continued

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

Key audit matters (continued)

Expected credit losses on loans and advances to customers in the consolidated and separate financial statements	
The key audit matter	**How the matter was addressed in our audit**
Management adjustments • Where the Group's and Bank's ECL models are not fully calibrated to cater for the impact of the current levels of economic volatility and complexity model adjustments are made which are subject to a high degree of management judgement and bias	**Management adjustments** • We have assessed management's governance processes by understanding management's processes and testing key controls over judgements used to determine management adjustments. • We reperformed a sample of management adjustments to test their accuracy, including testing of accuracy of the inputs used to assess whether the adjustments are in line with the Group's and Bank's methodologies. • Using our understanding of the elements in the macroeconomic information adjustments and applying our own independent data, we assessed management's rationale for the macroeconomic information model adjustments.
Stage 3 ECL assessed on an individual basis • A significant portion of loans and advances to customers are assessed for recoverability on an individual basis, primarily in the Wholesale portfolios. Significant judgements, estimates and assumptions are applied by management to: - Determine if the loans and advances are credit impaired; - Evaluate the valuation and recoverability of collateral; - Determine the expected future cash flows to be collected; and - Estimate the timing of the future cash flows.	**Stage 3 ECL assessed on an individual basis** • We understood management's processes and tested the design, implementation and operating effectiveness of key controls over judgements used to determine whether specific exposures are credit impaired, • Our procedures focused on assessing the reasonability of the estimate of the amount and timing of expected future cash flows used in measuring the ECL. We have performed the following for a sample of stage 3 exposures: - Where exposures are collateralised, we tested the Group's and Bank's legal right to the collateral by inspecting legal agreements and bond registration information, as well as the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information. - Where future cash flows are estimated based on the loan counterparty's enterprise value, we have tested these valuations with reference to available market information and counterparty specific information.
Disclosures related to credit risk • Credit risk disclosures are significant as they rely on material data inputs and disclose management's judgement applied, estimates and assumptions used in determining the ECL, including management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non-routine and very specific to the economic conditions, this required significant audit effort.	**Disclosures related to credit risk** • We evaluated whether the credit risk disclosures are consistent with the ECL information tested which include the ECL data, models, estimates, management adjustments and macroeconomic forecasts and are in terms of the requirements of IFRS 7, Financial instruments disclosures.

Independent Auditor’s report continued

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

Key audit matters (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Report of the directors, Directors’ remuneration report and Statement of directors' responsibilities but does not include the consolidated and separate financial statements and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report and the ABSA Bank Kenya Plc Integrated Report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we have 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.

Directors’ responsibilities for the consolidated and separate financial statements

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

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

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

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

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

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

Independent Auditor's report continued

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you solely based on our audit of the consolidated and separate financial statements, that in our opinion:

(i) The information given in the *Report of the Directors* on pages 128 to 130 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the directors' remuneration report on page 122 to 125 has been prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Joseph Kariuki, Practicing Certificate No. P/2102.

Joseph Kariuki

For and on behalf of:

KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi
Date: 27 March 2025.

Consolidated statement of comprehensive income

	Notes	2024 Shs'million	2023 Shs'million
Interest revenue calculated using the effective interest method	4	**64 727**	54 263
Interest expense and similar charges	5	**(18 499)**	(14 219)
Net interest income		**46 228**	40 044
Fee and commission income	6	**8 074**	7 876
Fee and commission expense	6	**(628)**	(556)
Net fee and commission income		**7 446**	7 320
Net trading income	7	**7 272**	6 284
Other operating income	8	**43**	55
Total income		**60 989**	53 703
Impairment losses on financial instruments	9	**(7 761)**	(8 374)
Net operating income		**53 228**	45 329
Employee benefits	10	**(13 274)**	(11 923)
Infrastructure costs	11	**(2 419)**	(1 849)
Other operating expenses	12	**(6 667)**	(6 889)
Depreciation of property and equipment	25	**(926)**	(851)
Amortisation of intangible assets	26	**(222)**	(139)
Operating expenses		**(23 508)**	(21 651)
Profit before tax		**29 720**	23 678
Income tax expense	13	**(8 844)**	(7 311)
Profit for the year		**20 876**	16 367
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability	28	**(123)**	12
Deferred income tax	29	**37**	(4)
		(86)	8
Items that may be reclassified subsequently to profit or loss:			
Movement in fair value of debt instruments at FVOCI			
Fair value gains/(losses) arising during the reporting period	19	**5 125**	(4 519)
Deferred income tax	29	**(1 537)**	1 355
		3 588	(3 164)
Total other comprehensive income/(loss) for the year, net of tax		**3 502**	(3 156)
Total comprehensive income for the year, net of tax		**24 378**	13 211
Earnings per share			
Basic (Shillings per share)	14	**3.84**	3.01

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

Bank statement of comprehensive income

	Notes	2024 Shs'million	2023 Shs'million
Interest and similar income	4	**64 654**	54 218
Interest expense and similar charges	5	**(19 049)**	(14 470)
Net interest income		**45 605**	39 748
Fee and commission income	6	**6 539**	6 384
Fee and commission expense	6	**(628)**	(556)
Net fee and commission income		**5 911**	5 828
Net trading income	7	**7 272**	6 284
Other operating income	8	**61**	73
Total income		**58 849**	51 933
Impairment losses on financial instruments	9	**(7 756)**	(8 374)
Net operating income		**51 093**	43 559
Employee benefits	10	**(13 032)**	(11 672)
Infrastructure costs	11	**(2 413)**	(1 845)
Other operating expenses	12	**(6 539)**	(6 805)
Depreciation of property and equipment	25	**(925)**	(851)
Amortisation of intangible assets	26	**(210)**	(127)
Operating expenses		**(23 119)**	(21 300)
Profit before tax		**27 974**	22 259
Income tax expense	13	**(8 336)**	(6 883)
Profit for the year		**19 638**	15 376
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability	28	**(123)**	12
Deferred income tax	29	**37**	(4)
		(86)	8
Items that may be reclassified subsequently to profit or loss:			
Movement in fair value of debt instruments at FVOCI			
Fair value gains/(losses) arising during the reporting period	19	**5 105**	(4 488)
Deferred income tax	29	**(1 531)**	1 346
		3 574	(3 142)
Total other comprehensive income/(loss) for the year, net of tax		**3 488**	(3 134)
Total comprehensive income for the year, net of tax		**23 126**	12 242
Earnings per share			
Basic (Shillings per share)	14	**3.62**	2.83

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

Consolidated statement of financial position

	Notes	2024 Shs'million	2023 Shs'million
Assets			
Cash and balances with Central Bank of Kenya	15	**24 416**	29 599
Loans and advances to banks	16	**8 069**	1 721
Financial assets at fair value through profit or loss	17	**33 470**	20 446
Derivative financial instruments	18	**2 010**	3 198
Financial assets at fair value through other comprehensive income	19	**96 068**	73 644
Financial assets at amortised cost	20	**1 049**	1 062
Due from group companies	47	**7 289**	27 287
Loans and advances to customers	21	**309 098**	335 714
Other assets and prepaid expenses	22	**12 420**	14 333
Current income tax	38	**814**	-
Non-current assets held for sale	24	**47**	47
Property and equipment	25	**2 884**	3 286
Other intangible assets	26	**1 209**	703
Leasehold land	27	**30**	31
Deferred income tax	29	**7 603**	8 724
Total assets		**506 476**	519 795
Equity and liabilities			
Liabilities			
Deposits from banks	30	**7 045**	11 685
Due to Central Bank of Kenya	31	**-**	13 047
Derivative financial instruments	18	**1 653**	3 250
Due to group companies	47	**6 054**	16 324
Deposits from customers	32	**367 115**	362 749
Borrowings	33	**19 730**	24 024
Current income tax	38	**-**	589
Other liabilities and accrued expenses	34	**19 586**	18 932
Retirement benefit liability	28	**88**	-
Total liabilities		**421 271**	450 600
Capital and reserves			
Share capital	35	**2 716**	2 716
Retained earnings	36	**74 922**	63 637
Fair value reserve	36	**(1 181)**	(4 758)
Share-based payment reserve	36	**329**	267
Proposed dividends	49	**8 419**	7 333
Total equity		**85 205**	69 195
Total equity and liabilities		**506 476**	519 795

The financial statements on pages 136 to 263 were approved and authorised for issue by the Board of Directors on 20 March 2025 and signed on its behalf by:

Chairman: Charles Muchene

Managing Director: Abdi Mohamed

Chief Financial Officer: Yusuf Omari

Company Secretary: Anne Nyongesa

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

Bank statement of financial position

	Notes	2024 Shs'million	2023 Shs'million
Assets			
Cash and balances with Central Bank of Kenya	15	**24 416**	29 599
Loans and advances to banks	16	**8 069**	1 721
Financial assets at fair value through profit or loss	17	**33 470**	20 446
Derivative financial instruments	18	**2 010**	3 198
Financial assets at fair value through other comprehensive income	19	**95 360**	73 274
Financial assets at amortised cost	20	**1 049**	1 062
Due from group companies	47	**7 626**	27 888
Loans and advances to customers	21	**309 098**	335 714
Other assets and prepaid expenses	22	**12 383**	14 285
Investment in subsidiaries	23	**463**	463
Current income tax	38	**598**	-
Non-current assets held for sale	24	**47**	47
Property and equipment	25	**2 879**	3 282
Other intangible assets	26	**1 109**	659
Leasehold land	27	**30**	31
Deferred income tax	29	**7 522**	8 632
Total assets		**506 129**	520 301
Equity and liabilities			
Liabilities			
Deposits from banks	30	**7 045**	11 685
Due to Central Bank of Kenya	31	**-**	13 047
Derivative financial instruments	18	**1 653**	3 250
Due to group companies	47	**6 068**	16 324
Deposits from customers	32	**371 874**	366 903
Borrowings	33	**19 730**	24 024
Current income tax	38	**-**	793
Other liabilities and accrued expenses	34	**19 494**	18 851
Retirement benefit liability	28	**88**	-
Total liabilities		**425 952**	454 877
Capital and reserves			
Share capital	35	**2 716**	2 716
Retained earnings	36	**69 877**	59 830
Fair value reserve	36	**(1 164)**	(4 722)
Share-based payment reserve	36	**329**	267
Proposed dividends	49	**8 419**	7 333
Total equity		**80 177**	65 424
Total equity and liabilities		**506 129**	520 301

The financial statements on pages 136 to 263 were approved and authorised for issue by the Board of Directors on 20 March 2025 and signed on its behalf by:

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The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

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Our value preservation approach | Financial review | Shareholder information

Consolidated statement of changes in equity

	Share capital	Fair value reserve	Share-based payment reserve	Retained profit	Proposed dividends	Total equity
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Balance at 1 January 2023	2 716	(1 551)	222	55 980	6 246	63 613
Profit for the year	-	-	-	16 367	-	16 367
Other comprehensive loss for the year	-	(3 164)	-	8	-	(3 156)
Total comprehensive income for the year	-	(3 164)	-	16 375	-	13 211
Net changes in impairment losses on financial assets at fair value through other comprehensive income	-	(43)	-	-	-	(43)
Recognition of share-based payments	-	-	45	-	-	45
Final dividend for 2022 paid	-	-	-	-	(6 246)	(6 246)
Interim dividend paid	-	-	-	(1 086)	-	(1 086)
Dividend waiver	-	-	-	(299)	-	(299)
Proposed final dividend 2023 (Note 49)	-	-	-	(7 333)	7 333	-
Balance at 31 December 2023	2 716	(4 758)	267	63 637	7 333	69 195
Balance at 1 January 2024	**2 716**	**(4 758)**	**267**	**63 637**	**7 333**	**69 195**
Profit for the year	**–**	**–**	**–**	**20 876**	**–**	**20 876**
Other comprehensive income/(loss) for the year	**–**	**3 588**	**–**	**(86)**	**–**	**3 502**
Total comprehensive income for the year	**–**	**3 588**	**–**	**20 790**	**–**	**24 378**
Net changes in impairment losses on financial assets at fair value through other comprehensive income (Note 9)	**–**	**(11)**	**–**	**–**	**–**	**(11)**
Recognition of share-based payments	**–**	**–**	**62**	**–**	**–**	**62**
Final dividend for 2023 paid	**–**	**–**	**–**	**–**	**(7 333)**	**(7 333)**
Interim dividend paid	**–**	**–**	**–**	**(1 086)**	**–**	**(1 086)**
Proposed final dividend 2024 (Note 49)	**–**	**–**	**–**	**(8 419)**	**8 419**	**-**
Balance at 31 December 2024	**2 716**	**(1 181)**	**329**	**74 922**	**8 419**	**85 205**

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

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Our value preservation approach | Financial review | Shareholder information

Bank statement of changes in equity

	Share capital Shs'million	Fair value reserve Shs'million	Share-based payment reserve Shs'million	Retained profit Shs'million	Proposed dividends Shs'million	Total equity Shs'million
Balance at 1 January 2023	2 716	(1 537)	222	53 164	6 246	60 811
Profit for the year				15 376		15 376
Other comprehensive loss for the year		(3 142)		8		(3 134)
Total comprehensive income for the year	-	(3 142)	-	15 384	-	12 242
Net changes in impairment losses on financial assets at fair value through other comprehensive income (Note 9)	-	(43)	-			(43)
Recognition of share-based payments	-	-	45	-	-	45
Final dividend for 2022 paid	-	-	-	-	(6 246)	(6 246)
Interim dividend paid	-	-	-	(1 086)	-	(1 086)
Dividend waiver	-	-	-	(299)	-	(299)
Proposed final dividend 2023 (Note 49)	-	-	-	(7 333)	7 333	-
Balance at 31 December 2023	2 716	(4 722)	267	59 830	7 333	65 424
Balance at 1 January 2024	**2 716**	**(4 722)**	**267**	**59 830**	**7 333**	**65 424**
Profit for the year	**–**	**–**	**–**	**19 638**	**–**	**19 638**
Other comprehensive loss for the year	**–**	**3 574**	**–**	**(86)**	**–**	**3 488**
Total comprehensive income for the year	**–**	**3 574**	**–**	**19 552**	**–**	**23 126**
Net changes in impairment losses on financial assets at fair value through other comprehensive income (Note 9)	**–**	**(16)**	**–**	**–**	**–**	**(16)**
Recognition of share-based payments	**–**	**–**	**62**	**–**	**–**	**62**
Final dividend for 2023 paid	**–**	**–**	**–**	**–**	**(7 333)**	**(7 333)**
Interim dividend paid	**–**	**–**	**–**	**(1 086)**	**–**	**(1 086)**
Proposed final dividend 2024 (Note 49)	**–**	**–**	**–**	**(8 419)**	**8 419**	**–**
Balance at 31 December 2024	**2 716**	**(1 164)**	**329**	**69 877**	**8 419**	**80 177**

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

Consolidated statement of cash flows

	Notes	2024 Shs'million	Restated 2023 Shs'million
Cash flows from operating activities			
Cash used in operations	37	**(20 622)**	(14 763)
Interest received		**59 246**	48 624
Interest paid		**(15 202)**	(11 335)
Income taxes paid	38	**(10 626)**	(7 422)
Net cash generated from in operating activities		**12 796**	15 104
Cash flows from investing activities			
Purchase of property and equipment	25	**(347)**	(320)
Purchase of intangible assets	26	**(761)**	(326)
Net cash used in investing activities		**(1 108)**	(646)
Cash flows from financing activities			
Repayments of borrowings	33	**(527)**	(300)
Repayment of principal portion of lease liabilities	34	**(445)**	(376)
Dividends paid to owners of the company	39	**(8 419)**	(7 332)
Net cash used in financing activities		**(9 391)**	(8 008)
Net increase in cash and cash equivalents		**2 297**	6 450
Cash and cash equivalents at the beginning of the year		**32 529**	26 045
Effect of exchange rate fluctuations on cash and cash equivalents held		**231**	34
Cash and cash equivalents at the end of the year[1]	40	**35 057**	32 529

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

[1]Prior year numbers have been restated, refer to note 2.26.1 for further details.

Bank statement of cash flows

	Notes	2024 Shs'million	Restated 2023 Shs'million
Cash flows from operating activities			
Cash used in operations	37	**(20 606)**	(14 885)
Interest received		**59 195**	48 579
Interest paid		**(15 752)**	(11 586)
Income taxes paid	38	**(10 111)**	(7 008)
Net cash generated from operating activities		**12 726**	15 100
Cash flows from investing activities			
Purchase of property and equipment	25	**(345)**	(318)
Payments of intangible assets	26	**(693)**	(324)
Net cash used in investing activities		**(1 038)**	(642)
Cash flows from financing activities			
Repayment of borrowings	33	**(527)**	(300)
Repayment of principal portion of lease liabilities	34	**(445)**	(376)
Dividends paid to owners of the company	39	**(8 419)**	(7 332)
Net cash used financing activities		**(9 391)**	(8 008)
Net increase in cash and cash equivalents		**2 297**	6 450
Cash and cash equivalents at the beginning of the year		**32 529**	26 045
Effect of exchange rate fluctuations on cash and cash equivalents held		**231**	34
Cash and cash equivalents at the end of the year[1]	40	**35 057**	32 529

The notes set out on page 146 to 263 form an integral part of these consolidated and separate financial statements.

[1]Prior year numbers have been restated, refer to note 2.26.1 for further details.

Notes to the annual financial statements

1. General information and statement of compliance

Absa Bank Kenya PLC (the "Bank"/"the Group") provides consumer and corporate banking services. Absa Group Limited is the ultimate parent of the Group.

Absa Bank Kenya PLC (the "Bank"/"the Group") is a public limited company, incorporated and domiciled in Kenya. Its shares are listed on the Nairobi Securities Exchange. The address of its registered office is:

Absa Bank Headquarters

Waiyaki Way

PO Box 30120-00100

Nairobi

The consolidated and Bank financial statements which comprise the Group and the Bank (collectively, "the Group) and the separate financial statement which comprise the Bank have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Kenyan Companies Act, 2015, as amended.

For the Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and profit or loss account by the statement of comprehensive income in these financial statements. There are no other differences between IFRS® Accounting Standards and the Kenyan Companies Act, 2015.

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates) which is the Kenya Shilling.

The consolidated and separate financial statements are presented in millions of Kenya Shilling (Shs' millions), the presentation currency of the Bank and the Group.

2. Material accounting policies

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

2.1 Adoption of new and revised accounting standards

During the current year, the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2024. For details of the new and revised accounting policies refer to note 51.

2.2 Basis of preparation

The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments to the extent required or permitted under IFRS® Accounting Standards as set out in the relevant accounting policies.

The annual financial statements have been prepared based on accounting policies applicable to a going concern.

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 43.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS® Accounting Standards netting criteria has been met.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (together the "Group"). Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquation rights
- Whether the Bank is exposed or has rights, to variable returns from its involvement with the investee and has power to affect the variability of such returns

Notes to the annual financial statements
for the year ended 31 December 2024

2. Material accounting policies (continued)

2.3 Basis of consolidation (continued)

The Bank will only consider potential voting rights that are substantive when assessing whether it controls another entity. In order for the right to be substantive, the holder must have the practical ability to exercise that right.

Subsidiaries (including controlled structured entities) are fully consolidated from the date on which control is transferred to the Bank. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control. Investment in subsidiaries are accounted for at cost less impairment in the separate financial statements of the Bank.

Income and expenses of subsidiaries acquired or disposed during the year are included in the statement of profit or loss from the effective date of acquisition and up to the effective date of loss of control, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank 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 those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation and consistent accounting policies are used throughout the group for the purposes of the consolidation.

2.4 Non-current assets held for sale

Non-current assets (or disposal group's comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale and an active programme to locate a buyer and complete the plan must have been initiated. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value, less cost to sell. Any impairment loss on a disposal group is first allocated to reduce goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, investment properties, insurance assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss until finally sold. Property, equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.5 Revenue recognition

Net interest income

Effective interest on loans and advances at amortised cost, financial assets at amortised cost and debt instruments at fair value through other comprehensive income, as well as the interest expense on financial liabilities held at amortised cost, are calculated using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. This results in the allocation of interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest rate method requires the Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

Notes to the annual financial statements
for the year ended 31 December 2024

2. Material accounting policies (continued)

2.5 Revenue recognition

Net interest income (continued)

Interest income/expense on all trading financial assets/liabilities is recognised as part of the fair value change in net trading income.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial assets.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Net trading income

Trading positions and assets or liabilities in the trading portfolio are held at fair value and the resulting gains and losses are included in profit or loss, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Net fee and commission income

Net fee and commission income is calculated by subtracting fee and commission charges from fee and commission income. Fee and commission income relates to revenue earned for the rendering of services and is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties, such as value added taxes. When the Bank is acting as an agent, amounts collected on behalf of the principal are not income. Only the net commission retained by the Bank is, in this case, recognised as income.

Fees and commission income earned in respect of services mainly relates to transaction charges and are recognised at a point in time when the performance obligation is discharged

Under IFRS 15 Revenue from Contracts with Customers, entities are required to recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Fees and commission income earned in respect of services rendered are recognised on an accrual basis when the service is rendered. Fees earned on the execution of a performance obligation are recognised when the performance obligation act has been completed.

Fee and commission expenses are expenses which are connected to the generation of fee and commission income which are expensed as the services are received.

2.6 Foreign currencies

In preparing the consolidated annual financial statements, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. These are recognised in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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).

2.7 Employee benefits

Staff costs

Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

Notes to the annual financial statements
for the year ended 31 December 2024

2. Material accounting policies (continued)

2.7 Employee benefits (continued)

Defined benefit scheme

The Group recognises its obligation (determined using the projected unit credit method) to members of the scheme at the reporting date, less the fair value of the scheme assets. Scheme assets are stated at fair value as at the reporting date.

Costs arising from current service cost, interest on net defined benefit liability or asset, past service cost settlements are recognised in profit or loss.

All actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling are recognised through other comprehensive income in order for the net defined benefit scheme asset or liability recognised in the statement of financial position to reflect the full value of the plan surplus or deficit, taking into account the asset ceiling.

Remeasurements of the net defined benefit liability (or asset, as the case may be) comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Interest is calculated by applying the discount rate to the opening net defined benefit liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contribution and benefit payments.

Gains and losses on curtailments are recognised when the curtailment occurs, which may be when a demonstrable commitment to a reduction in benefits, or reduction in eligible employees, occurs. The gain or loss comprises any change in the present value of the obligation and the fair value of the assets. Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

Defined contribution scheme

The Group operates a defined contribution scheme for majority of its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by contribution from both the Group and employees. The Group and its employees also contribute to the National Social Security Fund as determined by local statutes.

The Group recognises contributions due in respect of the reporting period in profit or loss. Any contributions unpaid at the reporting date are included as a liability.

2.8 Share-based payments

The Group operates equity-settled and cash-settled share-based payment plans.

Employee services settled in equity instruments

The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss, with a corresponding increase in equity, over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

The accounting treatment under IFRS 2 Share-based Payment, as determined to be required in the separate financial statements of the Group, applies regardless of any intra-group recharge arrangements that might be in place. Any recharge arrangements are accounted for separately from the share-based payment as an adjustment to the increase in equity recognised in respect of the share-based payment (as described above).

Notes to the annual financial statements
for the year ended 31 December 2024

2. Material accounting policies (continued)

2.8 Share-based payments (continued)

Employee services settled in cash

The fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is re-measured at each reporting date and at settlement date.

Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition. Refer to note 34 for the carrying amount of liabilities arising from cash-settled arrangements.

2.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Income tax payable on taxable profits ("current taxation") is recognised as an expense in the reporting period in which the profits arise.

Income tax recoverable on allowable tax losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred taxation

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred income tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax

Current and deferred tax movements are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the annual financial statements
for the year ended 31 December 2024

2. Material accounting policies (continued)

2.9 Taxation (continued)

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the asset or expense; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Levies and similar charges

The Group recognises the liability arising from levies and similar charges when it becomes legally enforceable (i.e., when the obligating event arises) which is on 31 December each year.

2.10 Property and equipment

Property and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset. All other repair and maintenance costs are recognised in profit or loss as incurred.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings comprise mainly of branches and offices.

Useful lives of property and equipment	**Useful lives Years**
Property and equipment	
Buildings;	
Leases over 50 years	50
Leases under 50 years	Over the remaining life
Rented premises	6
Freehold buildings	50
Leasehold improvements	Over the remaining lease period
Fixtures, fittings and equipment	5
Motor vehicles	5

Notes to the annual financial statements
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2. Material accounting policies (continued)

2.11 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Useful lives of Intangible assets	Useful lives Years
Flexcube (Core banking application)	10
Other software	5

De-recognition of intangible assets

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

2.12 Impairment of tangible and intangible assets (excluding goodwill)

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13 Provisions, contingent liabilities and undrawn commitments

Provisions

Provisions for legal claims or restructuring are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities

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

Undrawn commitments

Under IFRS 9 Financial Instruments, the ECL calculated on financial guarantees and letters of credit are presented as provisions on the statement of financial position. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL. As a result, the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case, the excess ECL is recognised as a provision on the face of the statement of financial position.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments

2.14.1 Initial recognition of financial assets and financial liabilities

The Group recognises financial assets and liabilities when it becomes party to the terms of the contract, which is the trade date or the settlement date. All financial instruments are measured initially at fair value plus/minus transaction costs, except in the case of financial assets and liabilities recorded at fair value through profit or loss, where transaction costs are expensed upfront.

2.14.2 Day one profits or losses

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data. 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.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price (Day one profit) is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate or released in full when previously unobservable inputs become observable.

On initial recognition, the Group classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss;

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent solely payments of principal and interest).

Business model assessment:

The business model reflects how the Group manages the financial assets in order to generate cash flows and returns. The Group assesses the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include (i) how the financial assets' performance is evaluated and reported to management, (ii) how the risks within the portfolio are assessed and managed and (iii) the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales. The Group reclassifies debt instruments when, and only when, the business model for managing those assets changes. Such changes are highly unlikely and therefore expected to be very infrequent.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI):

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered SPPI and the assets would be mandatorily measured at fair value through profit or loss, as described below. In making the assessment, the Group considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments (continued)

2.14.3 Classification and measurement of financial instruments

2.14.3.1 Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The Group classifies its debt instruments as follows:

- Amortised cost - Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as effective interest within interest and similar income using the effective interest rate method. The carrying amount is adjusted by the cumulative expected credit losses recognised.
- Fair value through other comprehensive income - This classification applies to financial assets which meet the SPPI test and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to Net trading income in profit or loss. Interest income from these financial assets is included as effective interest within Interest and similar income using the effective interest rate method.
- Fair value through profit or loss - Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in net trading income in profit or loss. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as gains and losses from banking and trading activities or gains and losses from investment activities in profit or loss.

2.14.3.2 Financial liabilities

Most financial liabilities are held at amortised cost. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability. Most financial liabilities are held at amortised cost, in accordance with the effective interest rate method. Financial liabilities classified as held for trading are subsequently measured at fair value through profit or loss, with changes in fair value being recognised in profit or loss.

A financial liability may be designated at fair value through profit or loss if (i) measuring the instrument at fair value eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) if the instrument belongs to a group of financial assets or financial liabilities that are managed on a fair value basis, in accordance with a documented risk management or investment strategy. Own credit gains or losses arising from the valuation of financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income and are not subsequently recognised in profit or loss.

2.14.3.3 Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, and derivative assets and liabilities.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Notes to the annual financial statements

for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments (continued)

2.14.3 Classification and measurement of financial instruments (continued)

2.14.3.3 *Derivatives (continued)*

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

Category	Classification	Financial statement caption	Class
Financial assets	Fair value through profit or loss	Financial assets at fair value through profit or loss	Debt securities
		Derivative assets	
	Amortised cost	Loans and advances to banks	
		Due from group companies	
		Loans and advances to customers	
		Other assets	
		Cash and balances with Central Bank of Kenya	
		Financial assets at amortised cost	
	Fair value through other comprehensive income	Financial assets at fair value through other comprehensive income	Investment securities designated at FVOCI
Financial liabilities	Financial liabilities at amortised cost	Deposits from banks	
		Due to Central Bank of Kenya	
		Deposits from customers	
		Borrowings	
		Due to group companies	
		Other liabilities and accrued expense	
	Fair value through profit or loss	Financial liabilities at fair value through profit or loss	
		Derivative liabilities	
Off-balance sheet financial instruments	Loan commitments Guarantees, acceptances and other financial liabilities		

2.14.4 Expected credit losses on financial assets

The Group uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis when they are only evident at this higher level. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography and credit risk ratings. Credit losses are the present value of the difference between:

- all contractual cash flows that are due to an entity in accordance with the contract; and

- all the cash flows that the entity expects to receive.

Three-stage approach to ECL

IFRS 9 requires entities to recognise ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (hereafter referred to as 12-month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (hereafter referred to as lifetime ECL). In determining the forecast credit losses over the duration of an exposure, recoveries expected to be received post the designated point of write-off are excluded.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments (continued)

2.14.4 Expected credit losses on financial assets (continued)

Three-stage approach to ECL (continued)

Interest is calculated on stage 1 and stage 2 assets based on the gross carrying amount of the asset, whilst interest income on stage 3 assets is calculated based on the net carrying value (that is, net of the credit allowance). The stage allocation is required to be performed as follows:

Stage 1 This stage comprises exposures which are performing in line with the Group's credit expectations as at the date of origination. That is to say, the credit exposures which are assigned to stage 1 have not experienced a significant increase in credit risk since the date of initial recognition. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1. Exposures which were previously classified within stage 2 or stage 3, may also cure back to stage 1 in line with the Group's credit risk management cure criteria. Whilst the standard does permit an accounting policy election to classify low credit risk assets within stage 1, such election has not been made by the Group.

Stage 2 Exposures are required to be classified within stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from stage 1 to stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices. These factors have been set out in note 40.2. Stage 2 assets are considered to be cured (i.e. reclassified back into stage 1), when there is no longer evidence of a significant increase in credit risk, and in accordance with the Group's credit risk management cure criteria. The definition of high risk is, from a credit management perspective, central to controlling the flow of exposures back to stage 1 and gives effect to any cure periods deemed necessary.

For these exposures lifetime expected credit losses should be recognised (i.e. credit losses from default events that are possible over the life of the instrument). The Group will assess whether a significant increase in credit risk has occurred based on (i) qualitative drivers including being marked as high risk or reflected on management's watch list; and (ii) quantitative drivers such as the change in the asset's cumulative weighted average lifetime probability of default (PD). Any exposure that is more than 30 days past due will also be included in this stage.

Stage 3 Credit exposures are classified within stage 3 when they are credit impaired, which is defined in alignment to the regulatory definition of default which includes unlikeliness to pay indicators as well as any assets that are more than 90 days past due. An instrument is credit impaired when there is objective evidence of impairment at the reporting date. Purchased or originated credit impaired lending facilities are classified on origination within stage 3. Defaulted assets are considered to be cured once the original event triggering default no longer applies, and the defined probation period (that is, the required consecutive months of performance) has been met.

Expected credit loss calculation

The measurement of expected credit losses must reflect:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money (represented by the effective interest rate); and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Expected credit losses comprise the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. Expected credit losses are calculated (for both 12 month-ECL and lifetime losses) as a function of the exposure at default (EAD); PD and loss given default (LGD). These terms are interpreted as follows per the requirements of IFRS 9:

- EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk.
- PD is the probability of default at a particular point in time, which may be calculated, based on the defaults that are possible to occur within the next 12 months; or over the remaining life; depending on the stage allocation of the exposure.
- LGD is the difference between the contractual cash flows due and the cash flows expected to be received, discounted to the reporting date at the effective interest rate. The expectation of cash flows take into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments (continued)

2.14.4 Expected credit losses on financial assets (continued)

Lifetime of financial instruments

For exposures in stage 2 and stage 3, the maximum lifetime over which expected credit losses should be measured, is the maximum contractual period over which the Group is exposed to credit risk. The Group estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Group use the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, expected credit losses are measured over the period that the Group is exposed to credit risk, even if that period extends beyond the maximum contractual period. Within the Group, this applies to overdrafts, credit cards and other revolving products.

These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

Forward looking information

Forward-looking information is factored into the measurement of expected losses through the use of multiple expected macro-economic scenarios that are either reflected in estimates of PD and LGD for material portfolios; or adjusted through expert credit judgement where the effects could not be statistically modelled.

Write-off

The gross carrying amount of a financial asset shall be directly reduced (that is, written off) when the entity has no reasonable expectations of recovering it in its entirety, or a portion thereof. A write-off constitutes a de-recognition event for accounting purposes. Depending on the nature of the account, balances are written off when:

- There has been less than one qualifying payment received within the last 12 months; or
- It is no longer economically viable to keep the debt on the statement of financial position.

A qualifying payment, for use in the write-off assessment, is defined as the minimum monthly contractual payment due.

Indicators which suggest that an account is not economically viable to retain on the statement of financial position are as follows (but do not represent an exhaustive list):

- The exposure is unsecured, i.e. there is no tangible security the Group can claim against (excluding suretyships);
- The debt has prescribed;
- The exposure would attract reputational risk should the Group pursue further legal action due to the valuation/exposure ratio, for example where the exposure is low and the valuation is very high in relation to the low exposure; and
- Where the cost to recover is high in relation to the valuation of the asset, for example legal, realisation and safe-guarding cost and rates and taxes.

Under IFRS 9, the Group applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Group’s LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries of amounts previously written off are recognised as an ECL gain in the statement of comprehensive income as and when the cash is received.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments (continued)

2.14.5 De-recognition of financial instruments

De-recognition of financial assets

In the course of its normal banking activities, the Group makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficially (where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Group transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Group may retain an interest in it (continuing involvement) requiring the Group to repurchase it in certain circumstances for other than its fair value on that date.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

On derecognition of a financial instrument, any difference between the carrying amount thereof and the consideration received is recognised in profit or loss.

2.14.6 Modification of financial assets and financial liabilities

Modification of financial assets

With the implementation of IFRS 9 there are new disclosure requirements for modifications. The assessment of whether a modification to a financial asset result in derecognition or not, is relevant as it impacts the assessment of the initial credit risk of a financial asset against which any subsequent significant deterioration in credit risk would be assessed. The Group assesses modifications to financial assets in the following manner:

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

- Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.
- When the Group modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and any gain or loss is recognised in profit or loss as part of the total impairment loss. Modification gain or losses typically occur on stage 2 and 3 assets.

Modification of financial liabilities

Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.14 Financial instruments (continued)

2.14.7 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially recognised in the financial statements at fair value at the date that the guarantee was given.

Other than where the fair value option is applied subsequent to initial recognition, the entity's liabilities under such contracts are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss any fee income earned over the reporting period, and the amount of the loss allowance expected from the guarantee at the reporting date. Any increase in the liability relating to guarantees is recognised in profit or loss. For financial guarantee contracts the cash shortfalls are future payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity would expect to receive from the holder, the debtor or any other party.

2.14.8 Loan commitments

The Group enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period or are cancellable by the Group subject to notice conditions.

Loan commitments are measured with reference to the quantum of ECL required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL.

As a result, the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case, the excess ECL is recognised as a provision on the face of the statement of financial position.

2.14.9 Credit enhancement: Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, receivables, other non-financial assets and credit enhancements such as netting agreements.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS® Accounting Standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed at a minimum, at inception and re-assessed on a regular basis.

To the extent possible, the Bank uses active market data for valuing both financial and non-financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral are valued based on data provided by third parties and other independent sources.

2.15 Repurchase and reverse repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Group purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Group may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.16 Letters of credit acceptances

Letters of credit acceptances arise in two ways:

(i) Issuing bank

At initial recognition where the Group is the issuing bank it recognises a contingent liability for the amount that it may be required to pay out to the confirming bank or beneficiary should the terms and conditions of the underlying contract be met.

On the date that all terms and conditions underlying the contract are met, the Group recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the applicant. Concurrently, the Group recognises a financial liability (at fair value) on the statement of financial position as part of liabilities for the contractual obligation to pay the beneficiary or the confirming bank, depending on the structure of the arrangement.

(ii) Confirming bank

On the date that all terms and conditions underlying the contract are met the Group recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the issuing bank and concurrently recognises a financial liability (at fair value) on the statement of financial position as part of liabilities for the contractual obligation to pay the beneficiary.

2.17 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 in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for the assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date.

If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The Group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits a group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the Group:

- manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the Group's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.18 Ordinary share capital

Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when declared by the board.

2.19 Offsetting

In accordance with IAS 32 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash on hand, balances with Central Bank of Kenya (excluding restricted balances – cash reserve ratio), deposits due from banking institutions, mobile money wallets and 91-day treasury bills. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

2.21 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Group and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

2.22 Segmental reporting

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

All transactions between business segments are conducted on an arm’s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8 Operating Segments, the Group has the following business segments: Consumer banking and Corporate banking.

2.23 Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared, in accordance with the Kenyan Companies Act, 2015.

2.24 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.

(a) The Group is the lessee

Where the Group is a lessee, the right-of-use assets are recognised 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 asset is included within “property and equipment” in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if readily determinable, or the lessee’s incremental borrowing rate. After the commencement date, a lessee shall measure the lease liability by increasing the carrying amount to reflect interest on the lease liability determined and reducing the carrying amount to reflect the lease payments made.

Any revisions to in-substance fixed lease payments, reassessment or lease modifications will be reflected by re-measuring the carrying amount. Interest is recognised within net interest income and the lease liability is included within “other liabilities” in the statement of financial position.

The lease payments in relation to short term leases (leases with a lease term of 12 months or less at commencement date) and leases in which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

Notes to the annual financial statements
for the year ended 31 December 2024

2 Material accounting policies (continued)

2.24 Leases (continued)

(b) The Group is the lessor

Finance lease

A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Group is the lessor, the leased asset is not held on the statement of financial position; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Finance income on the receivable is allocated over the lease term on a systematic basis so as to reflect a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group recognises leased assets on the statement of financial position within property and equipment.

2.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group did not have any qualifying assets during the year.

2.26 Reporting changes overview

The financial reporting changes that have had an impact on the Group's results for the comparative periods ended 31 December 2024 include:

2.26.1 Correction of prior period error

The Bank invests in both treasury bills and bonds which have different tenors. Part of these investments include 91-day treasury bills which are highly liquid with a maturity date of three months or less from date of acquisition, which are readily convertible to known amounts of cash, not subject to significant risk of changes in value, are held for short term cash management purposes and meet the definition of a cash equivalents per IAS 7, Statement of Cash Flows. However, these balances were incorrectly excluded from cash and cash equivalents in previous reporting periods. As a result, the Statement of Cash Flows has been restated. The restatement does not have an impact on profit or loss, equity or the statement of financial position. The impact of the above restatement is as follows:

Statement of cash flows	As previously reported Shs'million	Adjustments Shs'million	Restated Shs'million
Group			
Cash and cash equivalents – opening balance	25 531	514	26 045
Cash and cash equivalents – closing balance	30 554	1 975	32 529
Cash used in operations	(16 224)	1 461	(14 763)
Cash used in operating activities	13 643	1 461	15 104
Bank			
Cash and cash equivalents – opening balance	25 531	514	26 045
Cash and cash equivalents – closing balance	30 554	1 975	32 529
Cash used in operations	(16 346)	1 461	(14 885)
Cash used in operating activities	13 639	1 461	15 100

Notes to the annual financial statements
for the year ended 31 December 2024

3 Judgements and estimates

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognised in the financial statements include:

3.1 Fair value of financial instruments

The 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. Fair values should be first calculated with reference to observable inputs where these are available in the market. Only where these are unavailable should fair value techniques be applied which employ less observable inputs.

Unobservable inputs may only be used where observable inputs or less observable inputs are unavailable. IFRS 13 Fair Value Measurement does not mandate the use of a particular valuation technique but rather sets out a principle requiring an entity to determine a valuation technique that is appropriate in the circumstances for which sufficient data is available and for which the use of relevant observable inputs can be maximised. Where management is required to place greater reliance on unobservable inputs, the fair values may be more sensitive to assumption changes and different valuation methodologies that may be applied. For this reason, there is a direct correlation between the extent of disclosures required by IFRS 13 and the degree to which data applied in the valuation is unobservable.

Valuation inputs

IFRS 13 requires an entity to classify fair values according to a hierarchy that reflects the significance of observable market inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input which is considered to be significant to the entire measurement. The three levels of the fair value hierarchy are specifically defined as follows:

Quoted market prices – Level 1 Fair values are classified as Level 1 if they have been determined using unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date. The quoted prices are required to represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2 Inputs classified as Level 2 are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), but do not constitute quoted prices that are included within Level 1. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Valuation technique using significant unobservable inputs – Level 3 Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (that is, they are unobservable inputs). An input is deemed to be significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations as well through employing other analytical techniques

Loans and advances

The fair value of loans and advances is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.

Bid-offer valuation adjustments

For assets and liabilities where the Group is not a market maker, mid-prices are adjusted to bid and offer prices respectively unless the relevant mid-prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Group is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used.

Notes to the annual financial statements
for the year ended 31 December 2024

3 Judgements and estimates (continued)

3.1 Fair value of financial instruments (continued)

Model valuation adjustments

Valuation models are reviewed under the Group's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of the portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review at least annually.

The fair value hierarchy for these financial instruments is shown in note 44.

3.2 Effective interest rate

The Bank's EIR method 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 as expected changes to the base rate and other fee income/expense that are integral parts of the instrument. Note 2.5 and 4 disclose the interest income recognised using the EIR method.

3.3 Provisions

In terms of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a provision is recognised when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. Further, a reliable estimate of the amount of the obligation is required to be made. Various assumptions are therefore required in order to determine if a provision is required to be recognised, and further, the carrying amount thereof. With regards to the assessment of matters of a significant nature, including potential litigation and claims, management relies on the advice of the Group's legal counsel.

Note 48 discloses the recognition and measurement of contingencies.

3.4 Share-based payments

The initial fair value of awards is determined at grant date and is measured after taking into account all terms and conditions of the share incentive scheme, excluding non-market vesting conditions. In the case of certain schemes, options are granted to employees with a zero-strike price. In this case the Group may consider the share price on the grant date to be the best indication of the grant date fair value. Where management determines this valuation approach to be less appropriate, based on the specific terms and conditions, then a Black Scholes option pricing model is applied. Significant inputs into this pricing model include the risk-free discount rate, share price volatility, as well as an expectation of future dividends.

The cumulative expense recognised at each reporting date will reflect the extent to which the vesting period has expired as well as the Group's best estimate of the number of equity instruments that will ultimately vest. A key assumption applied is staff turnover and expected forfeitures. Management calibrates this assumption based on historical data.

In the case of cash-settled share-based payment schemes, where fair value is required to be determined at each reporting date, a consistent fair value methodology is applied. The fair value of the awards at each reporting date will impact the expense recognised over each reporting period.

Note 36 includes details of the Group's share awards. Refer to note 36.3 for the carrying amount of liabilities arising from cash-settled arrangements.

3.5 Income taxes

The Group is subject to income taxes and the calculation of the Group's tax charge and liabilities for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authority may indicate disagreement with the Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes tax liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The carrying amount of any resulting liabilities will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authority. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authority, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Notes to the annual financial statements
for the year ended 31 December 2024

3 Judgements and estimates (continued)

3.5 Income taxes (continued)

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets in the medium term. Refer to Note 13, 29, 38 and 48.3 which further disclose the tax exposures of the Group.

3.6 Retirement benefits

The valuation of and contribution towards the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The year-end balances of subsidiaries' post-retirement benefit obligations are also affected by the closing foreign currency exchange rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

Exposure to actuarial risks

The defined benefit fund exposes the Group to the risk that the benefits promised in the fund cost more than the accumulated assets set aside to meet such benefits and ultimately will require additional funding from the Bank (or its subsidiaries).

This risk can be categorised into a number of actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The actuarial funding valuation make assumptions about the returns that may be available on invested assets. If the return on pension plan assets is below this rate, it may lead to a strain on the fund, which over time, may result in a pension plan deficit. Typically, the fund has a relatively balanced investment in equity securities, debt securities, cash and real estate to mitigate any concentration risk. Due to the long-term nature of the pension plan liabilities, the board of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to improve the return generated by the fund. This may in turn result in improved discretionary benefits to members or reduced costs for the sponsoring entity.

Longevity risk

If pensioners live longer than expected then that will, all else equal, increase the funds' liabilities as benefits are paid for a longer term.

Salary risk

An increase in the salary of the plan participants will increase the plan's liability. This risk has been limited with the introduction of a defined contribution plan. There are now a limited number of active defined benefit members.

Measurement risk

The IAS 19 Employee Benefits liabilities are determined using various assumptions about future experience.

One of the most important assumptions is the discount rate derived from prevailing bond yields where these are available (where these are not available, the inflation rate plus a reasonable risk-free real return is used as a proxy). A decrease in the discount rate will, with all else equal, increase the plan liability; this may be partially offset by an increase in the value of assets, to the extent that the funds' investments are matched against its liabilities.

Other important assumptions are the inflation assumption, pension increase assumption and the longevity assumption and changes in those could affect the measured value of liabilities significantly. Changes in other assumptions used could also affect the measured liabilities.

Regulatory risk

The funds' benefits are governed by the rules of those funds, operating within the regulatory framework in Kenya. To the extent that governments can change that regulatory framework, the Group is exposed to a risk. In particular, regulations introducing issues like minimum benefits or minimum pension increases may result in higher benefits to members and a higher associated cost.

Refer to note 28 for the specific assumptions used and carrying amounts of retirement benefits.

Notes to the annual financial statements
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3 Judgements and estimates (continued)

3.7 Impairment losses on loans and advances

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope 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 ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Refer to:

- Note 2.14: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 42: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

4. Interest revenue calculated using the effective interest method

	Group		Bank	
	2024 Shs'million	2023 Shs'million	**2024 Shs'million**	2023 Shs'million
Financial assets held at fair value through OCI	**9 228**	9 124	**9 155**	9 079
Financial assets held at amortised cost	**173**	54	**173**	54
Loans and advances to banks and group companies	**1 952**	832	**1 952**	832
Loans and advances to customers	**53 374**	44 253	**53 374**	44 253
Total interest and similar income	**64 727**	54 263	**64 654**	54 218

5. Interest expense and similar charges

	Group 2024	Group 2023	Bank 2024	Bank 2023
Deposits from banks and group companies	**1 406**	(304)	**1 406**	(304)
Customer accounts	**(17 958)**	(11 876)	**(18 508)**	(12 127)
Subordinated debt and other borrowed funds	**(1 691)**	(1 868)	**(1 691)**	(1 868)
Interest expense on lease liabilities (Note 34.2)	**(256)**	(171)	**(256)**	(171)
Total interest and similar expense	**(18 499)**	(14 219)	**(19 049)**	(14 470)

Notes to the annual financial statements
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6. Net fee and commission income

In the following table, fees and commission income from contracts with customers in scope of IFRS 15 is disaggregated into major service lines.

	2024			2023		
Group	**Corporate Banking Shs'million**	**Consumer Banking Shs'million**	**Total Shs'million**	Corporate Banking Shs'million	Consumer Banking Shs'million	Total Shs'million
Fee and commission income						
Service fees	**754**	**4 848**	**5 602**	683	4 390	5 073
Credit related fee and commissions	**1 015**	**393**	**1 408**	1 014	529	1 543
Insurance agency commissions	**34**	**1 030**	**1 064**	-	1 260	1 260
Fee and commission income	**1 803**	**6 271**	**8 074**	1 697	6 179	7 876
Fee and commission expense						
Fee and commission expense	**(193)**	**(435)**	**(628)**	(164)	(392)	(556)
Net fee and commission income	**1 610**	**5 836**	**7 446**	1 533	5 787	7 320
Bank						
Fee and commission income						
Service fees	**667**	**4 465**	**5 132**	648	4 193	4 841
Credit related fee and commissions	**1 014**	**393**	**1 407**	1 014	529	1 543
Fee and commission income	**1 681**	**4 858**	**6 539**	1 662	4 722	6 384
Fee and commission expense						
Fee and commission expense	**(193)**	**(435)**	**(628)**	(164)	(392)	(556)
Net fee and commission income	**1 488**	**4 423**	**5 911**	1 498	4 330	5 828

The fee and commission presented include income of shs 7 948 million (2023: shs 7 190 million) and expense of shs 628 million (2023: shs 556 million) related to financial assets and financial liabilities not measured at FVTPL. These figures excluded amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities

There are no contract receivables and contract liabilities from contracts with customers as the service fees are billed instantaneously. Revenues related to transactions are recognised at a point in time when the transactions take place.

	Group and Bank	
	2024 Shs'million	2023 Shs'million
7. Net trading income		
Debt securities	**1 227**	(226)
Foreign exchange	**6 045**	6 510
Net trading income	**7 272**	6 284

Debt securities (expense)/income includes the results of buying and selling and changes in the fair value of debt securities measured at fair value through profit or loss and debt securities sold short as well as the related interest income and expense.

Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives. Other foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the income statement.

Notes to the annual financial statements

for the year ended 31 December 2024

		Group		Bank	
		2024	2023	2024	2023
		Shs'million	Shs'million	Shs'million	Shs'million
8.	**Other operating income**				
	Rental income	**31**	33	**31**	33
	Sundry income	**12**	22	**30**	40
	Total other operating income	**43**	55	**61**	73

The sundry income relates to income not earned in the normal course of business.

9. Impairment losses on financial instruments

2024	Stage 1	Stage 2	Stage 3	Total
Group	Shs'million	Shs'million	Shs'million	Shs'million
Total impairment loss	**920**	**(369)**	**(8 312)**	**(7 761)**
		Collectively assessed		
Loans and advances to customers	**654**	**312**	**(7 885)**	**(6 919)**
Recoveries of loans and advances	**-**	**-**	**986**	**986**
Total impairment loss	**654**	**312**	**(6 899)**	**(5 933)**
		Individually assessed		
Loans and advances to banks	**(14)**	**-**	**-**	**(14)**
Cash and balances with Central Bank of Kenya	**1**	**-**	**-**	**1**
Loans and advances to customers	**213**	**(444)**	**(1 589)**	**(1 820)**
Debt instruments measured at amortised cost	**(14)**	**-**	**-**	**(14)**
Debt instruments measured at FVOCI	**11**	**-**	**-**	**11**
Financial guarantees and letters of credit	**23**	**(47)**	**(38)**	**(62)**
Other undrawn commitments	**46**	**(190)**	**-**	**(144)**
	266	**(681)**	**(1 627)**	**(2 042)**
Recoveries of loans and advances	**-**	**-**	**214**	**214**
Total impairment loss	**266**	**(681)**	**(1 413)**	**(1 828)**
2023				
Total impairment loss	(963)	(701)	(6 710)	(8 374)
		Collectively assessed		
Loans and advances to customers	(667)	(616)	(5 218)	(6 501)
Recoveries of loans and advances	-	-	753	753
Total impairment loss	(667)	(616)	(4 465)	(5 748)
		Individually assessed		
Cash and balances with Central Bank of Kenya	2	-	-	2
Loans and advances to customers	(376)	(107)	(2 252)	(2 735)
Debt instruments measured at FVOCI	43	-	-	43
Financial guarantees & letters of credit	47	19	6	72
Other undrawn commitments	(12)	3	-	(9)
	(296)	(85)	(2 246)	(2 627)
Recoveries of loans and advances	-	-	1	1
Total impairment loss	(296)	(85)	(2 245)	(2 626)

Notes to the annual financial statements
for the year ended 31 December 2024

9. Impairment losses on financial instruments (continued)

Bank **2024**	**Stage 1** **Shs'million**	**Stage 2** **Shs'million**	**Stage 3** **Shs'million**	**Total** **Shs'million**
Total impairment loss	**925**	**(369)**	**(8 312)**	**(7 756)**
		Collectively assessed		
Loans and advances to customers	**654**	**312**	**(7 885)**	**(6 919)**
Recoveries of loans and advances	**-**	**-**	**986**	**986**
Total impairment loss	**654**	**312**	**(6 899)**	**(5 933)**
		Individually assessed		
Loans and advances to banks	**(14)**	**-**	**-**	**(14)**
Cash and balances with Central Bank of Kenya	**1**	**-**	**-**	**1**
Loans and advances to customers	**213**	**(444)**	**(1 589)**	**(1 820)**
Debt instruments measured at amortised cost	**(14)**	**-**	**-**	**(14)**
Debt instruments measured at FVOCI	**16**	**-**	**-**	**16**
Financial guarantees and letters of credit	**23**	**(47)**	**(38)**	**(62)**
Other undrawn commitments	**46**	**(190)**	**-**	**(144)**
	271	**(681)**	**(1 627)**	**(2 037)**
Recoveries of loans and advances	**-**	**-**	**214**	**214**
Total impairment loss	**271**	**(681)**	**(1 413)**	**(1 823)**
2023				
Total impairment loss	(963)	(701)	(6 710)	(8 373)
		Collectively assessed		
Loans and advances to customers	(667)	(616)	(5 218)	(6 501)
Recoveries of loans and advances	-	-	753	753
Total impairment loss	(667)	(616)	(4 465)	(5 748)
		Individually assessed		
Cash and balances with Central Bank of Kenya	2	-	-	2
Loans and advances to customers	(376)	(107)	(2 252)	(2 735)
Debt instruments measured at FVOCI	43	-	-	43
Financial guarantees and letters of credit	47	19	6	72
Other undrawn commitments	(12)	3	-	(9)
	(296)	(85)	(2 246)	(2 627)
Recoveries of loans and advances	-	-	1	1
Total impairment loss	(296)	(85)	(2 245)	(2 626)

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		Group		Bank	
		2024 Shs'million	2023 Shs'million	**2024 Shs'million**	2023 Shs'million
10.	**Employee benefits**				
	Salaries and allowances	**(10 172)**	(9 433)	**(9 981)**	(9 227)
	Share-based payments (Note 10.1)	**(531)**	(194)	**(531)**	(194)
	Training costs	**(68)**	(68)	**(67)**	(67)
	Staff medical costs	**(650)**	(605)	**(643)**	(596)
	Post-employment benefits:				
	Defined contribution benefits scheme	**(736)**	(702)	**(721)**	(688)
	Defined benefit plan (Note 28.1)	**(30)**	(35)	**(30)**	(35)
	Social security cost	**(65)**	(31)	**(63)**	(30)
	Other	**(1 022)**	(855)	**(996)**	(835)
	Total employee benefits	**(13 274)**	(11 923)	**(13 032)**	(11 672)
	Other includes temporary staff salaries and fringe benefit tax				
	Average number of employees during the year	**2 167**	2 130	**2 167**	2 130
	Average number of direct sales staff during the year	**701**	590	**701**	590

		Group and Bank	
10.1	**Deferred cash and share-based payments**	**2024 Shs'million**	2023 Shs'million
	The statement of comprehensive income charge for share-based payments comprises the following:		
	Equity-settled arrangements	**(147)**	(56)
	Cash-settled arrangements:		
	Absa Group Limited Cash Value Plan ("CVP")	**(384)**	(138)
	Total deferred cash and share-based payments	**(531)**	(194)

Cash-settled share-based payment schemes are measured with reference to the statement of financial position date and the Absa Group Limited share price.

		Group		Bank	
		2024 Shs'million	2023 Shs'million	**2024 Shs'million**	2023 Shs'million
11.	**Infrastructure costs**				
	Property cost	**(330)**	(301)	**(330)**	(301)
	Information technology	**(2 020)**	(1 420)	**(2 014)**	(1 417)
	Other infrastructure costs	**(69)**	(128)	**(69)**	(127)
		(2 419)	(1 849)	**(2 413)**	(1 845)

Notes to the annual financial statements
for the year ended 31 December 2024

		Group		Bank	
		2024 Shs'million	2023 Shs'million	**2024 Shs'million**	2023 Shs'million
12.	**Other operating expenses**				
	Auditor's remuneration:				
	Local statutory audit	**(27)**	(26)	**(25)**	(24)
	Information systems technology audit	**(9)**	(9)	**(9)**	(9)
		(36)	(35)	**(34)**	(33)
	Consultancy, legal and professional fees	**(809)**	(722)	**(769)**	(691)
	Subscription, publications, stationery and communications	**(587)**	(717)	**(583)**	(700)
	Marketing, advertising and sponsorship	**(598)**	(643)	**(596)**	(640)
	Travel and accommodation	**(265)**	(265)	**(260)**	(260)
	Cash transportation	**(295)**	(384)	**(295)**	(384)
	Security costs	**(151)**	(183)	**(151)**	(183)
		(2 705)	(2 914)	**(2 654)**	(2 858)
	Other operating expenses	**(3 926)**	(3 940)	**(3 851)**	(3 914)
	Total other operating expenses	**(6 667)**	(6 889)	**(6 539)**	(6 805)

Other operating expenses mainly consists of group recharges (Note 47), insurance costs and motor vehicle expenses.

		Group		Bank	
		2024	2023	**2024**	2023
13.	**Income taxes**	**Shs'million**	Shs'million	**Shs'million**	Shs'million
13.1	**Income tax recognised in profit or loss**				
	Current income tax	**(9 231)**	(8 498)	**(8 720)**	(8 075)
	Current income tax - prior year adjustments	**8**	(261)	**-**	(263)
	Total current income tax	**(9 223)**	(8 759)	**(8 720)**	(8 338)
	Deferred income tax (Note 29)				
	Current year credit	**378**	1 469	**383**	1 476
	Deferred income tax – prior year adjustments	**1**	(21)	**1**	(21)
	Total deferred income tax	**379**	1 448	**384**	1 455
	Total income tax expense for the year	**(8 844)**	(7 311)	**(8 336)**	(6 883)

The effective tax rate for the year ended 31 December 2024 is 29.8% (2023: 30.9%)

	Group 2024	Group 2023	Bank 2024	Bank 2023
Profit for the year	**29 720**	23 678	**27 974**	22 259
Income tax expense calculated at 30% (2023: 30%)	**(8 916)**	(7 103)	**(8 392)**	(6 678)
Current income tax – prior year adjustment	**8**	(261)	**-**	(263)
Deferred income tax – prior year adjustments	**1**	(21)	**1**	(21)
Effect of income that is exempt from taxation	**485**	470	**473**	470
Effect of expenses that are not deductible in determining taxable profit	**(422)**	(396)	**(418)**	(391)
Income tax expense recognised in profit or loss	**(8 844)**	(7 311)	**(8 336)**	(6 883)

Deferred income tax on fair value gains or losses on fair value through other comprehensive income (FVOCI) financial assets has been recorded in other comprehensive income.

Notes to the annual financial statements

for the year ended 31 December 2024

		Group		Bank	
		2024	2023	2024	2023
14.	Earnings per share	Shs'million	Shs'million	Shs'million	Shs'million
	Net profit attributable to shareholders	20 876	16 367	19 638	15 376
	Number of ordinary shares in issue	5 432	5 432	5 432	5 432
	Basic earnings per share	3.84	3.01	3.62	2.83

There were no potentially dilutive shares outstanding as at 31 December 2024 or 2023. Diluted earnings per share are therefore the same as basic earnings per share.

		Group and Bank	
		2024	2023
15.	Cash and balances with Central Bank of Kenya	Shs'million	Shs'million
	Cash in hand	7 900	12 692
	Balances with Central Bank of Kenya (CBK)	16 518	16 910
	Impairment losses	(2)	(3)
		24 416	29 599

In accordance with Section 38 of the Central Bank of Kenya Act, the Bank is required to maintain minimum cash balances on deposit as reserves against its deposits and other liabilities. These restricted cash balances are not available for use in the Bank's day to day operations hence are excluded from items of cash and cash equivalents.

In 2024, the Cash Reserve Ratio (CRR) was set at 4.25 percent (2023: 4.25 percent) of the total of the bank's domestic and foreign currency deposit liabilities. The CRR is maintained based on a daily average level from the fifteenth of the previous month to the fourteenth of the current month and not to fall below a CRR of 3 percent on any day.

Cash in hand and balances with Central Bank of Kenya are non-interest bearing.

		Group and Bank	
		2024	2023
16.	Loans and advances to banks	Shs'million	Shs'million
	Loans and advances to banks	8 086	1 724
	Impairment losses	(17)	(3)
		8 069	1 721

The weighted average effective interest rate on deposits and balances due from banking institutions at 31 December 2024 was 6.2% (2023: 5%). Loans and advances to banks are current. Loans and advances to banks are highly liquid financial assets with maturities of less than 3 months from the date of acquisition hence are regarded as part of cash and cash equivalents on Note 40.

		Group and Bank	
		2024	2023
17.	Financial assets at fair value through profit or loss	Shs'million	Shs'million
	Debt securities: Government treasury bills and bonds	33 470	20 446

Included in financial assets at fair value through profit or loss are pledged assets of Nil (2023: Shs 1 938 million) which relate to repurchase agreements that have been pledged with the other banks. The terms of the pledges are usual and customary to such agreements.

Included in financial assets at fair value through profit or loss is 91 day treasury bills of Shs 13 million (2023: Shs 22 million) which meet the definition of cash and cash equivalents. The prior year treasury bills included in cash and cash equivalents has been restated, refer to note 2.26.1 for more information.

18. Derivative financial instruments

Derivative financial instruments are entered into in the normal course of business to manage various financial risks. The derivative instrument contract value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps and forward rate agreements.

At the reporting date, the Bank did not have any compound financial instruments with multiple embedded derivatives in issue. The Bank only trades the following derivative instrument:

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18 Derivative financial instruments (continued)

Foreign exchange derivatives

The Bank's principal exchange rate-related contracts are forward foreign exchange contracts, options and currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The Bank trades foreign exchange forwards and swaps (forward contracts). These are binding contracts locking in the exchange rate for the purchase or sale of a currency on a future date. The Bank's forward book is marked to market on a daily basis.

18.1 Notional amount

The gross notional amount is the sum of the absolute value of all contracts. The notional amount will not generally reflect the amount receivable or payable under a derivative contract. The notional amount should be viewed only as a means of assessing the Bank's participation in derivative contracts and not the market risk position nor the credit exposure arising on such contracts.

The absolute value of all contracts is also not indicative of the Bank's net exposure to, or position in any of the markets that the Bank trades in.

The Bank's total derivative asset and liability position as reported on the statement of financial position is as follows:

	Group and Bank		
	Notional Contract Amount	**Carrying value assets**	**Carrying value liabilities**
	Shs'million	**Shs'million**	**Shs'million**
2024			
Foreign exchange derivatives			
Forward foreign exchange	**(8 554)**	**141**	**(233)**
Currency swap	**(52 100)**	**1 789**	**(1 340)**
Options	**(7 281)**	**80**	**(80)**
Total derivatives	**(67 935)**	**2 010**	**(1 653)**
2023			
Forward foreign exchange	(7 196)	561	(64)
Currency swap	(70 622)	2 285	(2 833)
Options	(25 610)	352	(353)
Total derivatives	(103 428)	3 198	(3 250)

19. Financial assets at fair value through other comprehensive income

	Group		Bank	
	2024	2023	**2024**	2023
	Shs'million	Shs'million	**Shs'million**	Shs'million
At 1 January	**73 644**	90 585	**73 274**	90 193
Income accrued in the year	**9 228**	9 124	**9 155**	9 080
Interest received in the year	**(9 797)**	(9 324)	**(9 730)**	(9 280)
Fair value gain/(loss) during the year	**5 125**	(4 519)	**5 105**	(4 488)
Additions	**55 817**	12 529	**55 500**	11 769
Maturities	**(37 949)**	(24 751)	**(37 944)**	(24 000)
	96 068	73 644	**95 360**	73 274

Treasury bills are debt securities issued by the Government of Kenya and are classified as fair value through other comprehensive income. The weighted average effective interest rate on the Government securities at 31 December 2024 was 12.6% (2023: 11.3%).

Included as part of FVOCI is Shs 1 250 million pledged as security for the Intra-Day Liquidity Facility (ILF). Refer to Note 48.2.

Included as part of FVOCI are pledged assets of Nil (2023: Shs 13 000 million) which relate to repurchase agreements that have been pledged with the Central Bank of Kenya. The terms of the pledges are usual and customary to such agreements.

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		Group and Bank	
		2024	2023
20.	**Financial assets held at amortised cost**	**Shs'million**	Shs'million
	Government treasury bonds	**1 063**	1 062
	Impairment losses	**(14)**	-
		1 049	1 062

The weighted average effective interest rate on the Government securities at 31 December 2024 was 16.9% (2023: 16.9%).

21.	**Loans and advances to customers**		
	Commercial loans	**216 175**	266 860
	Bills discounted	**72 629**	61 801
	Post acceptance letters of credit	**3 197**	3 791
	Instalment credit agreements	**11 155**	15 494
	Overdrafts	**30 354**	9 664
	Gross loans and advances to customers	**333 510**	357 610
	Impairment losses year-end balance		
	Stage 1 expected credit losses	**(4 810)**	(5 193)
	Stage 2 expected credit losses	**(3 654)**	(3 941)
	Stage 3 expected credit losses	**(22 244)**	(17 977)
	Amounts written off during the year as uncollectible	**6 296**	5 215
	Impairment losses	**(24 412)**	(21 896)
	Net loans and advances to customers	**309 098**	335 714

		Group		Bank	
		2024	2023	**2024**	2023
22.	**Other assets and prepaid expenses**	**Shs'million**	Shs'million	**Shs'million**	Shs'million
	Prepaid expenses	**1 058**	1 124	**1 056**	1 119
	Items in course of collection from banks	**755**	898	**755**	898
	Staff loan marked to market	**544**	557	**544**	557
	Balances due from mobile banking service providers	**7 818**	10 044	**7 818**	10 044
	Other	**2 247**	1 716	**2 210**	1 671
	Gross other assets and prepaid expenses	**12 422**	14 339	**12 383**	14 289
	Impairment losses	**(2)**	(6)	**-**	(4)
	Net other assets and prepaid expenses	**12 420**	14 333	**12 383**	14 285

Items in the course of collection from banks relate to cheques being cleared. Other assets mainly consist of suspense accounts. All other assets and prepaid expenses are receivable within one year hence are current.

The fair value of the financial assets included in other assets approximates the carrying amounts due to their short-term nature.

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23	**Investment in subsidiaries**	**Proportion of ownership interest and voting power held**		**Carrying amount**	
				Shs'million	Shs'million
	Name of subsidiary	**2024**	2023	**2024**	2023
	Absa Securities Limited	**100%**	100%	**363**	363
	Absa Kenya Nominees Limited	**100%**	100%	**-**	-
	Absa Asset Management Limited	**100%**	100%	**95**	95
	Absa Bancassurance Intermediary Limited	**100%**	100%	**5**	5
	Absa Pension Services Limited	**100%**	100%	**-**	-
				463	463

Absa Kenya Nominees Limited and Absa Pension Services Limited are dormant companies. Absa Securities Limited, Absa Asset Management Limited and Absa Bancassurance Intermediary Limited operate in the business of brokerage services, wealth management and insurance agency respectively.

The subsidiaries, all of which are unlisted, are incorporated in Kenya and have the same year end as the Bank.

24. **Non-current assets held for sale**

As at 31 December 2024, the Group continued to recognise in its financial statements items of property and equipment from its closed branches (Maragua and Mombasa Road). A sale of the items had not been completed for all the items at the balance sheet date but the Bank expects a sale to be completed in the following year, 2025.

	Group and Bank	
	2024	2023
	Shs'million	Shs'million
Property and equipment	**47**	47
	47	47

The carrying value is based on the net book value of the assets at the point of recognition as held for sale. There is no impairment or reversal recorded against the non-current assets held for sale. As at 31 December 2024, the properties had a fair value of Shs 170 million (2023: Shs 170 million).

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	Group	Freehold buildings Shs'million	Right of use assets Shs'million	Leasehold improvements Shs'million	Fixtures fittings and equipment Shs'million	Motor vehicles Shs'million	Work in progress Shs'million	Total Shs'million
25.	**Property and equipment**							
	Cost – 2024							
	Balance at beginning of the year	**135**	**3 638**	**2 786**	**4 956**	**41**	**20**	**11 576**
	Additions	**–**	**177**	**45**	**74**	**–**	**228**	**524**
	Derecognition	**–**	**(5)**	**–**	**(129)**	**–**	**–**	**(134)**
	Transfer from WIP	**–**	**–**	**–**	**217**	**–**	**(217)**	**–**
	Balance at end of the year	**135**	**3 810**	**2 831**	**5 118**	**41**	**31**	**11 966**
	Accumulated depreciation – 2024							
	Balance at beginning of the year	**(90)**	**(1 934)**	**(2 288)**	**(3 956)**	**(22)**	**–**	**(8 290)**
	Depreciation	**(1)**	**(500)**	**(45)**	**(376)**	**(4)**	**–**	**(926)**
	Derecognition	**–**	**5**	**–**	**129**	**–**	**–**	**134**
	Balance at end of the year	**(91)**	**(2 429)**	**(2 333)**	**(4 203)**	**(26)**	**–**	**(9 082)**
	Net book value at end of year	**44**	**1 381**	**498**	**915**	**15**	**31**	**2 884**
	Cost – 2023							
	Balance at beginning of the year	135	2 444	2 786	5 143	19	78	10 605
	Additions	-	1 194	-	45	22	253	1 514
	Derecognition	-	-	-	(542)	-	(1)	(543)
	Transfer from WIP	-	-	-	310	-	(310)	-
	Balance at end of the year	135	3 638	2 786	4 956	41	20	11 576
	Accumulated depreciation - 2023							
	Balance at beginning of the year	(88)	(1 516)	(2 238)	(4 115)	(19)	-	(7 976)
	Depreciation	(2)	(418)	(50)	(378)	(3)	-	(851)
	Derecognition	-	-	-	537	-	-	537
	Balance at end of the year	(90)	(1 934)	(2 288)	(3 956)	(22)	-	(8 290)
	Net book value at end of year	45	1 704	498	1 000	19	20	3 286

Right-of-use asset relates to the Group's leased premises i.e. branches, head offices and ATM sites.

The Group has not pledged any item of property and equipment as security as at December 2024 (December 2023: Nil)

Work in progress as at 31 December 2024 related to various projects that have commenced but not completed.

As at 31 December 2024, no impairment has been recognised on property and equipment.

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	Bank	Freehold buildings Shs'million	Right of use assets Shs'million	Leasehold improvements Shs'million	Fixtures fittings and equipment Shs'million	Motor vehicles Shs'million	Work in progress Shs'million	Total Shs'million
25.	**Property and equipment (continued)**							
	Cost – 2024							
	Balance at beginning of the year	**135**	**3 638**	**2 786**	**4 953**	**41**	**20**	**11 573**
	Additions	**–**	**177**	**45**	**72**	**–**	**228**	**522**
	Derecognition	**–**	**(5)**	**–**	**(129)**	**–**	**–**	**(134)**
	Transfer from WIP	**–**	**–**	**–**	**217**	**–**	**(217)**	**–**
	Balance at end of the year	**135**	**3 810**	**2 831**	**5 113**	**41**	**31**	**11 961**
	Accumulated depreciation – 2024							
	Balance at beginning of the year	**(90)**	**(1 934)**	**(2 288)**	**(3 957)**	**(22)**	**–**	**(8 291)**
	Depreciation	**(1)**	**(500)**	**(45)**	**(375)**	**(4)**	**–**	**(925)**
	Derecognition	**–**	**5**	**–**	**129**	**–**	**–**	**134**
	Balance at end of the year	**(91)**	**(2 429)**	**(2 333)**	**(4 203)**	**(26)**	**–**	**(9 082)**
	Net book value at end of year	**44**	**1 381**	**498**	**910**	**15**	**31**	**2 879**
	Cost – 2023							
	Balance at beginning of the year	135	2 444	2 786	5 142	19	78	10 604
	Additions	-	1 194	-	43	22	253	1 512
	Derecognition	-	-	-	(542)	-	(1)	(543)
	Transfer from WIP	-	-	-	310	-	(310)	-
	Balance at end of the year	135	3 638	2 786	4 953	41	20	11 573
	Accumulated depreciation - 2023							
	Balance at beginning of the year	(88)	(1 516)	(2 238)	(4 116)	(19)	-	(7 977)
	Depreciation	(2)	(418)	(50)	(378)	(3)	-	(851)
	Derecognition	-	-	-	537	-	-	537
	Balance at end of the year	(90)	(1 934)	(2 288)	(3 957)	(22)	-	(8 291)
	Net book value at end of year	45	1 704	498	996	19	20	3 282

Right-of-use asset relates to the Group's leased premises i.e. branches, head offices and ATM sites.

The Group has not pledged any item of property and equipment as security as at December 2024 (December 2023: Nil).

Work in progress as at 31 December 2024 related to various projects that have commenced but not completed.

As at 31 December 2024, no impairment has been recognised on property and equipment.

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26. Intangible assets	Computer software Shs'million	WIP Shs'million	Total Shs'million
Group			
Cost - 2024			
At start of year	**4 498**	**231**	**4 729**
Acquisitions	**25**	**736**	**761**
Transfer from WIP	**715**	**(715)**	**-**
Derecognition	**(36)**	**-**	**(36)**
Balance at end of the year	**5 202**	**252**	**5 454**
Amortisation and impairment losses - 2024			
At start of year	**(4 026)**	**-**	**(4 026)**
Amortisation	**(222)**	**-**	**(222)**
Derecognition	**3**	**-**	**3**
Balance at end of the year	**(4 245)**	**-**	**(4 245)**
Net book value at end of year	**957**	**252**	**1 209**
Cost - 2023			
At start of year	5 773	85	5 858
Acquisitions	-	326	326
Transfer from WIP	180	(180)	-
Derecognition	(1 455)	-	(1 455)
Balance at end of the year	4 498	231	4 729
Amortisation and impairment losses - 2023			
At start of year	(5 342)	-	(5 342)
Amortisation	(139)	-	(139)
Derecognition	1 455	-	1 455
Balance at end of the year	(4 026)	-	(4 026)
Net book value at end of year	472	231	703

The Group has not pledged any item of intangible assets as security as at December 2024 (December 2023: Nil).

Work in progress relates to computer software for upgrades in the banking system which had not been completed as at year end.

As at 31 December 2024, no impairment has been recognised on intangible assets.

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26. Intangible assets (continued)	Computer software Shs'million	WIP Shs'million	Total Shs'million
Bank			
Cost – 2024			
At start of year	**4 416**	**223**	**4 639**
Acquisitions	**–**	**693**	**693**
Transfer from WIP	**715**	**(715)**	**–**
Derecognition	**(36)**	**–**	**(36)**
Balance at end of the year	**5 095**	**201**	**5 296**
Amortisation and impairment losses - 2024			
At start of year	**(3 980)**	**–**	**(3 980)**
Amortisation	**(210)**	**–**	**(210)**
Derecognition	**3**	**–**	**3**
Balance at end of the year	**(4 187)**	**–**	**(4 187)**
Net book value at end of year	**908**	**201**	**1 109**
Cost - 2023			
At start of year	5 691	79	5 770
Acquisitions	-	324	324
Transfer from WIP	180	(180)	-
Derecognition	(1 455)	-	(1 455)
Balance at end of the year	4 416	223	4 639
Amortisation and impairment losses - 2023			
At start of year	(5 308)	-	(5 308)
Amortisation	(127)	-	(127)
Derecognition	1 455	-	1 455
Balance at end of the year	(3 980)	-	(3 980)
Net book value at end of year	436	223	659

The Bank has not pledged any item of intangible assets as security as at December 2024 (December 2023: Nil).

Work in progress relates to computer software for upgrades in the banking system which had not been completed as at year end.

As at 31 December 2024, no impairment has been recognised on intangible assets.

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27. Leasehold land

Leasehold land is carried at cost less amortisation over the period of the lease.

	Group and Bank	
	2024	2023
	Shs'million	Shs'million
At start of year	**31**	32
Amortisation charge for the year	**(1)**	(1)
At end of year	**30**	31

Prepaid operating leases relate to land purchased on 99-year lease.

28. Retirement benefit (liability)/asset

The Absa Bank Kenya PLC Staff Pension Fund ("the Fund") is a defined benefit pension fund. Prior to 1 January 2010 the Fund consisted of both a Defined Benefit ("DB") and a Defined Contribution ("DC") component. On 1 January 2010, the Fund was split into two separate legal entities, with the liabilities of the DB section remaining in the Fund, and the DC liabilities being transferred to the Absa Bank Kenya PLC Staff Retirement Benefits (Defined Contribution) Scheme 2009 ("the DC Fund").

The operation of the Fund is regulated by the Retirement Benefits Authority ("RBA") and subject to the provisions of the Retirement Benefits Act, 1997. The Fund is governed by the Trust Deed and Rules set out in the Fourteenth Deed of Amendment dated 12 February 2010 ("Rules").

Membership data

The membership data used for the valuation of the defined benefit plan is summarised in the table below:

Category	**2024 Number**	**2024 Annual salary/pension Shs'million**	2023 Number	2023 Annual salary/pension Shs'million
Defined benefit				
Active members	**1**	**6**	1	6
Deferred pensioners	**764**	**67**	770	67
Pensioners	**1 381**	**445**	1 392	464

Summary of benefit and contribution structure

Eligibility	Existing Members who opt to remain Members of the Fund on the terms applying to DB Members.
Final Pensionable Salary	(i) If the Member has been in service for 20 years or more, the annual pensionable salary at the date of leaving. (ii) If the Member has been in service for less than 20 years, the average annual salary paid to the member during the last five years of service.
Normal Retirement Age	Males 60 Females 55 (60 for some females)
Service	Continuous service with Bank or with Barclays Bank DCO or Barclays Bank International Limited, immediately prior to the establishment of Barclays Bank of Kenya Limited. For those employees who joined the Fund aged 17 or less, service will count from the member's 17th birthday.
Normal Retirement and Late Retirement Pension	If service is 20 years or more then 1/720 of Final Pensionable Salary for each month of service to 31 December 2009. Thereafter, benefits accrue at a rate of 1/960 per month. If service is lower than 20 years 1/960 of Final Pensionable Salary for each month of service. This pension is reduced by an amount in respect of the social security pensions as described below and cannot exceed 2/3 of his or her pensionable salary at the date of retirement.
Ill-health retirement*	Pension based on potential service to Normal Retirement Age and Final Pensionable Salary at the date of ill-health retirement. This pension will be paid only if service is 5 years or more.

Notes to the annual financial statements
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28. Retirement benefit plans (continued)

Retirement due to unsatisfactory service Deferred pension payable from the later of the date the Member attains age 50 or retires from Service.

Commutation Up to ¼ of pension (calculated on the advice of the Actuary).

Death in service Lump sum equal to three year's annual pensionable salary, if the member has been in service for more than five years, otherwise ¼ of the member's rate of Pensionable Salary at the date of death.

Death in deferment Lump sum equal to five times deferred pension amount.

Death after retirement Lump sum equal to the remaining pension payable within 5 years of retirement age.

Withdrawal Deferred Pension payable at Normal Retirement Age calculated as follows:

Service	Fraction of Pensionable Salary for each month of service to 31 December 2009
Less than 20 years	1/960
20 to 30 years	1/840
30 years and over	1/720

Benefits accrue at a rate of 1/960 per month for service post 1 January 2010.

In no case shall a deferred pension exceed the amount which could have been paid to the Member if he or she had stayed in service until Normal Retirement Age.

This pension is reduced by an amount in respect of the social security pensions as described below and cannot exceed 2/3 of his or her pensionable salary at the date of retirement.

A cash lump sum equal to 1/3 of the deferred pension may be taken prior to normal retirement age, with a reduced pension being payable from normal retirement age.

Pension Increases The Scheme Trustees may, with the consent of the Principal Employer, review pensions in payment and subject to there being sufficient funds for the purpose or the Employers paying a special additional contribution as determined by the Actuary, may increase such pensions.

Contributions Members are not required to contribute to the Fund, although they can elect to pay voluntary contributions.

Government Pensions The Bank contributes to the Fund, the balance of the cost of providing the benefits. If a member has completed 40 years' service a deduction is made equal to ½ of any government pension payable to a single person (for members with less than 40 years' service a percentage of this pension is deducted). In addition, a deduction equal to the pension equivalent of any sum paid by the Bank to a DB member under any statutory enactment, order, directive, or under any agreement with a trade union or similar body.

Notes to the annual financial statements
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28. Retirement benefit plans (continued)

28.1 Defined benefit plan

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at 2024	Valuation at 2023
Discount rate	**16.2%**	15.8%
Expected return on assets	**16.2%**	15.8%
Expected rate of salary increase	**7.0%**	9.5%
Price inflation	**5.0%**	7.5%
Mortality rate	**PA (90)**	PA (90)
Pension increases in payment and deferment	**2.0%**	4.5%

	Shs'million	Shs'million
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	**30**	28
Net interest income on defined benefit plan	**-**	7
	30	35
Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:		
Actuarial gain - financial assumptions	**463**	338
Actuarial (loss)/gain - experience adjustment	**(22)**	190
Return on plan assets	**(564)**	(343)
Adjustments for restrictions on the defined benefit asset	**-**	(173)
	(123)	12

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The amount included in the statement of financial position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	2024 Shs'million	2023 Shs'million
Present value of funded defined benefit obligation	**(2 812)**	(3 403)
Fair value of plan assets	**3 998**	4 015
Funded surplus	**1 186**	612
Asset restriction	**(1 186)**	(612)
Additional liability in respect of the minimum funding requirement	**(88)**	-
Net liability arising from defined benefit obligation	**(88)**	-

An economic benefit exists in the form of reductions in future contributions where the scheme is in a surplus. However, legislation stipulates that surplus above 10% of the accrued liability would be available for a contribution holiday. At the current valuation date, no surplus exists on the funding basis.

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2024 Shs'million	2023 Shs'million
Opening defined benefit obligation	**(3 403)**	(3 913)
Current service cost	**(30)**	(28)
Interest expense	**(492)**	(501)
Actuarial gains - experience	**166**	190
Actuarial gains - financial assumption	**463**	338
Benefits paid	**484**	511
Closing defined benefit obligation	**(2 812)**	(3 403)

Notes to the annual financial statements
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		Group and Bank	
		2024	2023
28.	**Retirement benefit plans (continued)**	**Shs'million**	Shs'million
28.1	**Defined benefit plan (continued)**		
	Movements in the present value of the plan assets in the current year were as follows:		
	Opening fair value of plan assets	**4 015**	4 178
	Benefits paid	**(484)**	(511)
	Contributions from the employer	**66**	144
	Interest income	**589**	547
	Actuarial loss OCI	**(188)**	(343)
	Closing fair value of plan assets	**3 998**	4 015
	Movements in asset restriction in the current year were as follows:		
	Opening value	**(612)**	(385)
	Net interest cost	**(97)**	(54)
	Decrease in asset restriction	**(564)**	(173)
	Closing value	**(1 273)**	(612)

Cash-flows

The cash-flows in the current and expected in the next valuation period are shown below:

	2025 Shs'million	2024 Shs'million
	Next valuation (expected)	Current valuation (estimated)
Company contributions – normal	**1**	1
Company contributions - expenses	**21**	21
Company contributions – deficit funding	**44**	44
Pension payments	**535**	460
Other benefit payments	**20**	3
Expense payments	**22**	21

Nature of the pension fund assets

	Fair value of plan assets			
2024	**Debt instruments Shs' million**	**Equity instruments Shs' million**	**Other instruments Shs' million**	**Total Shs'million**
Quoted fair value	**2 664**	**518**	**816**	**3 998**
	2 664	**518**	**816**	**3 998**
2023				
Quoted fair value	1 114	317	381	1 812
Cash and cash equivalents	-	-	4	4
Investments in real estate	-	-	2 199	2 199
	1 114	317	2 584	4 015

Notes to the annual financial statements
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28. Retirement benefit asset (continued)

28.1 Defined benefit plan (continued)

Sensitivity analysis (continued)

The effect of certain changes to the financial and demographic assumptions on the retirement benefit obligation is analysed below:

2024	Base Shs'million	Discount rate -1.00% Shs'million	Discount rate +0.50% Shs'million	Inflation +0.50% Shs'million	PA(90) - 1 year Shs'million
Active members	**20**	**21**	**19**	**21**	**20**
Deferred members	**370**	**388**	**362**	**382**	**375**
Pensions in payment	**2 422**	**2 523**	**2 375**	**2 484**	**2 481**
Total liability	**2 812**	**2 932**	**2 756**	**2 887**	**2 876**
Gross service cost (excluding interest)	**27**	**27**	**27**	**27**	**27**

2023	Base Shs'million	Discount rate -1.00% Shs'million	Discount rate +0.50% Shs'million	Inflation +0.50% Shs'million	PA(90) - 1 year Shs'million
Active members	22	24	21	23	22
Deferred members	442	470	429	458	449
Pensions in payment	2 939	3 080	2 873	3 022	3 018
Total liability	3 403	3 574	3 323	3 503	3 489
Gross service cost (excluding interest)	30	30	30	30	30

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligation to significant actuarial assumptions the same method (present value of the obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The weighted average duration of the defined benefit obligation is 50 years. The figure is not very sensitive to the precise time horizon given the high net discount rate.

29. Deferred income tax

Deferred tax balances

The analysis of the deferred tax assets and deferred tax liabilities is as follows:

	Group		Bank	
	2024 Shs'million	2023 Shs'million	**2024 Shs'million**	2023 Shs'million
Deferred tax assets	**8 355**	9 339	**8 270**	9 243
Deferred tax liabilities	**(752)**	(615)	**(748)**	(611)
Net deferred tax asset at the end of the year	**7 603**	8 724	**7 522**	8 632

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

The deferred income tax assets and liabilities positions shown above relate to the bank and its subsidiaries and amalgamate assets and liabilities, and thus are not specific to any particular entity.

Notes to the annual financial statements

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29. Deferred income tax (continued)

Deferred tax balances (continued)

Consolidated deferred income tax assets and liabilities are attributable to the following:

Group **2024**	**Balance at 1 January** **Shs'million**	**Recognised in profit or loss** **Shs'million**	**Recognised in other comprehensive income** **Shs'million**	**Balance at 31 December** **Shs'million**
Property and equipment	**381**	**(63)**	**-**	**318**
Financial assets at FVOCI	**2 061**	**-**	**(1 537)**	**524**
Unrealised gains and losses	**(103)**	**(123)**	**-**	**(226)**
Impairment losses on financial instruments	**4 270**	**352**	**-**	**4 622**
Tax losses	**75**	**(11)**	**-**	**64**
Derivatives	**13**	**(123)**	**-**	**(110)**
Share based payment transactions	**225**	**160**	**-**	**385**
Provisions	**1 485**	**170**	**-**	**1 655**
Re-measurement of defined benefit liability	**256**	**-**	**37**	**293**
Lease liability	**573**	**(79)**	**-**	**494**
Right of use assets	**(512)**	**96**	**-**	**(416)**
	8 724	**379**	**(1 500)**	**7 603**
2023				
Property and equipment	400	(19)	-	381
Financial assets at FVOCI	706	-	1 355	2 061
Unrealised gains and losses	(74)	(29)	-	(103)
Impairment losses on financial instruments	3 569	701	-	4 270
Tax losses	60	15	-	75
Derivatives	(491)	504	-	13
Share based payment transactions	167	58	-	225
Provisions	1 285	200	-	1 485
Re-measurement of defined benefit liability	260	-	(4)	256
Lease liability	322	251	-	573
Right of use assets	(279)	(233)	-	(512)
	5 925	1 448	1 351	8 724

Notes to the annual financial statements
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29. Deferred tax (continued)

Deferred tax balances (continued)

Bank 2024	Balance at 1 January Shs'million	Recognised in profit or loss Shs'million	Recognised in other comprehensive income Shs'million	Balance at 31 December Shs'million
Property and equipment	**376**	**(63)**	**-**	**313**
Financial assets at FVOCI	**2 045**	**-**	**(1 531)**	**514**
Unrealised gains and losses	**(99)**	**(123)**	**-**	**(222)**
Impairment losses on financial instruments	**4 270**	**350**	**-**	**4 620**
Derivatives	**13**	**(123)**	**-**	**(110)**
Share based payment transactions	**225**	**160**	**-**	**385**
Provisions	**1 485**	**166**	**-**	**1 651**
Re-measurement of defined benefit liability	**256**	**-**	**37**	**293**
Lease liability	**573**	**(79)**	**-**	**494**
Right of use assets	**(512)**	**96**	**-**	**(416)**
	8 632	**384**	**(1 494)**	**7 522**
2023				
Property and equipment	396	(20)	-	376
Financial assets at FVOCI	699	-	1 346	2 045
Unrealised gains and losses	(70)	(29)	-	(99)
Impairment losses on financial instruments	3 546	724	-	4 270
Derivatives	(491)	504	-	13
Share based payment transactions	167	58	-	225
Provisions	1 285	200	-	1 485
Re-measurement of defined benefit liability	260	-	(4)	256
Lease liability	322	251	-	573
Right of use assets	(279)	(233)	-	(512)
	5 835	1 455	1 342	8 632

30. Deposits from banks

	Group and Bank	
	2024 **Shs'million**	2023 Shs'million
Due to local banks	**6 781**	8 997
Due to foreign banks	**264**	750
Repurchase agreements	**-**	1 938
	7 045	11 685

The weighted average effective interest rate on deposits and balances due to banking institutions at 31 December 2024 was 7.4% (2023: 4.7%).

Deposits and balances due to banking institutions are current.

Notes to the annual financial statements
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31. Due to Central Bank of Kenya

During its normal course of business, the Bank borrows and lends securities and may also sell securities under agreements to repurchase (repos) and purchase securities under agreements to resell (reverse repos).
The following table summarises the liability arising from the consideration received from the repurchase agreements, reflecting the transaction's economic substance as a loan to the Group:

	Group and Bank	
	2024 Shs'million	2023 Shs'million
Repurchase agreements	**-**	13 047

32. Deposits from customers

	Group		Bank	
	2024 Shs'million	2023 Shs'million	**2024 Shs'million**	2023 Shs'million
Call deposits	**13 350**	21 232	**13 350**	21 232
Savings and transmission accounts	**226 511**	201 406	**226 830**	202 009
Fixed deposits	**127 254**	140 111	**131 694**	143 662
Customer accounts	**367 115**	362 749	**371 874**	366 903

The weighted average effective interest rate on customer deposits at 31 December 2024 was 5.2% (2023: 3.5%). The carrying value of customer deposits approximates their fair value.

Deposits of Shs 3 343 million (2023: Shs 2 285 million) held as collateral for loans and advances were included in deposits from customers.

Included in deposits from customers on the Bank financial statements is deposits of Shs 4 759 million (2023: Shs 4 154 million) from Absa Bank Kenya Plc subsidiaries.

		Group and Bank	
		2024 Shs'million	2023 Shs'million
33.	**Borrowings**		
33.1	**Long-term borrowings**		
	Absa Group Limited	**16 225**	19 729
	Kenya Mortgage Refinance	**2 591**	2 812
	Eco Business Fund	**914**	1 483
		19 730	24 024
33.2	**Movement in the year**		
	Opening balance	**24 024**	19 773
	Cash flow items:		
	Repayment – Kenya Mortgage Refinance Company loan	**(220)**	(209)
	Repayment – Eco business fund loan	**(307)**	(91)
	Non – cash flow items:		
	Foreign currency translation	**(3 742)**	4 511
	Interest accrued in the year	**1 681**	1 858
	Interest paid in the year	**(1 706)**	(1 818)
		19 730	24 024

Notes to the annual financial statements
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33. Borrowings (continued)

The US$50million subordinated loan from Absa Group Limited was obtained on 26 February 2020 and has a maturity date of 02 February 2030. Interest is paid quarterly in arrears at a rate of 270bps above USD SOFR which re-sets every three months.

The US$25million subordinated loan from Absa Group Limited was obtained on 16 October 2019 and has a maturity date of 16 October 2029. Interest is paid quarterly in arrears at a rate of 320bps above USD SOFR which re-sets every three months.

The US$50million subordinated loan from Absa Group Limited was obtained on 21 December 2022 and has a maturity date of 21 December 2032. Interest is paid quarterly in arrears at a rate of 472bps above USD SOFR which re-sets every three months.

The US$10million loan from Eco Business Fund S.A. SICAV-SIF, was obtained on 21 December 2022 and has a maturity date of 15 December 2027. Interest is paid quarterly in arrears at a rate of 280bps above USD SOFR which re-sets every three months.

The Shs 2 billion loan from Kenya Mortgage Refinance Company, was obtained on 01 September 2022 and has a maturity date of 01 September 2035. Interest is paid monthly in arrears at a fixed rate of 5%.

The Shs 1 billion loan from Kenya Mortgage Refinance Company, was obtained on 01 September 2022 and has a maturity date of 01 September 2031. Interest is paid monthly in arrears at a rate of a fixed rate of 5%.

No collateral is held against the borrowings.

During the year, the effective interest on the borrowing recorded an interest expense of Shs 1 691 million (2023: Shs 1 868 million).

The Group did not have any defaults of principal or interest or other breaches with respect to its subordinated liabilities during the years ended 31 December 2024 and 2023.

	Group		Bank	
	2024	2023	**2024**	2023
	Shs'million	Shs'million	**Shs'million**	Shs'million
34. Other liabilities and accrued expenses				
Accrued expenses	**937**	752	**936**	752
Items in the course of collection due to other banks	**1 896**	1 704	**1 898**	1 704
Outstanding bankers' cheques	**46**	79	**46**	79
Trade finance margins	**787**	690	**787**	690
Card settlements	**500**	479	**500**	479
Impairment losses on off-balance sheet financial instruments	**784**	578	**784**	578
Other payables	**10 263**	9 100	**10 170**	9 019
Cash settled share-based payment	**310**	56	**310**	56
Lease liability	**1 633**	1 909	**1 633**	1 909
Post acceptance letters of credit	**2 430**	3 585	**2 430**	3 585
	19 586	18 932	**19 494**	18 851

Other payables include items relating to excise duties payable, provision for litigation, interchange payable, uncleared payments and trade payables.

Other liabilities and accrued expenses are current.

Notes to the annual financial statements
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34. Other liabilities and accrued expenses (continued)

34.1 Financial guarantees, letters of credit and other undrawn commitments

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.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

An analysis of changes in the outstanding exposures and the corresponding allowance for impairment losses in relation to guarantees and other commitments is set out below:

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	Exposure to credit risk	Exposure to credit risk	Exposure to credit risk	Exposure to credit risk
	Shs'million	Shs'million	Shs'million	Shs'million
Gross carrying amount at 1 January 2024	**110 710**	**12 148**	**40**	**122 898**
Transfer to Stage 1	**402**	**(412)**	**10**	**-**
Transfer to Stage 2	**(2 752)**	**2 671**	**81**	**-**
Transfer to Stage 3	**-**	**(4)**	**4**	**-**
Exposures that have been derecognised	**(55 287)**	**(6 450)**	**-**	**(61 737)**
New exposures	**29 612**	**20 225**	**117**	**49 954**
Gross carrying amount at 31 December 2024	**82 685**	**28 178**	**252**	**111 115**
Gross carrying amount at 1 January 2023	91 266	16 732	106	108 104
Transfer to Stage 1	385	(385)	-	-
Transfer to Stage 2	(316)	316	-	-
Transfer to Stage 3	-	-	-	-
Exposures that have been derecognised	(54 459)	(13 976)	(66)	(68 501)
New exposures	73 834	9 461	-	83 295
Gross carrying amount at 31 December 2023	110 710	12 148	40	122 898

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	Shs'million	Shs'million	Shs'million	Shs'million
Impairment losses at 1 January 2024	**429**	**147**	**2**	**578**
Transfer to Stage 1	**2**	**(2)**	**-**	**-**
Transfer to Stage 2	**(107)**	**107**	**-**	**-**
Transfer to Stage 3	**(23)**	**-**	**23**	**-**
Exposures that have been derecognised	**(129)**	**(105)**	**(23)**	**(257)**
New exposures	**187**	**238**	**38**	**463**
Impairment losses at 31 December 2024	**359**	**385**	**40**	**784**
Impairment losses at 1 January 2023	478	169	(6)	641
Transfer to Stage 1	14	(14)	-	-
Transfer to Stage 2	(6)	6	-	-
Transfer to Stage 3	-	-	-	-
Exposures that have been derecognised	(217)	(93)	8	(302)
New exposures	160	79	-	239
Impairment losses at 31 December 2023	429	147	2	578

Notes to the annual financial statements
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34. Other liabilities and accrued expenses (continued)

34.2 Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group and Bank	
	2024	2023
As at 1 January	**1 909**	1 074
Additions	**214**	1 173
Adjustments	**(37)**	13
Payments	**(701)**	(547)
Interest expense on lease liabilities (Note 5)	**256**	171
Foreign currency translation	**(8)**	25
At 31 December	**1 633**	1 909
Amounts recognised in statement of comprehensive income		
Interest expense on lease liabilities (Note 5)	**256**	171
Depreciation on right of use assets (Note 25)	**500**	418
Expenses relating to short term leases	**69**	128
	825	717
Amounts recognised in statement of cash flows		
Payments	**(701)**	(547)
Interest expense on lease liabilities (Note 5)	**256**	171
	(445)	(376)
Maturity analysis of lease liabilities – contractual undiscounted cash flows:		
Less than one year	**667**	688
Between one to five years	**1 457**	1 878
Total undiscounted lease liabilities	**2 124**	2 566
Lease liabilities included in the statement of financial position	**1 633**	1 909

The Group's leases consist mostly of property leases i.e. branches, head offices and ATM sites. None of these leases are considered individually significant to the Group. Leases are negotiated for an average term of five years, some leases will include renewal options but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonably certain that the Group will exercise the extension option.

	Group and Bank	
	2024	2023
35. Share capital	**Shs'million**	Shs'million
Authorised		
5 440 (2023: 5 440) ordinary shares of Shs 0.50 each	**2 720**	2 720
Issued		
5 432 (2023: 5 432) ordinary shares of Shs 0.50 each	**2 716**	2 716

During the current reporting period, the authorised share capital remained unchanged with par value of Shs 0.50 each. There were no additional shares issued during the current reporting period (2023: Nil)

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at general meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

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36. Reserves

36.1 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets classified at fair value through other comprehensive income until the instrument is derecognised or impaired; in which case the cumulative amount recognised in other comprehensive income is released to profit or loss.

36.2 Retained earnings

This reserve includes accumulated profits over the years. The retained earnings are distributable to shareholders.

36.3 Share-based payment reserve

The Bank's senior management participate in the following Absa Group share based payment arrangement:

(a) Absa Group Limited Share Incentive Plan Performance Award (SIPP)

Qualifying participants of the Share Incentive Plan Performance Award (SIPP) will be entitled to Absa Group Limited ordinary shares settled either by way of a share award or a cash award as defined by the plan rules and must be used to purchase Absa Group Limited ordinary shares. The award will be issued by Absa Group Limited. In order for the participant to be entitled to these awards, the participant needs to render three years or five years (depending on the grant received) of service and the requisite performance conditions need to be met. Dividends may accumulate and are reinvested over the vesting period.

(b) Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)

The Share Incentive Plan Retention Buyout Award (SIPRB) enables the Group to attract and motivate new employees by buying out the 'in the money' portion of a participant's shares or options under their previous employers' share scheme by offering the employees Absa Group Limited awards. There is no consideration payable for the grant of an award and the vesting of the award is not subject to performance conditions. Dividends may accumulate and are reinvested over the vesting period, which will align with the vesting period of the previous employer.

(c) Absa Group Limited Share Incentive Plan Deferred Award (SIPD)

The Share Incentive Plan Deferred Award (SIPD) (and any associated notional dividends) are awarded at no cost to the participants. The awards typically vest in equal tranches after one to five years. Absa Group Limited retains the obligation to settle in cash certain SIPD awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

(d) Absa Group Limited Share Incentive Plan Retention Award (SVP Cliff)

The Share Value Retention Plan (SVP Cliff) awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest after three years, subject to their own independent non-market related performance condition on vesting. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited's ordinary shares, as determined on the vesting date, to the extent that the non-market related conditions attached to the awards are met. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. If the Group fails to meet the minimum performance criteria, the awards made in that tranche are forfeited in total. Dividends accumulate and are reinvested over the vesting period.

(e) Absa Group Limited Colleague Phantom Share Scheme (ECSS)

The Absa Group Limited B-BBEE transaction resulted in the Colleague Phantom Share Scheme, which provides non-South Africa employees with a phantom share award. The Colleague Phantom Share Scheme is an award issued by Absa Group and provides for eligible employees to receive the cash equivalent of the Absa Group Limited Colleague Share Scheme. At the end of five years, the Scheme will vest where participants will receive the cash equivalent of the Absa Group Limited Colleague Share Scheme if they remain in the employment on 1 September 2028. Under the scheme, eligible permanent employees will be entitled to a potential trickle dividend throughout the vesting period. This Scheme is accounted for as a cash-settled share-based payment arrangement.

Options series	Number	Exercise price	Total fair value at grant date (Shs' million)
SIPP	290 640	1 050	305
SIPD	147 649	1 265	187
SVP Cliff	144 395	1 050	152
Share appreciation rights series	**Number**	**Exercise price**	**Total fair value at grant date (Shs' million)**
SIPP	22 241	998	22
SIPD	1 854	998	2
ECSS	1 578 960	474	748

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36. Reserves (continued)

36.3 Share-based payment reserve (continued)

Movements during the period

The following reconciles the number of share options outstanding at the beginning and end of the period:

	2024					2023				
	Opening balance	**Granted/ transferred**	**Forfeited**	**Exercised**	**Closing balance**	Opening balance	Granted/ transferred	Forfeited	Exercised	Closing balance
Equity settled										
SIPP	**192 861**	**147 600**	**(12 336)**	**(37 485)**	**290 640**	360 839	95 369	(149 375)	(113 972)	192 861
SIPRB	**4 085**	**-**	**(3 957)**	**(128)**	**-**	5 023	5 649	-	(6 587)	4 085
SIPD	**106 011**	**83 667**	**(3 567)**	**(38 462)**	**147 649**	88 417	70 468	(27 794)	(25 080)	106 011
SVP Cliff	**126 948**	**67 268**	**(9 897)**	**(39 924)**	**144 395**	83 522	43 426	-	-	126 948
Cash settled										
SIPRB	**-**	**-**	**-**	**-**	**-**	798	(798)	-	-	-
SIPP	**53 628**	**-**	**(1 915)**	**(29 472)**	**22 241**	-	53 628	-	-	53 628
SIPD	**3 707**	**-**	**-**	**(1 853)**	**1 854**	-	5 560	-	(1 853)	3 707
ECSS	**1 570 360**	**107 500**	**(95 460)**	**(3 440)**	**1 578 960**	-	1 591 000	(19 780)	(860)	1 570 360

	Weighted average share price at exercise date during the reporting period (Shs)		Weighted average contractual life of ards outstanding (years)		Weighted average fair value of options granted during the period (Shs)	
	2024	2023	**2024**	2023	**2024**	2023
Equity settled:						
SIPP	**1 050**	639	**2**	2	**998**	1 572
SIPRB	**973**	1 383	**-**	1	**-**	1 650
SIPD	**1 265**	1 057	**1**	1	**998**	1 572
SVP Cliff	**1 050**	-	**1**	2	**-**	-
Cash settled						
SIPD	**998**	1 572	**-**	1	**-**	-
ECSS	**474**	716	**4**	5	**-**	703

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		Group		Bank	
			Restated		Restated
		2024	2023	2024	2023
37.	**Cash used in operations**	**Shs'million**	Shs'million	**Shs'million**	Shs'million
	Profit before tax for the year	**29 720**	23 678	**27 974**	22 259
	Adjustments for:				
	Interest paid	**15 202**	11 335	**15 752**	11 586
	Interest received	**(59 246)**	(48 624)	**(59 195)**	(48 579)
	Impairment loss recognised (Note 9)	**7 761**	8 374	**7 756**	8 374
	Depreciation (Note 25)	**926**	851	**925**	851
	Amortisation – intangible assets (Note 26)	**222**	139	**210**	127
	Amortisation – leasehold land (Note 27)	**1**	1	**1**	1
	Share based payments (Note 10.1)	**531**	194	**531**	194
	Loss on disposal of property and equipment	**-**	6	**-**	6
	Pension asset (Note 28)	**30**	35	**30**	35
	Cash used in operations before working capital changes	**(4 853)**	(4 011)	**(6 016)**	(5 146)
	Changes in working capital				
	Decrease/(increase) in derivative assets	**1 188**	(331)	**1 188**	(331)
	Increase in other assets	**(270)**	(164)	**(270)**	(84)
	(Decrease)/increase in derivative liabilities	**(1 597)**	2 017	**(1 597)**	2 017
	Increase/(decrease) in other liabilities	**724**	(770)	**708**	(798)
	Decrease/(increase) in loans and advances to customers	**14 748**	(56 488)	**14 748**	(56 488)
	(Increase)/decrease in FVOCI securities*	**(14 375)**	14 374	**(14 063)**	14 384
	Increase in financial assets at amortised cost	**-**	(1 062)	**-**	(1 062)
	Decrease/(increase) in CBK cash reserve requirement	**92**	(1 983)	**92**	(1 983)
	Decrease/(increase) in amounts due from group companies	**19 998**	(18 406)	**20 262**	(18 697)
	Decrease in amounts due to group companies	**(10 270)**	(44 474)	**(10 256)**	(44 474)
	(Increase)/decrease in financial assets at FVTPL*	**(12 620)**	21 967	**(12 620)**	21 967
	Decrease in retirement benefit liability	**(66)**	(144)	**(66)**	(144)
	(Decrease)/increase in deposits from banks	**(4 640)**	2 667	**(4 640)**	2 667
	Increase in due to Central Bank of Kenya	**(13 047)**	13 047	**(13 047)**	13 047
	Increase in customer deposits	**4 366**	58 998	**4 971**	60 240
	Total changes in working capital	**(15 769)**	(10 752)	**(14 590)**	(9 739)
	Cash used in operations	**(20 622)**	(14 763)	**(20 606)**	(14 885)

*(Increase)/decrease in FVOCI securities has been restated from Shs 12 421 million for Group and Shs 12 431 million for Bank, and (Increase)/decrease in financial assets at FVTPL has been restated from Shs 22 459 million for both Group and Bank to the amounts in the table above. Refer to note 2.26.1 for further details.

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38. Taxation paid	2024 Shs'million	2023 Shs'million	2024 Shs'million	2023 Shs'million
Tax receivable/ (payable) at start of year	**(589)**	748	**(793)**	537
Current income tax expense (Note 13.1)	**(9 231)**	(8 498)	**(8 720)**	(8 075)
Prior year adjustment	**8**	(261)	**-**	(263)
Tax payable/(receivable) at the end of the year	**(814)**	589	**(598)**	793
Total income taxes paid	**(10 626)**	(7 422)	**(10 111)**	(7 008)

39. Dividends paid	2024 Shs'million	2023 Shs'million
Dividends payable at start of the year (2023 final proposed)	**7 333**	6 246
Interim dividend	**1 086**	1 086
Total dividends paid	**8 419**	7 332

40 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition as follows:

	Group		Bank	
		Restated[1]		Restated[1]
	2024 Shs'million	2023 Shs'million	2024 Shs'million	2023 Shs'million
Cash on hand (Note 15)	**7 900**	12 692	**7 900**	12 692
Non-cash reserve ratio balances with CBK	**5 794**	6 094	**5 794**	6 094
Mobile money balances (Note 22)	**7 818**	10 044	**7 818**	10 044
Loans and advances to banks (Note 16)	**8 086**	1 724	**8 086**	1 724
FVOCI securities maturing within 3 months	**5 446**	1 953	**5 446**	1 953
FVTPL securities maturing within 3 months	**13**	22	**13**	22
	35 057	32 529	**35 057**	32 529

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the Bank's day-to-day activities.

The amount is determined as percentage of the average outstanding customer deposits over a cash reserve cycle period of one month. At the end of year, the cash reserve ratio was 4.25% (2023: 4.25%). The Bank held Shs 15 192 million as the cash reserve (2023: Shs 15 322 million).

[1]Prior year numbers have been restated, refer to not 2.26.1

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		Fair Value through Profit/Loss	Fair Value through OCI – Debt instruments	Amortised Cost – financial instruments	Amortised cost financial liabilities	Total Assets and Liabilities	Off balance sheet financial instruments
		Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
41.	**Financial instruments**						
41.1.	**Categories of financial instruments**						
	Group						
	Assets as per Statement of Financial Position – 2024						
	Cash and balances with Central Bank of Kenya	–	–	24 416	–	24 416	–
	Derivative financial assets	2 010	–	–	–	2 010	–
	Loans and advances to customers	–	–	309 098	–	309 098	44 905
	Debt instruments	33 470	96 068	1 049	–	130 587	–
	Loans and advances to banks	–	–	8 069	–	8 069	–
	Due from group companies	–	–	7 289	–	7 289	–
	Other assets	–	–	11 313	–	11 313	–
		35 480	96 068	361 234	–	492 782	44 905
	Liabilities as per Statement of Financial Position - 2024						
	Derivative financial liabilities	1 653	–	–	–	1 653	–
	Borrowings	–	–	–	19 730	19 730	–
	Deposits from banks	–	–	–	7 045	7 045	–
	Deposits from customers	–	–	–	367 115	367 115	–
	Due to group companies	–	–	–	6 054	6 054	–
	Other liabilities	–	–	–	17 954	17 954	48 310
		1 653	–	–	417 898	419 551	48 310
							–
	Interest income	1 227	9 228	55 499	–	65 954	–
	Interest expense	–	–	–	(18 499)	(18 499)	–
		1 227	9 228	55 499	(18 499)	47 455	–

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41. Financial instruments (continued)

41.1. Categories of financial instruments (continued)

	Fair value through profit/loss – held for trading	Fair Value through OCI- Debt instruments	Amortised cost - financial instruments	Amortised cost financial liabilities	Total assets and liabilities	Off balance sheet financial instruments
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Group						
Assets as per Statement of Financial Position – 2023						
Cash and balances with Central Bank of Kenya	-	-	29 599	-	29 599	-
Derivative financial assets	3 198	-	-	-	3 198	-
Loans and advances to customers	-	-	335 714	-	335 714	68 605
Debt instruments	20 446	73 644	1 062	-	95 152	-
Loans and advances to banks	-	-	1 721	-	1 721	-
Due from group companies	-	-	27 287	-	27 287	-
Other assets	-	-	13 005	-	13 005	-
	23 644	73 644	408 388	-	505 676	68 605
Liabilities as per Statement of Financial Position - 2023						
Derivative financial liabilities	3 250	-	-	-	3 250	-
Borrowings	-	-	-	24 024	24 024	-
Due to Central Bank of Kenya	-	-	-	13 047	13 047	-
Deposits from banks	-	-	-	11 685	11 685	-
Deposits from customers	-	-	-	362 749	362 749	-
Due to group companies	-	-	-	16 324	16 324	-
Other liabilities	-	-	-	17 023	17 023	54 294
	3 250	-	-	444 852	448 102	54 294
Interest income	(226)	9 124	45 139	-	54 037	-
Interest expense	-	-	-	(14 219)	(14 219)	-
	(226)	9 124	45 139	(14 219)	39 818	-

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	Fair value through profit/loss Shs'million	Fair value through OCI - debt instruments Shs'million	Amortised cost - financial instruments Shs'million	Amortised cost financial liabilities Shs'million	Total assets and liabilities Shs'million	Off balance sheet financial instruments Shs'million
41. Financial instruments (continued)						
41.1. Categories of financial instruments (continued)						
Bank						
Assets as per Statement of Financial Position – 2024						
Cash and balances with Central Bank of Kenya	–	–	24 416	–	24 416	–
Derivative financial assets	2 010	–	–	–	2 010	–
Loans and advances to customers	–	–	309 098	–	309 098	44 905
Debt instruments	33 470	95 360	1 049	–	129 879	–
Loans and advances to banks	–	–	8 069	–	8 069	–
Due from group companies	–	–	7 626	–	7 626	–
Other assets	–	–	11 275	–	11 275	–
	35 480	95 360	361 533	–	492 373	44 905
Liabilities as per Statement of Financial Position – 2024						
Derivative financial liabilities	1 653	–	–	–	1 653	–
Borrowings	–	–	–	19 730	19 730	–
Deposits from banks	–	–	–	7 045	7 045	–
Deposits from customers	–	–	–	371 874	371 874	–
Due to group companies	–	–	–	6 068	6 068	
Other liabilities	–	–	–	17 859	17 859	48 310
	1 653	–	–	422 576	424 229	48 310
Interest income	1 227	9 155	55 499	–	65 881	–
Interest expense	–	–	–	(19 049)	(19 049)	–
	1 227	9 155	55 499	(19 049)	46 832	–

*Other liabilities have been restated to exclude the lease liability which are out of the scope of IFRS 9.

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41. Financial instruments (continued)	**Fair value through profit/loss – held for trading**	**Fair value through OCI - Debt instruments**	**Amortised cost - financial instruments**	**Amortised cost financial liabilities**	**Total assets and liabilities**	**Off balance sheet financial instruments**
41.1. Categories of financial instruments (continued)	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**
Bank						
Assets as per Statement of Financial Position - 2023						
Cash and balances with Central Bank of Kenya	-	-	29 599	-	29 599	-
Derivative financial assets	3 198	-	-	-	3 198	-
Loans and advances to customers	-	-	335 714	-	335 714	68 605
Debt instruments	20 446	73 274	1 062	-	94 782	-
Loans and advances to banks	-	-	1 721	-	1 721	-
Due from group companies	-	-	27 888	-	27 888	-
Other assets	-	-	13 005	-	13 005	-
	23 644	73 274	408 989	-	505 907	68 605
Liabilities as per Statement of Financial Position - 2023						
Derivative financial liabilities	3 250	-	-	-	3 250	-
Borrowings	-	-	-	24 024	24 024	-
Due to Central Bank of Kenya	-	-	-	13 047	13 047	-
Deposits from banks	-	-	-	11 685	11 685	-
Deposits from customers	-	-	-	366 903	366 903	-
Due to group companies	-	-	-	16 324	16 324	-
Other liabilities	-	-	-	16 942	16 942	54 294
	3 250	-	-	448 925	452 175	54 294
Interest income	(226)	9 080	45 138	-	53 992	-
Interest expense	-	-	-	(14 470)	(14 470)	-
	(226)	9 080	45 138	(14 470)	39 522	-

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42. Risk management

42.1 Financial risk management objectives

Effective risk management and control are essential for sustainable and profitable growth

The role of risk management is to evaluate, respond to and monitor risks (the ERM process) that arise in the execution of the strategy 'to bring possibility to life'. It is essential that business growth plans are properly supported by an effective risk management infrastructure. Risk culture is closely aligned to that of the business, whilst retaining independence in analysis and objective decision-making. The Group's business involves taking on risks in a targeted manner and managing them professionally.

The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The main sources of financial risk that the Group faces arise from financial instruments, which are fundamental to the Group's business, and constitute the core of its operations.

Financial instruments create, modify or reduce the liquidity, credit, market and operational risks of the Group's statement of financial position and constitute the most significant sources of risk. Consequently, the Group devotes considerable resources to maintain effective controls to manage, measure and mitigate each of these risks and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of business. This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

The Group has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes. At a strategic level, the Group's risk management objectives are to:

- Identify the Group's significant risks;
- Formulate the Group's risk appetite and ensure that business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

The Group's approach is to provide direction on:

- understanding the principal risks to achieving Group strategy;
- establishing risk appetite; and
- establishing and communicating the risk management framework.

The process is then broken down into five steps: identify, assess, control, report and manage/challenge. Each of these steps is broken down further, to establish end-to-end activities within the risk management process and the infrastructure needed to support it (see panel below). The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

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42. Risk management (continued)

42.1 Financial risk management objectives (continued)

Effective risk management and control are essential for sustainable and profitable growth (continued)

Steps	Activity
Identify	• Establish the process for identifying and understanding business-level risks
Assess	• Agree and implement measurement and reporting standards and methodologies.
Control	• Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements
	• Monitor the operation of the controls and adherence to risk direction and limits
	• Provide early warning of control or appetite breaches
	• Ensure that risk management practices and conditions are appropriate for the business environment
Report	• Interpret and report on risk exposures, concentrations and risk-taking outcomes
	• Interpret and report on sensitivities and key risk indicators
	• Communicate with external parties
Manage and challenge	• Review and challenge all aspects of the Bank's risk profile
	• Assess new risk-return opportunities
	• Advise on optimising the Bank's risk profile
	• Review and challenge risk management practices

Risk responsibilities

The Group achieves its risk management objectives by keeping risk management at the centre of the executive agenda and building a culture that combines risk management with everyday business decision-making. The risks arising from financial instruments to which the Bank is exposed are:

Financial risks

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk

On a day-to-day basis risks are managed through a number of management committees. Through this process the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date.

The Board approves risk appetite and the Board Audit and Risk Committee (BARC) monitors the Bank's risk profile against this appetite. In more detail:

- The BARC has responsibility for ensuring effective risk management and control.
- Business Heads are responsible for the identification and management of risk in their businesses.
- Business risk teams are responsible for assisting Business Heads in the identification and management of their business risk profiles for implementing appropriate controls.
- Internal Audit is responsible for the independent review of risk management and the control environment.
- The Asset and Liability Committee (ALCO) is tasked with managing financial risk, specifically liquidity, interest rates, market risk, capital management and balance sheet structure.

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42. Risk management (continued)

42.1 Financial risk management objectives (continued)

Risk responsibilities (continued)

The Committee meets at least once a month and is instrumental in ensuring that sustainable and stable returns are obtained from the deployment of the Bank's assets within a framework of financial risks and controls. ALCO is chaired by the Managing Director and its membership comprises the Chief Financial Officer, Country Treasurer, Head of Corporate Banking, Head of Consumer Banking, the Chief Operating Officer and the Chief Risk Officer.

42.2 Credit risk

Credit risk is the risk of suffering financial loss should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients. Other sources of credit risk arise from trading activities, including debt securities; settlement balances with market counterparties, fair value through other comprehensive income (FVOCI) assets and reverse repurchase loans. Credit risk furthermore arises from the granting of financial guarantees or making loan commitments.

Credit risk management objectives are to:

- establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles;
- identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio;
- control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations;
- monitor credit risk and adherence to agreed controls; and
- ensure that risk-reward objectives are met.

The Group manages credit risk by:

- Defining clear risk appetite thresholds and triggers, using applicable stress test measures.
- Ensuring maximum exposure guidelines are in place relating to the exposures to any individual customer or counterparty.
- Controlling concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups of borrowers, countries, and to industry segments.
- Clearly understanding the target market.
- Establishing risk acceptance criteria.
- Undertaking sound credit origination, monitoring and account management.
- Ensuring appropriate risk infrastructure and controls.

The Group has an established framework, and related processes, which govern its approach to credit risk management and any resultant impairment of loans and advances. The governance process includes the existence of the Credit Risk Technical Forum, Executive Risk Committee (ERC), Retail Impairment Review Committee, Scheme Loans Review Committee, Corporate and Investment Bank Models Forum, and AVAF portfolio quality Review Committee whose remit includes:

- the development, implementation and evaluation of risk and impairment models;
- periodic assessment (at least annually) of the accuracy of the models against actual results; and
- approval of new models or changes to models, in line with the model validation framework.

The aforementioned committees also approve post model adjustments applied to models. Retail impairment allowances are subject to quarterly impairment adequacy reviews and approval by the Credit Risk Technical Forum. Wholesale impairment allowances are subject to monthly impairment adequacy reviews and approval by the Wholesale Impairment Governance Forum.

The consideration of credit risk is a fundamental process for the Group as it ultimately determines the impairment losses recognised from an accounting perspective. This section describes the processes and assumptions applied in estimating impairment.

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42. Risk management (continued)

42.2 Credit risk (continued)

Approach to credit modelling/internal ratings

The principal objective of credit measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Group is exposed from the level of individual facilities up to the total portfolio level. Integral to this is the calculation of internal credit parameters which are used for credit risk management purposes and in the calculation of regulatory capital, economic capital and impairment requirements.

The key credit parameters used in this process are:

- probability of default (PD): the likelihood of a customer defaulting on its obligations within the appropriate outcome period;
- exposure at default (EAD): an estimate of the level of credit exposure should the customer default during the appropriate outcome period; and
- loss given default (LGD): an estimate of the percentage of EAD that will not be recovered on a particular credit facility should the customer default during the outcome period. LGD recognises credit risk mitigation, such as collateral or credit derivatives.

Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD and EAD. The Group uses different modelling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications. For example, PD estimates can be calculated on a through-the-cycle (TTC) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a point-in-time (PIT) basis, reflecting the predicted default frequency in the next 12 months for a particular period in the credit cycle. EAD and LGD estimates can be calculated as downturn measures, reflecting behaviour observed under stressed economic conditions, or as business-as-usual measures, reflecting behaviour under normal conditions.

These parameters are used for the following credit risk management purposes:

- Credit approval: PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: Regulatory capital, economic capital and earnings volatility measures are used in the Group's risk appetite framework.
- Economic Capital calculations: Credit economic capital calculations use PD, LGD and EAD inputs.
- Risk profile reporting: Credit risk reports for senior management make use of model outputs to describe the Group's credit risk profile.

Validation of models

Models undergo independent validation when new models have been developed (initial validation) and on an annual basis (on-going validation). Models are approved by the Credit Models Forum. The most material models require approval by the AGL Models Committee (MC). The forum outputs are subject to oversight and ratification /approval by the Board Audit and Risk and Board credit committees with technical support and expertise from AGL.

Default grades

The Group uses two types of PDs, namely:

- The through-the-cycle (TTC) PD, which reflects the Group's assessment of the borrower's long-run average propensity to default in the next year; and
- The point-in-time (PIT) PD, which calculated factoring the current economic, industry and borrower circumstances.

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42. Risk management (continued)

42.2 Credit risk (continued)

Default grades (continued)

Both types of PDs are used extensively in the Group's decision-making processes. For communication and comparison purposes, the Group's 21 default grades (DGs), were mapped to external agency rating equivalents. DG grading represents a TTC view of the distribution of the book at a specific point in time. The indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are described below:

- DG 1 – 9: assets falling within these DG buckets are regarded as 'investment grade' and, when converted to a rating agency equivalent, correspond to a BBB- rating or better.
- DG 10 – 19: financial assets in these grades typically require more detailed management attention where clear evidence of financial deterioration or weakness exists. Assets in this category, although currently protected, are potentially weaker credits. These assets contain some credit deficiencies. When converted to a rating agency equivalent, these ratings correspond to a BB+ to B- rating.
- DG 20 – 21: the PD of financial assets in these grades have deteriorated to such an extent that they are included for regular review. Assets so classified must have well defined weaknesses that exacerbate the PD. These assets are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Group will sustain some loss when default occurs.
- Default: assets classified as in default are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Bank will sustain some loss when default occurs.

Approach to impairment of credit exposures

The measurement of ECL involves a significant level of complexity and judgement, including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of exposures at default and assessing significant increases in credit risk.

The calculation of ECL incorporates the probability that a credit loss will occur, as well as the probability that no credit loss occurs, even if the most likely outcome is no credit loss. The estimate reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

Under IFRS 9, the Group recognises ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12 month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL). The assessment of whether an exposure should be transferred from stage 1 to stage 2, is based on whether there has been a significant deterioration in credit risk. This is a relative measure, where the credit risk at the reporting date is compared to the risk that existed upon initial recognition of the instrument. Exposures are classified within stage 3 if they are credit impaired.

For the purposes of credit modelling under IFRS 9, the PD is calculated on a Point-in-time (PIT) basis and reflects the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default. PIT PDs do not equate to a long run average. This is a key distinction between the IFRS 9 ECL models and the Group's Basel III models. Under Basel III, the PD is the average of default within the next 12 months, calculated based on the long-run historical average over the full economic cycle (that is, TTC). For IFRS 9 purposes, two distinct PD estimates are required:

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42. Risk management (continued)

42.2 Credit risk (continued)

Approach to impairment of credit exposures (continued)

- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.
- 12 month PD: the likelihood of accounts entering default within 12 months of the reporting date.

The general approach to the IFRS 9 LGD models has been to leverage the Basel LGD models with bespoke IFRS 9 adjustments to ensure unbiased estimates. In calculating LGD, losses are discounted to the reporting date using the effective interest rate (EIR) determined at initial recognition or an approximation thereof. For debt instruments, such as loans and advances, the discount rate applied is the EIR calculated on origination or acquisition date. For financial guarantee contracts or loan commitments for which the EIR cannot be determined, losses are discounted using a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows (to the extent that such risks have not already been taken into account by adjusting the cash shortfalls).

The EAD model estimates the exposure that an account is likely to have at any point of default in future. This incorporates both the amortising profile of a term loan, as well as behavioural patterns such as the propensity of the client to draw down on unutilised facilities in the lead up to a default event.

Expert credit judgement may, in certain instances be applied to account for situations where known or expected risk factors have not been considered in the ECL assessment or modelling process, or where uncertain future events have not been incorporated into the modelled approach. Adjustments are intended to be short term measures and will not be used to incorporate any continuous risk factors. The Group has a robust policy framework which is applied in the estimation and approval of management adjustments.

Retail portfolio

Ratings assigned across each retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management, and is used to calculate regulatory capital (RC), economic capital (EC) and IFRS 9 ECL.

The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

(i) Internal risk estimates of PD, EAD and LGD are grounded in historical experience and are reliant on historical data.

(ii) PDs are assigned at account level, and consist of three elements namely:

- a term structure, capturing typical default behaviour by the months since observation;
- a behavioural model which incorporates client level risk characteristics; and
- a macro-economic model that incorporates forward looking macro-economic scenarios.

(iii) EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.

(iv) LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, re-defaults, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

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42. Risk management (continued)

42.2 Credit risk (continued)

Wholesale portfolio

The wholesale rating process relies both on internally developed PD, EAD and LGD rating models and vendor provided solutions. The wholesale rating process relies on quantitative and qualitative assessments that could be manual or automated. Wholesale PDs and LGDs are modelled using the parameters from regulatory models as a starting point. Parameters are adjusted for differences between requirements under Basel III and IFRS 9.

PD ratings are assigned on a customer level. Information used in the calculation of customer PD ratings includes financial statements, projected cash flows, equity price information, behavioural information; and qualitative assessments on strength of support, management, operating environment, industry, etc. In converting Basel III compliant PDs to PDs appropriate for the purposes of IFRS 9, the main adjustments effected comprise:

- a macroeconomic adjustment that changes the paradigm from a long-run average default rate to a PD that reflects the prevailing macroeconomic conditions, thereby adjusting the PD from a seven year historical average to a PD reflective of the macroeconomic environment at the reporting date; and
- an adjustment to the regulatory PD to convert it from a PD over 12 months, to a PD over the lifetime of an exposure, to be able to assess significant increases in credit risk and estimate lifetime provisions for stage 2.

LGD estimates depend on the key drivers of recovery such as collateral value, seniority and costs involved as part of the recovery process. LGD models are based on internal and external loss data and the judgement of credit experts. EAD models aim to replicate the expected utilisation of a customer's facility should a default occur. EADs are assigned for each facility using models incorporating internal and external default data as well as the experience of credit experts in relation to particular products or customer groups.

The main adjustments to LGD comprise a macroeconomic adjustment that changes the long-run LGD to reflect a given macroeconomic scenario. Lifetime projections of LGD take into account the expected balance outstanding on a loan at the time of default, as well as the value of associated collateral at that point in time.

Definition of a significant increase in credit risk:

The Group uses various quantitative, qualitative and back stop measures as indicators of a significant increase in credit risk. The thresholds applied for each portfolio will be reviewed on a regular basis to ensure they remain appropriate. Where evidence of a significant increase in credit risk is not yet available at an individual instrument level, instruments that share similar risk characteristics are assessed on a collective basis.

Key drivers of a significant increase in credit risk include:

- Where the weighted average probability of default (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition;
- Adverse changes in payment status and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. 1 day in arrears);
- Accounts in the Retail portfolio which meet the portfolio's impairment high risk criteria; and
- The Group's watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

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42. Risk management (continued)

42.2 Credit risk (continued)

Wholesale portfolio (continued)

Definition of credit impaired

Assets classified within stage 3 are considered to be credit impaired and applies when an exposure is in default. Important to the Group's definition of default, is the treatment of exposures which are classified as within forbearance. Forbearance is a concession granted to counterparty for reasons of financial difficulty that would not otherwise be considered by the Group. The definition of forbearance is not limited to measures that give rise to an economic loss (that is, a reduction in the counterparty's financial obligation).

Default within Wholesale and Retail is guided by the regulatory definition, and therefore assets are classified as defaulted when either:

The Group considers that the obligor is unlikely to pay its credit obligations without recourse by the Group to actions such as realising security. Elements to be taken as indications of unlikeliness to pay include the following:

- The Group consents to a distressed restructuring / forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal, interest or fees;
- The customer is under debt review, business rescue or similar protection; or,
- Advice is received of customer insolvency or death.
- The obligor is past due 90 days or more on any credit obligation to the Group.

In addition, within the Retail portfolios:

- The Group requires an exposure to reflect at least 12 consecutive months of performance, in order to be considered to have been cured from stage 3. This probation period applies to all exposures, including those that may have been classified as defaulted for reasons other than forbearance and debt review (e.g. owing to the fact that they become more than 90 days past due).

Determination of the lifetime of a credit exposure:
The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised on the statement of financial position. The PD recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk.

When determining the period over which the entity is expected to be exposed to credit risk, but for which the ECL would not be mitigated by the entity's normal credit risk management actions, the Group considers factors such as historical information and experience about:
- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

For asset duration, the approaches which are applied (in line with IFRS 9 requirements) are:

- Term lending: the contractual maturity date, reduced for behavioural trends where appropriate (such as, expected settlement and amortisation); and
- Revolving facilities: for Retail portfolios, asset duration is based on behavioural life and this is normally greater than contractual life. For Wholesale portfolios, a sufficiently long period to cover expected life modelled and an attrition rate is applied to cater for early settlement.

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42. Risk management (continued)

42.2 Credit risk (continued)

Wholesale portfolio (continued)

Incorporation of forward-looking information into the IFRS 9 modelling

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses. This is determined by evaluating a range of possible macroeconomic outcomes.

Several factors are considered in developing macroeconomic scenarios, including economic growth or contraction, geopolitical uncertainty, expected inflation, sector-specific impacts, business confidence, property prices, household spending, exchange rate fluctuations, unemployment rates, key monetary and fiscal responses initiated by governments and regulatory authorities.

The Group's probability weightings have been determined such that the baseline scenario has the highest weighting, since it is the most likely outcome, with the probabilities assigned to the upside and downside scenarios being based on qualitative considerations, taking into account that these are moderate upside and downside scenarios, which hence still could be probable.

The following table shows the key forecast assumptions used to calculate the Group's credit impairment charge for the reporting period ended 31 December 2024:

	Baseline					Mild upside					Mild downside				
	2024	**2025**	**2026**	**2027**	**2028**	**2024**	**2025**	**2026**	**2027**	**2028**	**2024**	**2025**	**2026**	**2027**	**2028**
Real GDP (%)	4.9	5.1	5.0	4.9	4.9	5.1	6.0	5.9	5.8	5.7	4.6	4.1	4.2	4.2	4.2
CPI (%)	4.6	5.0	5.2	5.3	6.2	4.5	3.3	4.0	4.5	5.7	4.7	8.1	10.3	9.6	8.5
Average policy rate (%)	12.7	9.9	9.0	9.0	9.0	12.7	9.0	7.0	7.0	7.0	12.7	11.0	12.5	13.5	13.1

The following table shows the key forecast assumptions for the three economic scenarios as at 31 December 2023:

	Baseline					Mild upside					Mild downside				
	2023	**2024**	**2025**	**2026**	**2027**	**2023**	**2024**	**2025**	**2026**	**2027**	**2023**	**2024**	**2025**	**2026**	**2027**
Real GDP (%)	5.2	5.4	5.5	5.5	5.5	5.5	6.9	7.0	7.2	7.3	4.9	4.1	4.1	4.0	4.0
CPI (%)	7.8	6.8	5.7	5.4	5.4	6.8	5.4	4.9	4.6	4.6	8.2	7.9	7.4	7.2	7.2
Average policy rate (%)	9.8	10.4	9.5	9.1	9.0	9.8	9.5	8.3	8.0	8.0	10.0	11.5	10.9	10.5	10.5

In our baseline, we expect economic growth of close to 5% over the forecast horizon. A comfortable inflation outlook, in which inflation rises to 5-5.5% by June 2025 is likely to see the Central Bank of Kenya reduce the policy rate to 9% by end of 2025, whilst having recovered in quarter 1 2024 from 2023's sharp depreciation, we project a path of very gradual depreciation of the Kenyan shilling (KES) over the coming periods.

In the mild downside scenario, no abrupt economic crisis is expected, though economic growth is about 0.8-1.0% lower over the forecast horizon, with the real pressure instead being felt on inflation, which is much higher in 2025 and 2026 than in baseline. In part the inflation pressure is a result of a surge in food prices on the back of continued poor rains, but renewed concerns over the sustainability of public finance also sees market sentiment turn negative on Kenya, pushing the KES significantly weaker. In this scenario the central bank initially resists raising interest rates, but capitulates in 2026, sending the policy rate significantly higher than in base.

For the mild upside scenario, better agricultural conditions and progress of reforming public finance together help generate a stronger profile for KES and a lower inflation profile, which in turn further boosts economic growth by 0.8-1pp over the forecast horizon as the central bank is able to reduce the policy rate a further 100bps beyond what the baseline envisions

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42. Risk management (continued)

42.2 Credit risk (continued)

Wholesale portfolio (continued)

Sensitivity of expected credit losses

Given the level of uncertainty required in the determination of ECL, the Group has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to both the baseline and downside scenarios to a 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	Shs' million
Impairment losses	
Baseline	**7 487**
Downside	**23 998**

Macro Impacts Decision Framework Overview

Below is an overview of the decision framework structure required to assess the macro impacts, determine the respective Management Adjustments (MA)

Step 1 – Assess the existing Macro-economic (MEV) model

Step 2 – Analyse the impacts from using

(i) Current MEV models used as the primary basis for the MA's

(ii) MEV model + Judgement used as a base with specific MA's to address model shortfalls.

(iii) Expert Judgement - Rebuild model with fewer/alternative variables ,Replace model scalars with more representative scalars based on assessments as an Alternative approach to incorporating MEV.

Step 3 – Sense check on outputs

Step 4 – Approval of adjustments through appropriate governance

Step 5 – Management Adjustments monitoring

The above framework is to provide a consistent approach to determine Management Adjustments and follow an auditable process with clear governance throughout the process in line with the Banks policy.

Concentrations of credit risk

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

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

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

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42. Risk management (continued)

42.2 Credit risk (continued)

Collateral

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

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

The principal collateral types held by the Group for loans and advances are:

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

Valuation of collateral taken will be within agreed parameters and will be conservative in value. The valuation is performed by independent registered valuers only on origination or in the course of enforcement actions. Within the corporate sectors, collateral for impaired loans including guarantees and insurance is reviewed regularly and at least annually to ensure that it is still enforceable, and that the impairment allowance remains appropriate given the current valuation.

The Group will consider all relevant factors, including local market conditions and practices, before any collateral is realised.

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42. Risk management (continued)

42.2 Credit risk (continued)

42.2.1 Maximum credit risk exposure

Group and Bank

2024	Gross maximum exposure	12 months expected credit losses – stage 1			Lifetime expected credit losses – stage 2			Credit impaired – stage 3
		DG1–9	DG 10–19	DG 20–21	DG1–9	DG 10–19	DG 20–21	DG 20 – 22
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Balances with Central Bank of Kenya	16 517	16 517	–	–	–	–	–	–
Financial assets at FVTPL	33 470	–	–	–	–	–	–	–
Derivative financial assets	2 010	–	–	–	–	–	–	–
Investment securities designated at FVOCI	96 068	96 068	–	–	–	–	–	–
Investment securities designated at amortised cost	1 049	1 049	–	–	–	–	–	–
Loans and advances to banks	8 086	–	8 086	–	–	–	–	–
Balances due from group companies	7 289	–	7 289	–	–	–	–	–
Other assets	12 370	12 370	–	–	–	–	–	–
Loans and advances to customers	333 510	20 982	229 482	2 963	–	37 333	11 148	31 602
Total gross maximum exposure to credit risk	510 369	146 986	244 857	2 963	–	37 333	11 148	31 602
Impairment losses	(24 481)	(85)	(3 862)	(449)	–	(866)	(2 932)	(16 287)
Total financial assets per the statement of financial position	485 888	146 901	240 995	2 514	–	36 467	8 216	15 315
Off balance sheet exposure	111 115	17 205	65 650	83	–	25 663	2 514	–

Group and Bank

2023	Gross maximum exposure	12 months expected credit losses - stage 1			Lifetime expected credit losses - stage 2			Credit impaired - stage 3
		DG1-9	DG10-19	DG20-21	DG1-9	DG10-19	DG 20 – 21	DG 20 – 22
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Balances with Central Bank of Kenya	16 910	16 910	-	-	-	-	-	-
Financial assets at FVTPL	20 446	-	-	-	-	-	-	-
Derivative financial assets	3 198	-	-	-	-	-	-	-
Investment securities designated at FVOCI	73 644	70 498	3 146	-	-	-	-	-
Investment securities designated at amortised cost	1 062	-	1 062	-	-	-	-	-
Loans and advances to banks	1 724	1 705	-	-	-	19	-	-
Balances due from group companies	27 287	287	27 000	-	-	-	-	-
Other assets	13 005	10 301	2 704	-	-	-	-	-
Loans and advances to customers	357 610	42 514	259 474	2 506	-	21 035	11 201	20 880
Total gross maximum exposure to credit risk	514 886	142 215	293 386	2 506	-	21 054	11 201	20 880
Impairment losses	(21 954)	(115)	(4,763)	(374)	-	(519)	(3 422)	(12 761)
Total financial assets per the statement of financial position	492 932	142 100	288 623	2 132	-	20 535	7 779	8 119
Off balance sheet exposure	122 898	19 557	91 558	2	-	11 029	710	42

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42. Risk management (continued)

42.2 Credit risk (continued)

42.2.2 Analysis of credit risk mitigation and collateral

		Collateral- credit impaired financial assets					**Collateral - All other financial assets**					
Group and Bank	**Exposure relating to on SOFP**	**Guarantees credit insurance and credit derivatives**	**Physical collateral**	**Cash collateral**	**Other**	**Unsecured**	**Guarantees credit insurance and credit derivatives**	**Physical collateral**	**Cash collateral**	**Other**	**Unsecured**	**Net exposure**
2024	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**
Cash and balances with Central Bank of Kenya	**16 517**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16 517**	
Loans and advances to banks	**8 086**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8 086**	
Financial assets at fair value through profit or loss	**33 470**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33 470**	
Derivative financial instruments	**2 010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 010**	
Financial assets at fair value through other comprehensive income	**96 068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96 068**	
Financial assets at amortised cost	**1 049**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 049**	
Due from group companies	**7 289**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7 289**	
Loans and advances to customers	**333 510**	**1 307**	**7 213**	**52**	**760**	**12 409**	**15 145**	**39 005**	**564**	**103**	**256 952**	
Other assets and prepaid expenses	**10 770**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10 770**	
Credit exposures relating to off-balance sheet items	**111 115**	**-**	**80**	**-**	**2**	**169**	**1 905**	**10 949**	**218**	**1 213**	**96 579**	
	619 884	**1 307**	**7 293**	**52**	**762**	**12 578**	**17 050**	**49 954**	**782**	**1 316**	**528 790**	

		Collateral- credit impaired financial assets					Collateral - All other financial assets					
Group and Bank	Exposure relating to on SOFP	Guarantees credit insurance and credit derivatives	Physical collateral	Cash collateral	Other	Unsecured	Guarantees credit insurance and credit derivatives	Physical collateral	Cash collateral	Other	Unsecured	Net exposure
2023	Shs million	Shs million	Shs' million	Shs' million	Shs' million	Shs' million	Shs' million	Shs' million	Shs' million	Shs' million	Shs' million	Shs' million
Cash and balances with Central Bank of Kenya	16 910	-	-	-	-	-	-	-	-	-	16 910	-
Loans and advances to banks	1 724	-	-	-	-	-	-	-	-	-	1 724	-
Financial assets at fair value through profit or loss	20 446	-	-	-	-	-	-	-	-	-	20 446	-
Derivative financial instruments	3 198	-	-	-	-	-	-	-	-	-	3 198	-
Financial assets at fair value through other comprehensive income	73 644	-	-	-	-	-	-	-	-	-	73 644	-
Financial assets at amortised cost	1 062	-	-	-	-	-	-	-	-	-	1 062	-
Due from group companies	27 287	-	-	-	-	-	-	-	-	-	27 287	-
Loans and advances to customers	357 610	1 312	10 343	7	1 507	21 743	21 789	88 838	1 040	242	210 789	-
Other assets and prepaid expenses	8 386	-	-	-	-	-	-	-	-	-	8 386	-
Credit exposures relating to off-balance sheet items	122 898	-	37	-	2	1	2 414	14 428	212	1 467	104 337	-
	633 165	1 312	10 380	7	1 509	21 744	24 203	103 266	1 252	1 709	467 783	-

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42. Risk management (continued)

42.2 Credit risk (continued)

42.2.3 Industry analysis

Group and Bank	**Financial services**	**Government**	**Manufacturing**	**Wholesale and retail trade**	**Transportation and communication**	**Agricultural**	**Private individuals**	**Energy**	**Other**	**Total**
2024	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**	**Shs' million**
Financial assets										
Cash and balances with Central Bank of Kenya	**–**	**24 416**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24 416**
Loans and advances to banks	**8 069**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8 069**
Derivative financial instruments	**1 867**	**–**	**–**	**–**	**51**	**25**	**–**	**–**	**67**	**2 010**
Financial assets at FVTPL	**–**	**33 470**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33 470**
Financial assets at FVOCI	**–**	**96 068**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**96 068**
Financial assets at amortised cost	**–**	**1 049**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 049**
Loans and advances to customers	**9 112**	**–**	**50 586**	**75 916**	**13 469**	**14 887**	**123 546**	**13 363**	**8 219**	**309 098**
	19 048	**155 003**	**50 586**	**75 916**	**13 520**	**14 912**	**123 546**	**13 363**	**8 286**	**474 180**
2023										
Cash and balances with Central Bank of Kenya	-	29 599	-	-	-	-	-	-	-	29 599
Loans and advances to banks	1 721	-	-	-	-	-	-	-	-	1 721
Derivative financial instruments	1 998	-	44	55	4	806	-	-	291	3 198
Financial assets at FVTPL	-	20 446	-	-	-	-	-	-	-	20 446
Financial assets at FVOCI	-	73 644	-	-	-	-	-	-	-	73 644
Financial assets at amortised cost	-	1 062	-	-	-	-	-	-	-	1 062
Loans and advances to customers	13 815	-	60 308	71 638	12 015	14 904	121 909	22 531	18 594	335 714
	17 534	124 751	60 352	71 693	12 019	15 710	121 909	22 531	18 885	465 384

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42. Risk management (continued)

42.2 Credit risk (continued)

42.2.4 Financial assets written off during the financial period but still subject to enforcement activities

Contractual amount outstanding on financial assets that were written off during the reporting period but are still subject to enforcement activity:

	2024 Shs'million	2023 Shs'million
Assets written off during financial period still subject to enforcement activities	**6 273**	5 195

42.2.5 Loans and advances to customers

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for the Group and Bank is, as follows:

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Gross carrying amount at 1 January 2024	**284 052**	**38 645**	**34 913**	**357 610**
Transfer to Stage 1	**3 414**	**(3 401)**	**(13)**	**-**
Transfer to Stage 2	**(12 232)**	**12 251**	**(19)**	**-**
Transfer to Stage 3	**(9 387)**	**(4 128)**	**13 515**	**-**
Financial assets that have been derecognised	**(126 576)**	**(19 176)**	**(11 568)**	**(157 320)**
Write-offs	**-**	**-**	**(9 352)**	**(9 352)**
New financial assets originated	**93 081**	**30 215**	**19 276**	**142 572**
Gross carrying amount at 31 December 2024	**232 352**	**54 406**	**46 752**	**333 510**
Gross carrying amount at 1 January 2023	245 875	29 363	26 887	302 125
Transfer to Stage 1	7 613	(6 809)	(804)	-
Transfer to Stage 2	(10 013)	10 141	(128)	-
Transfer to Stage 3	(4 023)	(3 678)	7 701	-
Financial assets that have been derecognised	(118 032)	(13 133)	(9 247)	(140 412)
Write-offs	-	-	(5 215)	(5 215)
New financial assets originated	162 632	22 761	15 719	201 112
Gross carrying amount at 31 December 2023	284 052	38 645	34 913	357 610

The weighted average effective interest rate on loans and advances at 31 December 2024 was 15.8% (2023: 13.3%).

	Collectively assessed			
	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Loss allowance at 1 January 2024	**3 994**	**3 277**	**7 798**	**15 069**
Transfer to Stage 1	**547**	**(538)**	**(9)**	**-**
Transfer to Stage 2	**(193)**	**208**	**(15)**	**-**
Transfer to Stage 3	**(192)**	**(1 487)**	**1 679**	**-**
Financial assets that have been derecognised	**(1 511)**	**(526)**	**(4 412)**	**(6 449)**
Write-offs	**-**	**-**	**(5 245)**	**(5 245)**
New financial assets originated	**696**	**2 031**	**10 449**	**13 176**
Impairment losses at 31 December 2024	**3 341**	**2 965**	**10 245**	**16 551**
Loss allowance at 1 January 2023	3 326	2 661	6 347	12 334
Transfer to Stage 1	922	(526)	(396)	-
Transfer to Stage 2	(141)	221	(80)	-
Transfer to Stage 3	(95)	(1 139)	1 234	-
Financial assets that have been derecognised	(1 008)	(436)	(3 129)	(4 573)
Write-offs	-	-	(3 648)	(3 648)
New financial assets originated	990	2 496	7 470	10 956
Impairment losses at 31 December 2023	3 994	3 277	7 798	15 069

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for the year ended 31 December 2024

42. Risk management (continued)
42.2 Credit risk (continued)
42.2.5 Loans and advances to customers (continued)

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Impairment losses at 1 January 2024	**1 199**	**391**	**5 237**	**6 827**
Transfer to Stage 1	**76**	**(76)**	**-**	**-**
Transfer to Stage 2	**(104)**	**104**	**-**	**-**
Transfer to Stage 3	**(75)**	**(283)**	**358**	**-**
Financial assets that have been derecognised	**(324)**	**(197)**	**(2 142)**	**(2 663)**
Write-offs			**(1 047)**	**(1 047)**
New financial assets originated	**213**	**895**	**3 636**	**4 744**
Impairment losses at 31 December 2024	**985**	**834**	**6 042**	**7 861**
Impairment losses at 1 January 2023	823	558	4 831	6 212
Transfer to Stage 1	107	(107)	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	(22)	(22)	44	-
Financial assets that have been derecognised	(368)	(321)	(1 892)	(2 581)
Write-offs	-	-	(1 567)	(1 567)
New financial assets originated	676	266	3 821	4 763
Gross carrying amount at 31 December 2023	1 199	391	5 237	6 827

42.2.6 Balances with Central Bank of Kenya

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Gross carrying amount at 1 January 2024	**16 910**	**-**	**-**	**16 910**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**(392)**	**-**	**-**	**(392)**
Write-offs	**-**	**-**	**-**	**-**
New financial assets originated		**-**	**-**	**-**
Impairment losses at 31 December 2024	**16 518**	**-**	**-**	**16 518**
Gross carrying amount at 1 January 2023	12 752	-	-	12 752
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated	4 158	-	-	4 158
Gross carrying amount at 31 December 2023	16 910	-	-	16 910

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)
42.2 Credit risk (continued)
42.2.6 Balances with Central Bank of Kenya (continued)

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Impairment losses at 1 January 2024	**3**	**-**	**-**	**3**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**(1)**	**-**	**-**	**(1)**
Write-offs	**-**	**-**	**-**	**-**
New financial assets originated	**-**	**-**		**-**
Impairment losses at 31 December 2024	**2**	**-**	**-**	**2**
Impairment losses at 1 January 2023	5	-	-	5
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	(2)	-	-	(2)
Write-offs	-	-	-	-
New financial assets originated	-	-		-
Gross carrying amount at 31 December 2023	3	-	-	3

42.2.7 Loans and advances to Bank

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Gross carrying amount at 1 January 2024	**1 724**	**-**	**-**	**1 724**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**-**	**-**	**-**	**-**
Credit impairment charges	**6 362**	**-**	**-**	**6 362**
Gross carrying amount at 31 December 2024	**8 086**	**-**	**-**	**8 086**
Gross carrying amount at 1 January 2023	4 957	-	-	4 957
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	(3 233)	-	-	(3 233)
Write-offs	-	-	-	-
New financial assets originated	-	-	-	-
Gross carrying amount at 31 December 2023	1 724	-	-	1 724

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.2 Credit risk (continued)

42.2.7 Loans and advances to Bank (continued)

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Impairment losses at 1 January 2024	**3**	**–**	**–**	**3**
Transfer to Stage 1	**–**	**–**	**–**	**–**
Transfer to Stage 2	**–**	**–**	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Financial assets that have been derecognised	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**–**
New financial assets originated	**14**	**–**	**–**	**14**
Impairment losses at 31 December 2024	**17**	**–**	**–**	**17**
Impairment losses at 1 January 2023	3	-	-	3
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated	-	-	-	-
Gross carrying amount at 31 December 2023	3	-	-	3

42.2.8 Financial assets at FVOCI

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Gross carrying amount at 1 January 2024	**73 644**	**–**	**–**	**73 644**
Transfer to Stage 1	**–**	**–**	**–**	**–**
Transfer to Stage 2	**–**	**–**	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Financial assets that have been derecognised	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**–**
New financial assets originated	**22 424**	**–**	**–**	**22 424**
Gross carrying amount at 31 December 2024	**96 068**	**–**	**–**	**96 068**
Gross carrying amount at 1 January 2023	90 585	-	-	90 585
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	(16 941)	-	-	(16 941)
Write-offs	-	-	-	-
New financial assets originated	-	-	-	-
Gross carrying amount at 31 December 2023	73 644	-	-	73 644

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.2 Credit risk (continued)

42.2.8 Financial assets at FVOCI (continued)

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Impairment losses at 1 January 2024				
Transfer to Stage 1	**53**	**-**	**-**	**53**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Credit impairment charges	**(10)**	**-**	**-**	**(10)**
Impairment losses at 31 December 2024	**43**	**-**	**-**	**43**
Impairment losses at 1 January 2023	96	-	-	96
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	(43)	-	-	(43)
New financial assets originated	-	-	-	
Gross carrying amount at 31 December 2023	53	-	-	53

42.2.9 Financial assets at amortised cost

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Gross carrying amount at 1 January 2024	**1 062**	**-**	**-**	**1 062**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**(13)**	**-**	**-**	**(13)**
Write-offs	**-**	**-**	**-**	**-**
New financial assets originated	**-**	**-**	**-**	**-**
Gross carrying amount at 31 December 2024	**1 049**	**-**	**-**	**1 049**
Gross carrying amount at 1 January 2023	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
New financial assets originated	1 062	-	-	1 062
Gross carrying amount at 31 December 2023	1 062	-	-	1 062
Impairment losses at 1 January 2024	**-**	**-**	**-**	**-**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**-**	**-**	**-**	**-**
Credit impairment charges	**14**	**-**	**-**	**14**
Impairment losses at 31 December 2024	**14**	**-**	**-**	**14**
Impairment losses at 1 January 2023	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
New financial assets originated	-	-	-	-
Gross carrying amount at 31 December 2023	-	-	-	-

Notes to the annual financial statements
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42. Risk management (continued)

42.2 Credit risk (continued)

42.2.10 Other assets and prepaid expenses

	Stage 1 Shs'million	Stage 2 Shs'million	Stage 3 Shs'million	Total Shs'million
Gross carrying amount at 1 January 2024	**14 333**	**6**	**-**	**14 339**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**(1 963)**	**-**	**-**	**(1 963)**
Write-offs	**-**	**(4)**	**-**	**(4)**
New financial assets originated	**-**	**-**	**-**	**-**
Gross carrying amount at 31 December 2024	**12 370**	**2**	**-**	**12 372**
Gross carrying amount at 1 January 2023	9 352	84	-	9 436
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	(78)	-	(78)
New financial assets originated	4 981	-	-	4 981
Gross carrying amount at 31 December 2023	14 333	6	-	14 339
Impairment losses at 1 January 2024	**-**	**6**	**-**	**6**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
Financial assets that have been derecognised	**-**	**-**	**-**	**-**
Write offs	**-**	**(4)**	**-**	**(4)**
New financial assets originated	**-**	**-**	**-**	**-**
Impairment losses at 31 December 2024	**-**	**2**	**-**	**2**
Impairment losses at 1 January 2023	-	84	-	84
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write offs	-	(78)	-	(78)
New financial assets originated	-	-	-	-
Gross carrying amount at 31 December 2023	-	6	-	6

Notes to the annual financial statements
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42. Risk management (continued)

42.2 Credit risk (continued)

42.2.11 Credit exposures relating to off-balance sheet position items

For financial guarantees, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

	Group and Bank	
	2024 Shs'million	2023 Shs'million
Financial guarantee contracts	**27 434**	24 901
Irrevocable debt facilities	**62 806**	68 605
Letters of credit	**20 875**	29 392
	111 115	122 898

42.3 Market risk

Market risk is the risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spread and comprises: -

Traded market risk

The risk of the Group being impacted by changes in the level or volatility of positions in its trading books, primarily in the Investment Bank.

The risk arises primarily as a result of client facilitation in wholesale markets. This involves market making, risk management solutions and execution of syndications. Mismatches between client transactions and hedges result in market risk. Trading risk is measured for the trading book, as defined for regulatory purposes and certain banking books. Interest rate risk in the banking book is subjected to the same rigorous measurement and control standards as in the trading book, but the associated sensitivities are reported separately as "interest rate risk in the banking book".

Non-traded market risk

The risk of the Group being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's fair value through profit or loss and FVOCI financial assets.

Market risk measurement techniques

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

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

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

As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits is reviewed daily by the Bank's trading desk. The daily VAR for the Bank closed the year at Shs 20.7 million (2023: Shs 22.2 million).

Stress tests

The Bank applies a 'Stress test' methodology to its non-trading book. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by heads of business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

Notes to the annual financial statements
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42. Risk management (continued)

42.3 Market risk (continued)

42.3.1 Foreign currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign exchange risk at 31 December. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Kenyan Shillings):

	Group and Bank	
	Assets Shs'million	**Liabilities Shs'million**
The carrying amounts of the Group and Bank's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:		
2024		
USD	**170 724**	**170 706**
GBP	**6 647**	**6 643**
Euro	**13 764**	**13 560**
JPY	**2 207**	**2 210**
CHF	**314**	**301**
ZAR	**122**	**119**
Other	**297**	**258**
	194 075	**193 797**

	Group and Bank	
	Assets Shs'million	**Liabilities Shs'million**
2023		
USD	221 120	221 166
GBP	6 476	6 463
Euro	16 847	16 604
JPY	2 256	2 255
CHF	876	860
ZAR	246	245
Other	648	528
	248 469	248 121

Notes to the annual financial statements
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42. Risk management (continued)
42.3 Market risk (continued)
42.3.1 Foreign currency risk

Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to a 10% decrease in the Kenyan Shilling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end of a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Shilling strengthens 10% against the relevant currency. For a 10% weakening of the Shilling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balance below would be negative.

	2024 Profit or loss Shs' million	2023 Profit or loss Shs' million
Assets		
USD	**17 072**	22 112
GBP	**665**	648
Euro	**1 376**	1 685
JPY	**221**	226
CHF	**31**	88
ZAR	**12**	25
Other	**30**	65
Liabilities		
USD	**(17 071)**	(22 117)
GBP	**(664)**	(646)
Euro	**(1 356)**	(1 660)
JPY	**(221)**	(226)
CHF	**(30)**	(86)
ZAR	**(12)**	(24)
Other	**(26)**	(53)
Effect of 10% change on profit before tax	**27**	(37)
Income tax effect at 30%	**(8)**	11
Effect of 10% change on equity	**19**	(26)

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.3 Market risk (continued)

42.3.2 Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing risk lies with the Assets and Liabilities Committee ("ALCO"). Through this process the Group monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the Country Management Committee (CMC) and the Board.

Interest rate risk arises due to re-pricing differences between assets, liabilities and equity, originating from the provision of retail and wholesale banking products and services (considered core banking activities), together with certain rate insensitive exposures within the balance sheet. This risk impacts both the earnings and economic value of the Bank.

42.3.2.1 Interest rate benchmark reform

Background

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The GBP, EUR, JPY and USD LIBOR have been discontinued as at 31 December 2024. The Central Bank of Kenya is working with the domestic financial market industry regarding the transition by providing guidance focussing on four main areas: (a) Governance, (b) Monitoring, communications and training, (c) Risks and mitigations, (d) System changes, testing and preparedness. All banks are required to make monthly submissions to the Central Bank of Kenya on their transition status. The transition deadline was 30 June 2023. Additionally, for any remaining USD LIBOR legacy contracts for which a financial institution has not been able to make amendments, it should consider and discuss between the parties the implications of cessation or lack of representativeness and taken steps to prepare for this outcome as needed.

The Group's IBOR transition steering committee which comprises a series of business and function workstreams, with oversight and coordination provided by a central project team is currently managing the transition. Workstreams actively participate in industry-wide working groups to remain informed of the latest developments and to ensure consistency with the approaches of other market participants. The Group is managing these risks and has established a Libor Benchmark Reform Project with various workstreams overseeing the transition of the Libors to the alternative reference rates i.e. Customer Engagement, Legal Remediation, Product Lifecycle and System Readiness workstreams looking at the relevant aspects of the Project and a Project SteerCo responsible for overall oversight to ensure that achievement of the milestones and activities are on track.

Status as at 31 December 2024

The GBP Libor, EUR Libor, JPY Libor and US Libor have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively as alternative reference rates.

The Group had successfully completed the transition of majority of its Libor exposures by the end of 2024 with exception of US dollar denominated exposures relating one customer that were fully transitioned in January 2025.

Consolidated Statement of Financial Position Summary – IBOR Reform Note

	Carrying values of financial instruments impacted by benchmark reform and yet to transition Synthetic USD LIBOR Shs'million
Non-derivative assets[1]	**2 074**
	2 074

Financial instrument modifications due to IBOR reforms

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform if the following conditions are met; the change is necessary as a direct consequence of the reform; and the new basis for determining the contractual cash flows is economically equivalent to the previous basis i.e. the basis immediately before the change.

[1] Includes both on balance sheet and off-balance sheet exposures. Carrying amounts for on balance sheet and notional amounts for off-balance sheet have been included.

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42. Risk management (continued)

42.3 Market risk (continued)

42.3.2 Interest rate risk (continued)

42.3.2.2 Interest rate sensitivity analysis (continued)

Group 2024	Up to 1 month Shs'million	1 - 3 months Shs'million	4 - 12 months Shs'million	Over 1 year Shs'million	Non-interest bearing Shs'million	Total Shs'million
Assets						
Cash and balances with Central Bank of Kenya	-	-	-	-	24 416	24 416
Financial assets at fair value through profit or loss	20	1 046	15 837	13 591	2 976	33 470
Financial assets at fair value through other comprehensive income	2 000	11 027	49 008	34 033	-	96 068
Financial assets at amortised cost	1 049	-	-	-	-	1 049
Loans and advances to banks	8 069	-	-	-	-	8 069
Due from group companies	6 982	-	-	-	307	7 289
Loans and advances to customers	236 791	2 788	10 337	59 182	-	309 098
Total assets	**254 911**	**14 861**	**75 182**	**106 806**	**27 699**	**479 459**
Liabilities						
Deposits and balances due to banking institutions	5 524	1 292	-	-	229	7 045
Due to group companies	3 972	-	-	713	1 369	6 054
Deposits from customers	127 006	40 012	76 155	120 691	3 251	367 115
Borrowings	-	19 640	-	-	90	19 730
Total liabilities	**136 502**	**60 944**	**76 155**	**121 404**	**4 939**	**399 944**
Interest rate sensitivity gap	**118 409**	**(46 083)**	**(973)**	**(14 598)**	**22 760**	**79 515**

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.3 Market risk (continued)

42.3.2 Interest rate risk (continued)

42.3.2.2 Interest rate sensitivity analysis (continued)

Group	Up to 1 month	1 - 3 months	4 - 12 months	Over 1 year	Non-interest bearing	Total
2023	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Assets						
Cash and balances with Central Bank of Kenya	-	-	-	-	29 599	29 599
Financial assets at fair value through profit or loss	-	60	4 951	15 435	-	20 446
Financial assets at fair value through other comprehensive income	2 232	8 362	21 617	41 433	-	73 644
Financial assets at amortised cost	-	-	-	1 062	-	1 062
Deposits and balances due from banking institutions	1 721	-	-	-	-	1 721
Due from group companies	22 440	4 733	-	-	114	27 287
Loans and advances to customers	268 103	2 177	9 878	55 556	-	335 714
Total assets	294 496	15 332	36 446	113 486	29 713	489 473
Liabilities						
Deposits and balances due to banking institutions	6 336	1 396	3 953	-	-	11 685
Due to Central Bank of Kenya	13 047	-	-	-	-	13 047
Due to group companies	5 295	1 042	-	9 096	891	16 324
Deposits from customers	114 495	48 209	77 354	122 691	-	362 749
Borrowings	5 753	13 959	-	4 312	-	24 024
Total liabilities	144 926	64 606	81 307	136 099	891	427 829
Interest rate sensitivity gap	149 570	(49 274)	(44 861)	(22 613)	28 822	61 644

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.3 Market risk (continued)

42.3.2 Interest rate risk (continued)

42.3.2.2 Interest rate sensitivity analysis (continued)

Bank	**Up to 1 month**	**1 - 3 months**	**4 - 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
2024	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**
Assets						
Cash and balances with Central Bank of Kenya	-	-	-	-	24 416	24 416
Financial assets at fair value through profit or loss	20	1 046	15 837	13 591	2 976	33 470
Financial assets at fair value through other comprehensive income	2 000	11 027	49 008	33 325	-	95 360
Financial assets at amortised cost	1 049	-	-	-	-	1 049
Deposits and balances due from banking institutions	8 069	-	-	-	-	8 069
Due from group companies	6 982	-	-	-	644	7 626
Loans and advances to customers	236 791	2 788	10 337	59 182	-	309 098
Total assets	**254 911**	**14 861**	**75 182**	**106 098**	**28 036**	**479 088**
Liabilities						
Deposits and balances due to banking institutions	5 524	1 292	-	-	229	7 045
Due to group companies	3 972	-	-	713	1 383	6 068
Deposits from customers	127 006	40 012	76 155	125 450	3 251	371 874
Borrowings	-	19 640	-	-	90	19 730
Total liabilities	**136 502**	**60 944**	**76 155**	**126 163**	**4 953**	**404 717**
Interest rate sensitivity gap	**118 409**	**(46 083)**	**(973)**	**(20 065)**	**23 083**	**74 371**

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.3 Market risk (continued)

42.3.2 Interest rate risk (continued)

42.3.2.2 Interest rate sensitivity analysis (continued)

Bank	Up to 1 month	1 - 3 months	4 - 12 months	Over 1 year	Non-interest bearing	Total
2023	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Group						
Assets						
Cash and balances with Central Bank of Kenya	-	-	-	-	29 599	29 599
Financial assets at fair value through profit or loss	-	60	4 951	15 435	-	20 446
Financial assets at fair value through other comprehensive income	2 232	8 362	21 617	41 063	-	73 274
Financial assets at amortised cost	-	-	-	1 062	-	1 062
Deposits and balances due from banking institutions	1 721	-	-	-	-	1 721
Due from group companies	22 440	4 733	-	-	715	27 888
Loans and advances to customers	268 103	2 177	9 878	55 556	-	335 714
Total assets	294 496	15 332	36 446	113 116	30 314	489 704
Liabilities						
Deposits and balances due to banking institutions	6 336	1 396	3 953	-	-	11 685
Due to Central Bank of Kenya	13 047	-	-	-	-	13 047
Due to group companies	5 295	1 042	-	9 096	891	16 324
Deposits from customers	115 260	50 343	78 609	122 691	-	366 903
Borrowings	5 753	13 959	-	4 312	-	24 024
Total liabilities	145 691	66 740	82 562	136 099	891	431 983
Interest rate sensitivity gap	148 805	(51 408)	(46 116)	(22 983)	29 423	57 721

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.3 Market risk (continued)

42.3.2 Interest rate risk (continued)

42.3.2.2 Interest rate sensitivity analysis (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Group	1% Increase in interest rate 2024 Shs'million	1% Decrease in interest rates 2024 Shs'million	1% Increase in interest rate 2023 Shs'million	1% Decrease in interest rates 2023 Shs'million
Changes in interest				
Increase/(decrease) in interest received	2 641	(2 390)	2 952	(2 680)
Increase/(decrease) in interest paid	(1 920)	993	(1 640)	925
Increase/(decrease) in profit before tax	721	(1 397)	1 312	(1 755)
(Decrease)/increase in income tax	(216)	419	(394)	527
Increase/(decrease) in equity	505	(978)	918	(1 228)

42.4 Liquidity risk

Confidence in an organisation, and hence liquidity, can be affected by a range of institution specific and market-wide events including, amongst others, market rumours, credit events, payment system disruptions, systemic shocks, and even natural disasters.

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

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

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

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

Notes to the annual financial statements
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42. Risk management (continued)

42.4 Liquidity risk (continued)

Liquidity risk management process

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

- Liquidity stress testing;
- Liquidity planning (funding plans, contingency funding plans, recovery and resolution planning);
- Reporting and behavioural balance sheet analysis;
- Funds transfer pricing; and – Defined management actions to mitigate risk.

Stress and scenario testing:

Under the Liquidity Risk Framework, the Group has established the Liquidity Risk Appetite ("LRA"), which is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations.

It is measured with reference to anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool. Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk. Stress tests consider both institution-specific and market-wide scenarios separately and on a combined basis. Treasury develops and monitors stress tests on the Group's projected cash flows.

These stress scenarios include the Group's specific scenarios such as unexpected operational problems and external sources such as country crises, payment system disruption and macroeconomic shocks. Stress testing also allows the Group to identify appropriate responses to crises, setting liquidity limits, sources of stress funding and liquidity buffers as well as formulating a funding strategy designed to minimise liquidity risk. The results of the stress tests are therefore used to develop the CFP (Contingency Funding Plan) and are taken into account when setting limits for the management of liquidity risk and the business planning process.

The Group maintains a range of early warning indicators ("EWIs"). These assist in informing management on deciding whether the CFP should be invoked. Each operation must adopt and conform to the Company CFP and establish local processes and procedures for managing local liquidity stresses that are consistent with the Group's level plan. The CFPs set out the specific requirements to be undertaken locally in a crisis situation. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets.

The Group CFP is regularly tested and updated so as to ensure that it is operationally robust. Diversification Sources of liquidity are regularly reviewed by a separate team within Treasury to maintain a wide diversification by provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are strength of relationships and the maintenance of depositors' confidence. Such confidence is based on the Group's reputation and relationship with those clients, the strength of earnings and the Group's financial position.

Assets held for managing liquidity risk

The Group maintains a portfolio of highly marketable assets, which includes a diverse portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets that may be held for managing liquidity risk may comprise cash deposits with the Central bank/monetary authority and/or holdings of high-quality eligible liquid assets, such as, for example, government bonds or other securities that would be readily acceptable in repurchase agreements.

Funds transfer pricing:

Liquidity costs, benefits and risk should be clearly and transparently attributed to business lines and understood by business line management. The Group Treasury and ALCO are responsible for implementing a "funds transfer pricing" mechanism as a means of communicating and disseminating the cost of liquidity risk.

Group deploys liquidity risk funds transfer pricing processes as a means of controlling the behavioural profile of the Group's balance sheet. Funds transfer pricing incentivises business units to manage assets and liabilities in accordance with the Group liquidity risk appetite.

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.4 Liquidity risk (continued)

Structural liquidity:

An important source of structural liquidity is provided by core deposits; mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts on short notice, the Group's broad base of customers numerically and by depositor type helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group's operations and liquidity needs.

Sources of liquidity risk
Group has material liquidity risk exposure arising from the following sources:

- Wholesale secured and unsecured funding risk
  Wholesale funding providers are a key source of liquidity funding for the Group operations. A disruption to wholesale markets could impact the Group's ability to effectively fund certain business activities.
- Retail funding risk
  Most retail loans and advances are funded by customer deposits. A material loss of retail deposit funding could arise through a lack of confidence in the Group name or credit worthiness; and could impact the Group's ability to effectively fund retail banking operations.
- Contingent liquidity risks
  The Group could experience material cash outflows arising from contingent events such as rating downgrade triggers, off balance sheet transactions, drawdowns of unused credit facilities and the early termination of derivative transactions.
- Concentration risk
  Concentrations in the sources of funding utilised by the Group can give rise to liquidity risk if access to any of these sources is disrupted. Other funding source represent risk to the Group when these sources are subject to material counterparties, markets, currencies, tenors or instrument types. The table below represents the undiscounted cash flows payable by the Bank under non–derivative financial liabilities by remaining contractual liabilities at the balance sheet date.

Notes to the annual financial statements
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42. Risk management (continued)

42.4 Liquidity risk (continued)

Group and Bank	Undiscounted maturity On demand Shs'million	Within 1 year Shs'million	1 – 5 years Shs'million	More than 5 years Shs'million	Total Shs'million	Discounted contractual maturity Total Shs'million
2024						
Non-derivative financial assets						
Cash and balances with Central Bank of Kenya	24 416	-	-	-	24 416	24 416
Financial assets at fair value through profit or loss	-	20 105	9 277	16 617	45 999	33 470
Financial assets at fair value through other comprehensive income	-	78 353	39 514	14 542	132 409	96 068
Financial assets at amortised cost	-	-	1 107	-	1 107	1 049
Deposits and balances due from banking institutions	8 086	-	-	-	8 086	8 086
Due from group companies	174	7 950	-	-	8 124	7 289
Loans and advances to customers	-	149 766	210 308	81 686	441 760	309 098
Other assets	-	11 362	-	-	11 362	11 362
Total non-derivative financial assets	**32 676**	**267 536**	**260 206**	**112 845**	**673 263**	**490 838**
Non-derivative financial liabilities						
Deposits and balances due to banking institutions	7 045	-	-	-	7 045	7 045
Due to group companies	963	5 688	-	-	6 651	6 054
Deposits from customers	234 380	144 126	10 335	-	388 841	367 115
Borrowings	-	-	1 945	32 522	34 467	19 731
Other liabilities	1 896	17 942	-	-	19 838	17 954
Other financial liabilities – Lease liabilities	-	667	1 457	-	2,124	1 633
Total non-derivative financial liabilities	**244 284**	**168 423**	**13 737**	**32 522**	**458 966**	**419 532**
Liquidity gap	**(211 608)**	**99 113**	**246 469**	**80 323**	**214 297**	**71 306**
Off - statement of financial position						
Guarantee and performance bonds	27 434	-	-	-	27 434	27 434
Loan commitments	62 805	-	-	-	62 805	62 805
Letters of credit	20 876	-	-	-	20 876	20 876
Total off - statement of financial position	**111 115**	**-**	**-**	**-**	**111 115**	**111 115**

Notes to the annual financial statements
for the year ended 31 December 2024

42. Risk management (continued)

42.4 Liquidity risk (continued)

	Undiscounted maturity					Discounted contractual maturity
Group and Bank	**On demand Shs'million**	**Within 1 year Shs'million**	**1 – 5 years Shs'million**	**More than 5 years Shs'million**	**Total Shs'million**	**Total Shs'million**
2023						
Cash and balances with Central Bank of Kenya	29 599	-	-	-	29 599	29 599
Financial assets at fair value through profit or loss	-	5 789	18 200	1 842	25 831	20 446
Financial assets at fair value through other comprehensive income	-	36 350	38 451	32 866	107 667	73 644
Financial assets at amortised cost	-	-	1 278	-	1 278	1 062
Deposits and balances due from banking institutions	1 724	-	-	-	1 724	1 724
Due from group companies	329	31 219	-	-	31 548	27 287
Loans and advances to customers	-	138 258	123 428	205 309	466 995	335 714
Other financial assets	-	13 209	-	-	13 209	13 209
Total non-derivative financial assets	31 652	224 825	181 357	240 017	677 851	502 685
Non-derivative financial liabilities						
Deposits and balances due to banking institutions	11 685	-	-	-	11 685	11 685
Due to Central Bank of Kenya	-	13 047	-	-	13 047	13 047
Due to group companies	725	18 065	-	-	18 790	16 324
Deposits from customers	229 622	137 257	2 724	-	369 603	362 749
Borrowings	-	-	1 945	32 522	34 467	24 024
Other liabilities	1 704	17 738	-	-	19 442	17 023
Other financial liabilities – Lease liabilities	-	688	1 878	-	2 566	1 909
Total non-derivative financial liabilities	243 736	186 795	6 547	32 522	469 600	446 761
Liquidity gap	(212 084)	38 030	174 810	207 495	208 251	55 924
Off - statement of financial position						
Guarantee and performance bonds	24 901	-	-	-	24 901	24 901
Loan commitments*	68 605	-	-	-	68 605	68 605
Letters of credit	29 392	-	-	-	29 392	29 392
Total off - statement of financial position	122 898	-	-	-	122 898	122 898

*The loan commitments that were previously classified as within 1 year bucket have been reclassified to be on demand bucket.

** The other assets that meet the definition of financial assets have been included in the table.

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42. Risk management (continued)

42.4 Liquidity risk (continued)

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase.
- unrecognised loan commitments are not all expected to be drawn down immediately.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and other financial securities, which can be readily sold to meet liquidity requirements.

Group	On demand Shs'million	Within 1 year Shs'million	1 – 5 years Shs'million	Total Shs'million
2024				
Cash and balances with Central Bank of Kenya	**24 347**	**-**	**-**	**24 347**
Financial assets at fair value through other comprehensive income (Note 19)	**-**	**63 043**	**33 025**	**96 068**
Assets held for managing liquidity	**24 347**	**63 043**	**33 025**	**120 415**
2023				
Cash and balances with Central Bank of Kenya	29 599	-	-	29 599
Financial assets at fair value through other comprehensive income (Note 19)	-	33 616	40 028	73 644
Assets held for managing liquidity	29 599	33 616	40 028	103 243

Derivative liabilities

The table below analyses the Bank's derivative financial instruments that are settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cash flows on all derivatives. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2024	Notional amount	On demand	Within 1 year	More than 5 years
Derivative liabilities held for trading	**(67 935)**	**-**	**-**	**-**
Outflow	**-**	**(67 935)**	**-**	**-**
	(67 935)	**(67 935)**	**-**	**-**
31 December 2023				
Derivative liabilities held for trading	(103 427)	-	-	-
Outflow	-	(103 427)	-	-
	(103 427)	(103 427)	-	-

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42. Risk management (continued)

42.5 Capital risk management

The risk weighted assets are measured using the Risk weights prescribed under the Central Bank prudential guidelines.

Capital risk is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to:

(i) support business activity;

(ii) a failure to meet regulatory requirements;

(iii) changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.

Our objectives are achieved through well embedded capital management practices:

Primary objectives and core practices:

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

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

Capital planning

Capital forecasts are managed through both Short Term (Year 1 monthly) and Medium Term (3 year) financial planning cycles. The capital plan is developed with the objective of maintaining capital that is adequate in quantity and quality to support our risk profile and business needs. Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to Asset and Liability Committee (ALCO).

Regulatory Capital

The Bank maintains a ratio of total regulatory capital to its risk-weighted above a minimum level prescribed by the Central Bank of Kenya. The Bank's regulatory capital is managed by its Treasury and comprises two tiers:

(i) Tier 1 capital:

- Share capital,
- Retained earnings, excluding unrealised gains arising on the fair valuation of fair value through other comprehensive income investments; and

(ii) Tier 2 capital:

- Statutory reserve;
- Medium term note; and
- Subordinated loan capital.

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42. Risk management (continued)

42.5 Capital risk management (continued)

Regulatory Capital (continued)

Bank	Regulatory minimum	As at 31 Dec 2024 Shs'million	As at 31 Dec 2023 Shs'million
Tier 1	10.5%	**17.0%**	13.6%
Total capital	14.5%	**20.7%**	18.1%
Tier 1 Capital	**1 000**	**72 331**	60 169
Ordinary share capital		**2 716**	2 716
Retained earnings		**69 877**	59 830
Less: Deferred tax asset		**(262)**	(2 377)
Tier 2 Capital		**15 579**	19 729
Subordinated debt		**15 579**	19 729
Total regulatory capital	**1 000**	**87 910**	79 898
Total risk weighted assets		**424 835**	442 485
Total shareholders' equity/capital resources		**80 177**	65 424
Core capital/total deposit liabilities	**8.0%**	**19.9%**	16.7%
Liquidity ratio	**20.0%**	**42.5%**	31.1%

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43. Maturity analysis of assets and liabilities

The table below provides detail on the contractual maturity and mismatch position of all financial instruments and other assets and liabilities. Derivatives and trading portfolio assets are included in the 'within 12 months' time bucket at their fair value. Liquidity risk on these items is not managed based on contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Borrowed funds have been included based on contractual maturities.

Group	**Within 12 months**	**After 12 months**	**Total**
As at 31 December 2024	**Shs'million**	**Shs'million**	**Shs'million**
Assets			
Cash and balances with Central Bank of Kenya	24 416	-	24 416
Loans and advances to banks	8 069	-	8 069
Financial assets at fair value through profit or loss	33 470	-	33 470
Derivative financial assets	2 010	-	2 010
Financial assets at fair value through other comprehensive income	63 043	33 025	96 068
Financial assets at amortised cost	-	1 049	1 049
Due from group companies	7 289	-	7 289
Loans and advances to customers	149 781	159 317	309 098
Other assets and prepaid expenses	12 420	-	12 420
Current income tax receivable	814	-	814
Non-current assets held for sale	-	47	47
Property and equipment	-	2 884	2 884
Intangible assets	-	1 209	1 209
Prepaid operating lease rentals	-	30	30
Deferred income tax	-	7 603	7 603
Total assets	301 312	205 164	506 476
Liabilities			
Deposits from banks	7 045	-	7 045
Derivative financial instruments	1 232	421	1 653
Due to group companies	6 054	-	6 054
Deposits from customers	364 761	2 354	367 115
Borrowings	-	19 730	19 730
Other liabilities and accrued expenses	19 586	-	19 586
Retirement benefit liability	88	-	88
Total liabilities	398 766	22 505	421 271
Net	(97 454)	182 659	85 205

Notes to the annual financial statements
for the year ended 31 December 2024

43. Maturity analysis of assets and liabilities (continued)

Group

As at 31 December 2023	Within 12 months Shs'million	After 12 months Shs'million	Total Shs'million
Assets			
Cash and balances with Central Bank of Kenya	29 599	-	29 599
Loans and advances to banks	1 721	-	1 721
Financial assets at fair value through profit or loss	20 446	-	20 446
Derivative financial instruments	3 198	-	3 198
Financial assets at FVOCI	33 616	40 028	73 644
Financial assets at amortised cost	-	1 062	1 062
Due from group companies	27 287	-	27 287
Loans and advances to customers	137 685	198 029	335 714
Other assets and prepaid expenses	14 333	-	14 333
Non-current assets held for sale	-	47	47
Property and equipment	-	3 286	3 286
Other intangible assets	-	703	703
Leasehold land	-	31	31
Deferred income tax	-	8 724	8 724
Total assets	267 885	251 910	519 795
Liabilities			
Deposits from banks	11 685	-	11 685
Due to Central Bank of Kenya	13 047	-	13 047
Derivative financial instruments	3 250	-	3 250
Due to group companies	16 324	-	16 324
Deposits from customers	360 690	2 059	362 749
Current income tax	589	-	589
Borrowings	-	24 024	24 024
Other liabilities and accrued expenses	18 932	-	18 932
Total liabilities	424 517	26 083	450 600
Net	(156 632)	225 827	69 195

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43. Maturity analysis of assets and liabilities (continued)

Bank

As at 31 December 2024	Within 12 months Shs'million	After 12 months Shs'million	Total Shs'million
Assets			
Cash and balances with Central Bank of Kenya	24 416	-	24 416
Loans and advances to banks	8 069	-	8 069
Financial assets at fair value through profit or loss	33 470	-	33 470
Derivative financial instruments	2 010	-	2 010
Financial assets at FVOCI	63 043	32 317	95 360
Financial assets at amortised cost	-	1 049	1 049
Due from group companies	7 626	-	7 626
Loans and advances to customers	149 781	159 317	309 098
Other assets and prepaid expenses	12 383	-	12 383
Investment in subsidiaries and other investments	-	463	463
Current income tax receivable	598	-	598
Non-current assets held for sale	-	47	47
Property and equipment	-	2 879	2 879
Other intangible assets	-	1 109	1 109
Leasehold land	-	30	30
Deferred income tax	-	7 522	7 522
Total assets	301 396	204 733	506 129
Liabilities			
Deposits from banks	7 045	-	7 045
Derivative financial instruments	1 653	-	1 653
Due to group companies	6 068	-	6 068
Deposits from customers	369 520	2 354	371 874
Borrowings	-	19 730	19 730
Other liabilities and accrued expenses	19 494	-	19 494
Retirement benefit liability	88	-	88
Total liabilities	403 868	22 084	425 952
Net	(102 472)	182 649	80 177

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43. Maturity analysis of assets and liabilities (continued)

Bank

As at 31 December 2023	Within 12 months Shs'million	After 12 months Shs'million	Total Shs'million
Assets			
Cash and balances with Central Bank of Kenya	29 599	-	29 599
Loans and advances to banks	1 721	-	1 721
Financial assets at fair value through profit or loss	20 446	-	20 446
Derivative financial instruments	3 198	-	3 198
Financial assets at FVOCI	33 616	39 658	73 274
Financial assets at amortised cost	-	1 062	1 062
Due from group companies	27 888	-	27 888
Loans and advances to customers	137 685	198 029	335 714
Other assets and prepaid expenses	14 285	-	14 285
Investment in subsidiaries and other investments	-	463	463
Non-current assets held for sale	-	47	47
Property and equipment	-	3 282	3 282
Other intangible assets	-	659	659
Leasehold land	-	31	31
Deferred income tax	-	8 632	8 632
Total assets	268 438	251 863	520 301
Liabilities			
Deposits from banks	11 685	-	11 685
Due to Central Bank of Kenya	13 047	-	13 047
Derivative financial instruments	3 250	-	3 250
Due to group companies	16 324	-	16 324
Deposits from customers	364 844	2 059	366 903
Current income tax	793	-	793
Borrowings	-	24 024	24 024
Other liabilities and accrued expenses	18 851	-	18 851
Total liabilities	428 794	26 083	454 877
Net	(160 356)	225 780	65 424

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44. Fair value hierarchy disclosures

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 following table shows the Group's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety

44.1 Assets and liabilities held at fair value

Group

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**
Financial assets				
Fair value through profit or loss:				
Government trading securities	-	33 470	-	33 470
Derivatives financial assets	-	2 010	-	2 010
Fair value through OCI:				
Government securities	-	96 068	-	96 068
Financial liabilities				
Fair value through profit or loss:				
Derivatives financial liabilities	-	(1 653)	-	(1 653)
	-	129 895	-	129 895

Group

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**Shs'million**	**Shs'million**	**Shs'million**	**Shs'million**
Financial assets				
Fair value through profit or loss:				
Government trading securities	-	20 446	-	20 446
Derivatives financial assets	-	3 198	-	3 198
Fair value through OCI:				
Government securities	-	73 644	-	73 644
Financial liabilities				
Fair value through profit and loss				
Derivatives financial liabilities	-	(3 250)	-	(3 250)
	-	94 038	-	94 038

Notes to the annual financial statements
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44. **Fair value hierarchy disclosures (continued)**

44.1 **Assets and liabilities held at fair value (continued)**

Bank

2024 **Recurring fair value measurements**	**Level 1** **Shs'million**	**Level 2** **Shs'million**	**Level 3** **Shs'million**	**Total** **Shs'million**
Financial assets				
Fair value through profit or loss:				
Government trading securities	**-**	**33 470**	**-**	**33 470**
Derivatives financial assets	**-**	**2 010**	**-**	**2 010**
Fair value through OCI:				
Government securities	**-**	**95 360**	**-**	**95 360**
Financial liabilities				
Fair value through profit or loss:				
Derivatives financial liabilities	**-**	**(1 653)**	**-**	**(1 653)**
	-	**129 187**	**-**	**129 187**
2023				
Financial assets				
Fair value through profit or loss:				
Government trading securities	-	20 446	-	20 446
Derivatives financial assets	-	3 198	-	3 198
Fair value through OCI:				
Government securities	-	73 274	-	73 274
Financial liabilities				
Fair value through profit or loss:				
Derivatives financial liabilities	-	(3 250)	-	(3 250)
	-	93 668	-	93 668

During the year, there were no level 3 financial instruments, in addition there were no transfers of financial instruments into and out of level 1, 2 and 3 hierarchy.

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44. Fair value disclosures (continued)

44.2 Financial assets and financial liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

Group – 2024	Carrying amount Shs'million	Fair value Shs'million	Level 1 Shs'million	Level 2 Shs'million	Level 3 Shs'million
Assets at amortised cost					
Cash and balances with Central Bank of Kenya	**24 347**	**24 347**	**-**	**24 347**	**-**
Loans and advances to banks	**8 069**	**8 069**	**-**	**-**	**8 069**
Government securities	**1 049**	**1 107**	**-**	**1 107**	**-**
Due from group companies	**7 289**	**7 289**	**-**	**-**	**7 289**
Loans and advances to customers	**309 098**	**318 980**	**-**	**-**	**318 980**
Other assets	**11 362**	**11 362**	**-**	**-**	**-**
Total	**371 154**	**371 154**	**-**	**25 454**	**334 338**
Liabilities at amortised cost					
Deposits from banks	**7 045**	**7 045**	**-**	**7 045**	**-**
Due to group companies	**6 054**	**6 054**	**-**	**-**	**6 054**
Deposits from customers	**367 115**	**367 115**	**-**	**-**	**367 115**
Borrowings	**19 730**	**12 340**	**-**	**-**	**12 340**
Other liabilities and accrued expenses	**19 587**	**19 587**	**-**	**-**	**19 587**
Total	**419 531**	**412 141**	**-**	**7 045**	**405 096**
2023					
Assets at amortised cost					
Cash and balances with Central Bank of Kenya	29 599	29 599	-	29 599	-
Loans and advances to banks	1 721	1 721	-	-	1 721
Government securities	1 062	1 050	-	1 050	-
Due from group companies	22 287	22 287	-	-	22 287
Loans and advances to customers	335 714	339 959	-	-	339 959
Other assets	13 209	13 209	-	-	-
Total	403 592	407 825	-	30 649	363 967
Liabilities at amortised cost					
Deposits from banks	11 685	11 685	-	11 685	-
Repurchase agreements	13 047	13 047	-	-	13 047
Due to group companies	16 324	16 324	-	-	16 324
Deposits from customers	362 749	362 749	-	-	362 749
Borrowings	24 024	15 757	-	-	15 757
Other liabilities and accrued expenses	18 932	18 932	-	-	18 932
Total	446 761	438 494	-	11 685	426 809

The fair value for both loans and advances to customers and borrowing has been estimated using valuation models i.e discounted cash flow techniques. Inputs into the valuation techniques includes expected lifetime credit losses, interests rates, prepayments rates and primary origination or secondary market spreads.

Customer deposits payable within 12 months typically constitute deposits that are payable within 6 months (fixed) or call deposits (payable at the option of demand by the customer). The fair value for due to group companies, deposits from customers, deposits from banks and other liabilities and accrued expense is therefore estimated to approximate the carrying amount due to its short-term nature.

The fair value for cash and cash equivalents, loans and advances to banks and due from group companies is estimated using the carrying amount since the amounts are receivable on demand as at the reporting date. The fair value of the financial assets included in other assets approximates the carrying amounts due to their short-term nature.

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44. Fair value disclosures (continued)

44.2 Financial assets and financial liabilities not held at fair value (continued)

2024 Bank	**Carrying amount Shs'million**	**Fair value Shs'million**	**Level 1 Shs'million**	**Level 2 Shs'million**	**Level 3 Shs'million**
Assets at amortised cost					
Cash and cash equivalents	**24 347**	**24 347**	**-**	**24 347**	**-**
Loans and advances to banks	**8 069**	**8 069**	**-**	**-**	**8 069**
Government securities	**1 049**	**1 107**	**-**	**1 107**	**-**
Due from group companies	**7 626**	**7 626**	**-**	**-**	**7 626**
Loans and advances to customers	**309 098**	**318 980**	**-**	**-**	**318 980**
Total	**350 189**	**360 129**	**-**	**25 454**	**334 675**
Liabilities at amortised cost					
Deposits from banks	**7 045**	**7 045**	**-**	**7 045**	**-**
Due to group companies	**6 068**	**6 068**	**-**	**-**	**6 068**
Deposits from customers	**371 874**	**371 874**	**-**	**-**	**371 874**
Borrowings	**19 730**	**12 340**	**-**	**-**	**12 340**
Other liabilities and accrued expenses	**19 491**	**19 491**	**-**	**-**	**19 491**
Total	**424 208**	**416 818**	**-**	**7 045**	**409 773**
2023					
Assets at amortised cost					
Cash and cash equivalents	29 599	29 599	-	29 599	-
Loans and advances to banks	1 721	1 721	-	-	1 721
Government securities	1 062	1 050	-	1 050	-
Due from group companies	27 888	27 888	-	-	27 888
Loans and advances to customers	335 714	339 959	-	-	339 959
Total	395 984	400 217	-	30 649	369 568
Liabilities at amortised cost					
Deposits from banks	11 685	11 685	-	11 685	-
Repurchase agreements	13 047	13 047	-	-	13 047
Due to group companies	16 324	16 324	-	-	16 324
Deposits from customers	366 903	366 903	-	-	366 903
Borrowings	24 024	15 757	-	-	15 757
Other liabilities and accrued expenses	18 851	18 851	-	-	18 851
Total	450 834	442 567	-	11 685	430 882

The fair value for both loans and advances to customers and borrowing has been estimated using valuation models i.e discounted cash flow techniques. Inputs into the valuation techniques includes expected lifetime credit losses, interests rates, prepayments rates and primary origination or secondary market spreads.

Customer deposits payable within 12 months typically constitute deposits that are payable within 6 months (fixed) or call deposits (payable at the option of demand by the customer). The fair value for due to group companies, deposits from customers, deposits from banks and other liabilities and accrued expenses is therefore estimated to approximate the carrying amount due to its short-term nature.

The fair value for cash and cash equivalents, loans and advances to banks and due from group companies is estimated using the carrying amount since the amounts are receivable on demand as at the reporting date.

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44. Fair value disclosures (continued)

44.3 Valuation techniques for the level 2 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the Group and Bank's valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Government trading securities Government securities	Discounted cash flow valuation technique	Quoted yields and 11 bps bid offer adjustment that management has estimated as the reasonable basis for applying the adjustment
Foreign exchange derivatives	Discounted cash flow valuation techniques and/or option pricing models.	Spot price, interest rate and/ or volatility

44.4 Valuation techniques for the levels 2 or 3 fair value measurement of assets and liabilities held at amortised cost

For assets or liabilities held at amortised cost and disclosed in levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. However, if the items mature in less than five years, these inputs are considered observable.

The following table presents information about the valuation techniques and significant unobservable inputs used in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy:

Category of asset/liability	Valuation technique applied	Significant unobservable inputs	Range of unobservable inputs applied
Loans and advances	Discounted cash flow	Credit spreads	2% - 5%
Borrowings	Discounted cash flow	Credit spreads	1% - 2%

45. Segmental reporting

45.1. Statement of financial position

In line with our vision to finding solutions to uniquely local challenges and for management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

- Consumer banking – composed mainly of retail business which incorporates Individual customers' deposits and consumer loans, overdrafts, credit card facilities and funds transfer facilities; and
- Corporate banking –the business model centres on delivering specialist investment banking, financing, risk management and advisory solutions across asset classes to corporates, financial institutions and government clients.

Given the majority of the Group revenues is derived from interest and dealing activities and the Country Management Committee (CMC) relies primarily on net interest revenue and dealing income to assess the performance of the segments, the total interest income and expense for all reportable segments is presented on a net basis. There were no changes in the reportable segments during the year. The revenue from external parties reported to the CMC is measured in a manner consistent with that in the consolidated statement of comprehensive income. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the CMC. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation, property and equipment.

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45. Segmental reporting (continued)

45.2. Statement of comprehensive income

	Corporate Banking Shs'million	Consumer Banking Shs'million	Total Shs'million
Group – 2024			
Net interest income	**17 776**	**28 452**	**46 228**
Net fee and commission income	**1 610**	**5 836**	**7 446**
Net trading income	**5 817**	**1 455**	**7 272**
Other operating income	**-**	**69**	**69**
Total income	**25 203**	**35 812**	**61 015**
Impairment losses on financial instruments	**(159)**	**(7 602)**	**(7 761)**
Net operating income	**25 044**	**28 210**	**53 254**
Operating expenses			
Depreciation and amortisation	**(71)**	**(1 077)**	**(1 148)**
Other operating expenses	**(4 624)**	**(17 762)**	**(22 386)**
Total operating expenses	**(4 695)**	**(18 839)**	**(23 534)**
Profit before tax	**20 349**	**9 371**	**29 720**
Taxation	**(6 055)**	**(2 789)**	**(8 844)**
Profit for the year	**14 294**	**6 582**	**20 876**
2023			
Net interest income	12 620	27 424	40 044
Net fee and commission income	1 533	5 787	7 320
Net trading income	4 309	1 975	6 284
Other operating income	-	55	55
Total income	18 462	35 241	53 703
Impairment losses on financial instruments	(923)	(7 451)	(8 374)
Net operating income	17 539	27 790	45 329
Operating expenses			
Depreciation and amortisation	(48)	(942)	(990)
Other operating expenses	(4 136)	(16 525)	(20 661)
Total operating expenses	(4 184)	(17 467)	(21 651)
Profit before tax	13 355	10 323	23 678
Taxation	(4 124)	(3 187)	(7 311)
Profit for the year	9 231	7 136	16 367

The comparative information on the total income have been enhanced to align with the disclosures in the statement of other comprehensive income.

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45. Segmental reporting (continued)

45.3 Statement of financial position

Group – 2024	**Corporate Banking Shs'million**	**Consumer Banking Shs'million**	**Total Shs'million**
Loans and advances to customers	**143 406**	**165 692**	**309 098**
Loans and advances to banks	**8 069**	**–**	**8 069**
Other assets	**35 305**	**154 005**	**189 310**
	186 780	**319 697**	**506 477**
Liabilities			
Deposits from customers	**86 399**	**280 716**	**367 115**
Other liabilities	**30 146**	**24 011**	**54 157**
	116 545	**304 727**	**421 272**
Group - 2023			
Assets			
Loans and advances to customers	153 219	182 495	335 714
Loans and advances to banks	1 721	-	1 721
Other assets	57 519	124 841	182 360
	212 459	307 336	519 795
Liabilities			
Deposits from customers	96 116	266 633	362 749
Other liabilities	63 217	24 634	87 851
	159 333	291 267	450 600

46. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position (SOFP) where the Bank has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2024 and 31 December 2023. The column 'net amount 'shows the impact on the Bank's statement of financial position if all set-off rights were exercised. There were no gross amounts set off in the statement of financial position at 31 December 2024 (2023: Nil).

	Effects of offsetting in the SOFP	**Related amounts not offset**		
Group and Bank 2024	**Amounts presented in the SOFP Shs'million**	**Amounts subject to master netting agreement Shs'million**	**Financial instrument collateral Shs'million**	**Net amount Shs'million**
Financial assets				
Loans and advances to customers	**309 098**	**-**	**(3 343)**	**305 755**
	309 098	**-**	**(3 343)**	**305 755**
Liabilities				
Deposits from customers	**367 115**	**-**	**(3 343)**	**363 772**
	367 115	**-**	**(3 343)**	**363 772**
2023				
Financial assets				
Loans and advances to customers	335 714	-	(2 285)	333 429
	335 714	-	(2 285)	333 429
Liabilities				
Deposits from customers	362 749	-	(2 285)	360 464
	362 749	-	(2 285)	360 464

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46. Offsetting financial assets and financial liabilities (continued)

Master netting arrangements

Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Bank does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the table above.

47. Related parties

Absa Bank Kenya PLC is a subsidiary of Absa Group Limited, the ultimate parent, which is listed on the Johannesburg Stock Exchange. There are other companies which are related to Absa Bank Kenya PLC through common shareholdings or common directorships.

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 operation decisions, or one other party controls both.

In the ordinary course of business, the Bank entered into various transactions with related parties which are governed under terms that are no more favourable than those arranged with non-related parties. In addition, relate party transactions are carried out in accordance with Organisation of Economic Cooperation and Development (OECD) Guidelines, local laws and regulations and with requisite Board approval.

A number of banking transactions are entered into with related parties' i.e. key management staff, Directors, their associates and companies associated with Directors in the normal course of business, under terms that are no more favourable than those arranged with other employees. These include loans, deposits and foreign currency transactions. The outstanding balances at the reporting date with related parties and related-party transactions conducted during the reporting period are as follows:

(a) Key management personnel compensation and non-executive directors	2024 Shs' million	2023 Shs' million
Non-deferred cash payments	**133**	208
Post-employment benefit contributions	**34**	27
Salaries and other short-term benefits	**415**	331
Share-based payments	**253**	205
	835	771
The compensation paid to directors was in respect of:		
Services rendered as directors of the Bank	**60**	54
	60	54

(b) Statement of comprehensive income	Relationship	Interest received Shs'million	Interest paid Shs'million	Recharges Shs'million
2024				
Group				
Absa Group Limited	Parent	**1 251**	**1 810**	**900**
		1 251	**1 810**	**900**
Bank				
Absa Group Limited	Parent	**1 251**	**1 810**	**900**
Absa Bancassurance Intermediary Limited	Subsidiary	**-**	**481**	**18**
Absa Asset Management Limited	Subsidiary	**-**	**69**	**-**
		1 251	**2 360**	**918**
2023				
Group				
Absa Group Limited	Parent	661	3 337	1 123
Absa Bank Mauritius	Sister	-	245	-
		661	3 582	1 123
Bank				
Absa Group Limited	Parent	661	3 337	1 123
Absa Bank Mauritius	Sister	-	245	-
Absa Bancassurance Intermediary Limited	Subsidiary	-	222	18
Absa Asset Management Limited	Subsidiary	-	28	-
		661	3 832	1 141

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47. Related parties (continued)

(b) Statement of comprehensive income (continued)

In the normal course of business, placings of foreign currencies are made with the parent company and other companies at interest raites in line with the market.

The weighted average effective interest rate at 31 December 2024 on amounts due from group companies was 5.8% (2023:3.7%) and on amounts due to group companies was 5.9% (2023: 2.1%). These balances are not secured.

Group companies provide support services from time to time for which they recharge the costs incurred at the country of origin. The value of the services recharged has been debited to the profit or loss and is included in total expenditure of the Group in Note 12.

Absa Bank Kenya PLC Staff Pension Fund and Absa Bank Kenya PLC (DC) Scheme 2009 (the "Funds") are sponsored by Absa Bank Kenya PLC.

(c) Incidental business activities

The Bank offers additional services outside banking through its subsidiaries whereby it acts as a distribution channel in the provision of authorised financial services or products as guided by the Prudential Guidelines issued by the Central Bank. The Bank offers wealth management and investment advisory, insurance brokerage services and stock brokerage services through its subsidiaries Absa Asset Management, Absa Bancassurance Intermediary Limited and Absa Securities Limited respectively.

In the year, the subsidiaries generated revenues and incurred the costs as disclosed below:

2024	Absa Asset Management Limited Shs' million	Absa Bancassurance Intermediary Limited Shs' million	Absa Securities Limited Shs' million
Total income	**452**	**1 575**	**131**
Total expenses	**(158)**	**(195)**	**(60)**
Profit before tax	**294**	**1 380**	**71**
Profit after tax	**204**	**964**	**69**
2023			
Total income	224	1 484	79
Total expenses	(110)	(166)	(93)
Profit before tax	114	1 318	(14)
Profit after tax	80	921	(9)

(d) Due from Group companies

	Relationship	Group 2024 Shs'million	Group 2023 Shs'million	Bank 2024 Shs'million	Bank 2023 Shs'million
Absa Group Limited	Parent	**7 207**	27 092	**7 207**	27 092
Absa Bank Uganda	Sister	**1**	38	**1**	38
Absa Bank Tanzania	Sister	**8**	74	**8**	74
Absa Life Assurance Kenya	Sister	**62**	58	**-**	4
First Assurance Kenya	Sister	**11**	25	**-**	9
Absa Bancassurance Intermediary Limited	Subsidiary	**-**	-	**75**	337
Absa Securities Limited	Subsidiary	**-**	-	**159**	184
Absa Asset Management Limited	Subsidiary	**-**	-	**176**	150
		7 289	27 287	**7 626**	27 888

(e) Due to Group companies

	Relationship	Group 2024 Shs'million	Group 2023 Shs'million	Bank 2024 Shs'million	Bank 2023 Shs'million
Absa Group Limited	Parent	**(5 997)**	(16 276)	**(5 997)**	(16 276)
Absa Bank Mauritius	Sister	**(19)**	(1)	**(19)**	(1)
Absa Bank Zambia	Sister	**(1)**	(1)	**(1)**	(1)
Absa Bank Uganda	Sister	**(23)**	(34)	**(23)**	(34)
Absa Bank Tanzania	Sister	**(9)**	(2)	**(9)**	(2)
National Bank of Commerce	Sister	**(1)**	(10)	**(1)**	(10)
Absa Bank Botswana	Sister	**(4)**	-	**(4)**	-
Absa Asset Management Limited	Subsidiary	**-**	-	**(13)**	-
Absa Bancassurance Intermediary Limited	Subsidiary	**-**	-	**(1)**	-
		(6 054)	(16 324)	**(6 068)**	(16 324)

Notes to the annual financial statements
for the year ended 31 December 2024

(e) Due to Group companies (continued)

At 31 December 2024 advances to directors or companies controlled by directors or their families amounted to Shs 44 million (2023: Shs 56 million). Interest income earned amounted to Shs 6 million (2023: 6 million).

All loans to Directors, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and (c) did not involve more than a normal risk of collectability or present other unfavourable features.

During the year the directors maintained various deposit accounts with the Bank which included current, savings and fixed deposit accounts. At 31 December 2024, balances relating to directors deposits amounted to Shs 46 million (2023: Shs 23 million).

(f) Guarantee

In the year ending 31 December 2024, there was no guarantee given or received to/from any related party (2023: NIL).

48. Commitments and contingencies

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer. Undelivered spot transactions represent commitment either to buy or sell foreign currency and are recognised at cost on the trade date.

		Group and Bank	
48.1	**Commitments**	**2024**	2023
		Shs'million	Shs'million
	Undrawn overdraft facilities	**17 900**	12 231
48.2	**Contingent liabilities**		
	Letters of credit	**20 876**	29 392
	Guarantee and performance bonds	**27 434**	24 901
	Unutilised lines of credit	**44 905**	56 374
		93 215	110 667

Pledged assets amounted to Shs 1 250 million (2023: Shs 1 250 million). The class of asset pledged in both years was a bond issue. The purpose of the pledge was to create an ILF (Intra-Day Liquidity Facility) with the Central Bank of Kenya. The ILF provides collateralised lending of funds to commercial banks to facilitate their daily intra-day payment obligations in the Kenya Electronic Payment and Settlement System (KEPSS). Under this facility, commercial banks identify and set aside pre-determined amounts of Government securities from their portfolio holdings for securing intra-day borrowings based on their anticipated average daily liquidity requirements.

In the event of failure to settle by the Bank, the ILF shall convert to an overnight facility. The underlying pledged securities shall therefore become encumbered.

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the consolidated balance sheet.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The group expects most acceptances to be presented and reimbursement by the customer is normally immediate. Letters of credit commit the Bank to make payments to third parties on presentation of documents, which are subsequently reimbursed by customers.

Guarantees and assets pledged as security are generally written by a bank to support the performance of a customer to third parties. The group will only be required to meet these obligations in the event of the customers' default. At year end, the bank has obtained undertakings from Absa Group Limited in respect of bonds, guarantees and indemnities facility and letters of credit of Shs 10 382 million (2023: Shs 7 515 million).

Notes to the annual financial statements

for the year ended 31 December 2024

48. Commitments and contingencies (continued)

48.2 Contingent liabilities (continued)

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer. Undelivered spot transactions represent commitment either to buy or sell foreign currency and are recognised at cost on the trade date.

48.3 Contingent tax liabilities

The Bank has transactions and calculations for which the ultimate tax treatment involves a degree of estimation and judgement. The tax treatment adopted by the Kenya Revenue Authority may differ from the treatment applied by the Bank thus requiring determination by the courts. The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after considering external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the way tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the outcome of tax proceedings, which in many instances, will only be concluded after several years.

Management estimates are informed by several factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Bank's policies.

48.4 Leases – Bank as lessor

The Group acts as lessor of rental space. These leases have an average life of between three and five years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is Shs 31 million (2023: Shs 33 million). As part of managing the risk the Group retains in the underlying asset, the Group requires leasses' to make a minimum deposit of three months rentals refundable upon expiry of the leases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Group and Bank	2025 Shs million	2024 Shs million
Within one year	**31**	33
After one year but not more than five years	**124**	148
	155	181

49. Dividends per share

The Directors recommend a final dividend of Shs 1.55 per share in respect of the year ended 31 December 2024 (2023: Shs 1.35). An interim dividend of Shs 0.20 (2023: Shs 0.20) was paid during the year amounting to Shs. 1 086 million (2023 Shs 1 086 million). This will bring the total dividend for the year to Shs 1.75 (2023: Shs 1.55) per share amounting to Shs 9 505 million (2023: 8 419 million).

Payment of dividends is subject to withholding tax at a rate of 5% for residents and 10% for non-residents.

50. Subsequent events

Since the start of 2025 there has been increasing volatility in geopolitics which has resulted in shifts in global domestic and foreign policy. This has heightened uncertainty and could have a wide range of direct and indirect ramifications. Global trade developments and pressure on aid spending are expected to impact on the markets, outlooks and expectations of the countries in which the Group operates. This situation will be closely monitored and assessed for its impact on the business.

The directors are not aware of any other events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 31 December 2024 and the date of authorisation of these consolidated annual financial statements.

Notes to the annual financial statements
for the year ended 31 December 2024

51. New accounting pronouncements

Adoption of new and revised Standards

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.

Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements)

The amendment clarifies that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.

Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or noncurrent at the reporting date. However, disclosure about covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

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

The amendments confirm the following, on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

Subsequent accounting for the lease liability

The seller-lessee would reduce the lease liability as if the 'lease payments' estimated at the date of the transaction had been paid. It would recognise any difference between those lease payments and the amounts actually paid in profit or loss. It could determine the lease payments to be deducted from the lease liability in a number of ways – e.g. as 'expected lease payments' or as 'equal periodic payments' over the lease term.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered since implementation of IFRS 16 in 2019 and potentially restate those that included variable lease payments.

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 annual financial statements
for the year ended 31 December 2024

51. New accounting pronouncements (continued)

Lack of Exchangeability – Amendments to IAS 21

Under the amendments, the Group will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable.
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

Notes to the annual financial statements
for the year ended 31 December 2024

51. New accounting pronouncements (continued)

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (continued)

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Group is currently performing an assessment of all material electronic payment systems utilised, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Group is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Group is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

Amendments resulting from annual improvements for the following standards

- Initial measurement of trade receivables – The amendment removes the conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers (IFRS 15) over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable may be recognised at an amount that differs from the transaction price, for example, when the transaction price is variable. Conversely, IFRS 9 requires that entities initially measure trade receivables without a significant financing component at the transaction price. IFRS 9 has been amended to require entities to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.
- Accounting for the derecognition of a lease liability by a lessee – The amendment states that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss. The amendment does not address how to distinguish between derecognition and modification of a lease liability. The amendment applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied. The amendment is effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.
- Minor amendments to IFRS 1, IFRS 10 and IAS 7. These amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

Shareholder information


absa

Notice of the 46th Annual General Meeting

Absa Bank Kenya Plc

Notice of the 46th Annual General Meeting

Notice is hereby given that the **Forty–Sixth (46th) Annual General Meeting** of the Shareholders of **Absa Bank Kenya PLC** (the "Company") will be held via virtual means on **Thursday 22nd May 2025,** at **10:00 a.m.** to transact the following business: -

A. ORDINARY BUSINESS

1. Constitution of the Meeting

The Secretary to read the notice convening the meeting and determine if a quorum is present.

2. Audited Financial Statements, Directors' and Auditors' reports for the year ended 31st December 2024

To receive, consider and if thought fit, adopt the Audited Financial Statements for the year ended 31st December 2024, together with the reports of the Director and the Auditor.

3. Declaration of Dividend

To ratify the interim dividend of Shs 0.20 per ordinary share paid on 15th October 2024 and to declare a final dividend of Shs 1.55 per ordinary share payable net of withholding tax, on or about 22nd May 2025 to shareholders on the Register of Members as at the close of business on 30th April 2025.

4. Election of Directors

a. In accordance with Articles 103, 104 and 105 of the Company's Articles of Association, **Christine Sabwa** retires by rotation and being eligible, offers herself for re-election.

b. In accordance with Articles 103, 104 and 105 of the Company's Articles of Association, **Japheth Olende** retires by rotation and, does not offer himself for re-election.

c. In accordance with Article 110 of the Company's Articles of Association, **Marion Mwangi** appointed by the Board to fill a casual vacancy, is due for retirement this being the first Annual General Meeting that is being held since her appointment and, being eligible, offers herself for election.

5. Board Audit and Risk Committee members

In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being the current members of the Board Audit & Risk Committee be appointed by shareholders to continue serving as members of the Board Audit and Risk Committee:

a) Christine Sabwa (Chair)
b) Fulvio Tonelli
c) Kedibone Imathiu
d) Marion Mwangi

6. Remuneration of Directors

To receive, consider and if thought fit, approve the Directors' Remuneration Report and authorise the Board to fix the Directors' remuneration for the year ending 31st December 2025.

7. Appointment and Remuneration of the Auditors

To consider and if thought fit, re-appoint KPMG Kenya, Certified Public Accountants, (who have expressed their willingness to continue in office in accordance with section 721 of the Companies Act No. 17 of 2015) as the External Auditors of the Company, and to authorise the Board of Directors to fix their remuneration in line with section 724 of the Companies Act.

Notice of the 46th Annual General Meeting continued

B. SPECIAL BUSINESS

1. Approval of the New Absa Bank Kenya PLC Articles of Association.

To consider and if thought fit, pass the following as a Special Resolution:

That the Articles of Association of the Company attached hereto (the New Articles of Association) be and are hereby approved and adopted with immediate effect as the Articles of Association of the Company in substitution for and to the exclusion of the Existing Articles of Association of the Company.

2. Approval of Absa Bank Kenya PLC Policies

To consider and if thought fit, pass the following as an Ordinary Resolution:

That in accordance with Clause 8.21 of the Corporate Governance of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulations of 2023, the following Policies be and are hereby approved and adopted:

a) Board Remuneration, Attraction and Retention Policy

b) Stakeholder Engagement and Communication Policy

c) Dispute Resolution Policy

d) Corporate Disclosure Policy

C. Any Other Business

To transact any other business of the Company for which due notice has been received.

By Order of the Board

Anne M. Nyongesa
Company Secretary

23rd April 2025

Notes:

1. The Company will be holding a virtual Annual General Meeting (AGM) as permitted by Article 74 of its Articles of Association replicated below:

   74. The Members may, if they think fit, or if the Directors notify them that such is the manner in which any particular meeting would be held, confer or hold a meeting by radio, telephone, closed circuit television, video conferencing or other electronic, or other, means of audio or audio/visual communication, or a combination thereof ("Conference"). Notwithstanding that the Members are not present together in one place at the time of the Conference, a resolution passed by the Members constituting a quorum at such a Conference shall be deemed to have been passed at a General Meeting held on the day on which and at the time at which the Conference was held. The provisions of these relating to proceedings of Members apply insofar as they are capable of application mutatis mutandis to such Conference. Such a general meeting shall be deemed to have been held at the registered office of the Company.

2. All shareholders will be pre-registered for the AGM using their bio-data details with the company. Each shareholder will receive a personalised link with which they will use to confirm their attendance or dialling ***483*182#** across all Kenyan Networks and following the various prompts regarding the registration process. For assistance shareholders should dial the following **helpline number (020) 869 0360** from 9:00am to 4.30 pm from Monday to Friday. Any shareholder outside Kenya should dial the helpline number or email digital@candr.africa to be assisted to register.

3. Confirmation of attendance for the AGM opens on **Thursday 08 May 2025 at 8:00am** (Kenya time) and will close on **Wednesday 21 May 2025 at 12:00 noon** (Kenya time).

Notice of the 46th Annual General Meeting continued

4. In accordance with Section 283 (3) of the Companies Act, 2015, the following documents may be viewed on the Company's website www.absabank.co.ke i) a copy of this Notice and the proxy form; ii) the Company's Integrated Report together with the audited financial statements for the year 2024. Other documents related to the AGM referred under Special Business section can be accessed through the "Events Documents" tab on shareholder's personalised AGM registration link. Shareholders can also dial ***483*182#** and select the 'AGM Documents' option and then select the document they would like to view. Shareholders will then receive an SMS with a link to download the selected document.

5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   (i) Using the sms/email link to the event provided; or

   (ii) Dialling the USSD code ***483*182#** and following the menu prompts to the "Ask Questions" menu option and entering their question as a text message

   (iii) Sending their written questions by email to digital@candr.africa; or

   (iv) To the extent possible, physically delivering their written questions with a return postal address or email address to the registered office of the Company at Absa Headquarters, Waiyaki Way, Nairobi or to Custody and Registrars Services offices at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue; or

   (v) Sending their written questions with a return postal address or email address by registered post to the Company's address at P.O. Box 30120-00100 Nairobi.

   Written Questions

   Shareholders must provide their full details (full names, ID/Passport Number, Shares or CDSC Account Number) when submitting their questions and clarifications by email, post or delivery. All written questions and clarifications must reach the Company on or before **Tuesday 20 May 2025 at 10:00am**. Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return postal address or email address provided by the shareholder, no later than 12 hours before the start of the general meeting.

   Questions via the AGM portal

   Shareholders will be able to ask questions on the virtual AGM platform up to and during the AGM using the online portal or the USSD code.

   Live Questions during the AGM

   There will be an opportunity provided for shareholders to virtually join the AGM to ask their questions during the meeting. Shareholders wishing to ask their questions live during the AGM can join the meeting room during the AGM (by selecting the "Join AGM Meeting Room" tab at the bottom of the live stream display window). In the meeting room shareholders can continue watching the AGM broadcast and either i) select "raise hand" option on their screen to request an opportunity to ask their questions live to the Board or ii) enter their questions in the live chat to be read out to the Board during the AGM.

   Shareholders should note that it may not be possible to answer all questions during the AGM. A full list of questions received, and the answers thereto will be published on the Company's website 48 hours after the conclusion of the general meeting.

6. Voting will open with registration opening on **Thursday 08 May 2025.** Shareholders will be allowed to vote up to and during the AGM by accessing the sms/email access link for the AGM sent or dialling USSD Code ***483*182#** and following the various prompts regarding the voting process. Voting results will be announced in the meeting prior to the conclusion of the AGM. The voting results will also be published within 48 hours of the conclusion of the meeting on the Company's website: www.absabank.co.ke.

7. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is available on the Company's website www.absabank.co.ke. Physical copies of the proxy form are also available at the following address: **Custody and Registrars Services offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.** To be valid, the proxy form must be duly completed by the shareholder, or his attorney duly authorised in writing. If the shareholder is a body corporate, the instrument appointing the proxy shall be given under its common seal (if any) or under the hand of an officer or duly authorised attorney of such body corporate. A completed form of proxy should be emailed to proxy@candr.africa in pdf format or delivered to Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar not later than **10.00 a.m.** on **Tuesday 20 May 2025.** The duly completed form must be supported by a copy of ID/ valid Passport of the member and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 4.00 pm on **Wednesday 21 May 2025** to allow time to address any issues.

Notice of the 46th Annual General Meeting continued

8. The AGM will be accessible to shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS) or an email prompt on their registered mobile number/email address, on the day of the AGM with a link to access the Virtual AGM broadcast, the voting and Q&A tabs, and the virtual meeting room link.

9. Shareholders without internet access can access the Virtual AGM voting menu via USSD ***483*182#**

All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority as abandoned assets on the appointed date.

For any unclaimed dividends, the preferred method of paying dividends which are below Shs 250,000 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends by dialling *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited.

Therefore, all present and former shareholders with unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below to claim any unpaid dividends.

Custody & Registrars Services Ltd (C&R Group)
IKM Place, Tower B, 1st Floor
5th Ngong Avenue, Nairobi
Tel + 254 20 7909276
Email: info@candr.africa

Notes

TEAR HERE

Proxy form

Absa Bank Kenya PLC

Proxy Form

Custody and Registrars Services Limited

IKM Place, Tower B, 1st Floor, 5th Ngong Avenue

P.O. Box 8484-00100, Nairobi

*I/We ____

being *a member/members of **Absa Bank Kenya PLC,** with CDSC/Share Account number____________________________

hereby appoint:

____

of (address, email and telephone number):

____

____

or failing *him/her, I/We hereby appoint:

____

of (address, email and telephone number):

____

____

and failing *him/her, I/We appoint the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Forty-Sixth Annual General Meeting of Absa Bank Kenya PLC to be held on **Thursday May 22, 2025,** and at any adjournment thereof.

As confirmation

*I/we affix *my/our *hand/hands this ______________________________ day of ____________________ 2025

Signature(s)

Unless otherwise instructed, the proxy will vote as *he/she thinks fit.

Notes

1. In accordance with Section 298(1) of the Companies Act, 2015 shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. This proxy form is available on the Company's website: **www.absabank.co.ke.** Physical copies of the proxy form are also available at the following address: **Custody and Registrars Services** offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue. To be valid, the proxy form must be duly completed and signed by the shareholder, or his attorney duly authorised in writing. If the shareholder is a body corporate, the instrument appointing the proxy shall be given under its common seal (if any) or under the hand(s) of an authorised officer(s) or duly authorised attorney(s) of such body corporate. A completed form of proxy should be emailed to proxy@candr.africa in pdf format or delivered to Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar **not later than 10.00 a.m. on Tuesday May 20, 2025**. The duly completed form must be supported by a copy of ID/ valid Passport of the member and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 4pm on Wednesday May 21, 2025, to allow time to address any issues.

2. In accordance with Section 283 (3) of the Companies Act, 2015, the following documents may be viewed on the Company's website **www.absabank.co.ke** i) a copy of AGM Notice and this proxy form; ii) the Company's Integrated Report together with the audited financial statements for the year 2024.

BACK SIDE OF PROXY

INSIDE BACK COVER

www.absabank.co.ke

Contact information

Absa Bank Kenya PLC

Registered office

Absa Bank Headquarters
Waiyaki Way
PO Box 30120 – 00100
Nairobi

Absa Bank of Kenya is regulated by the Central Bank of Kenya

Your story matters