



Caritas
MICROFINANCE BANK
Twaimarisha Jamii

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ANNUAL REPORT & FINANCIAL STATEMENTS



Word from Our Patrons

"I congratulate Caritas Microfinance Bank for this incredible milestone. As you mark this celebration during the jubilee year, may it be a time of reflection on your impactful journey, renewed commitment to your mission, and continued service to the communities that rely on you."

Most. Rev. Philip Anyolo
Metropolitan Archbishop of Nairobi



✧ -Celebrating a Decade of Impact- ✧



"We have come from far, we are far, and we are going far. Establishing this institution remains to be one of the best decision we have made. Congratulations to the entire staff, Board of Directors, and shareholders for your dedication and the tremendous effort that has brought us this far.

Forward ever, backward never."

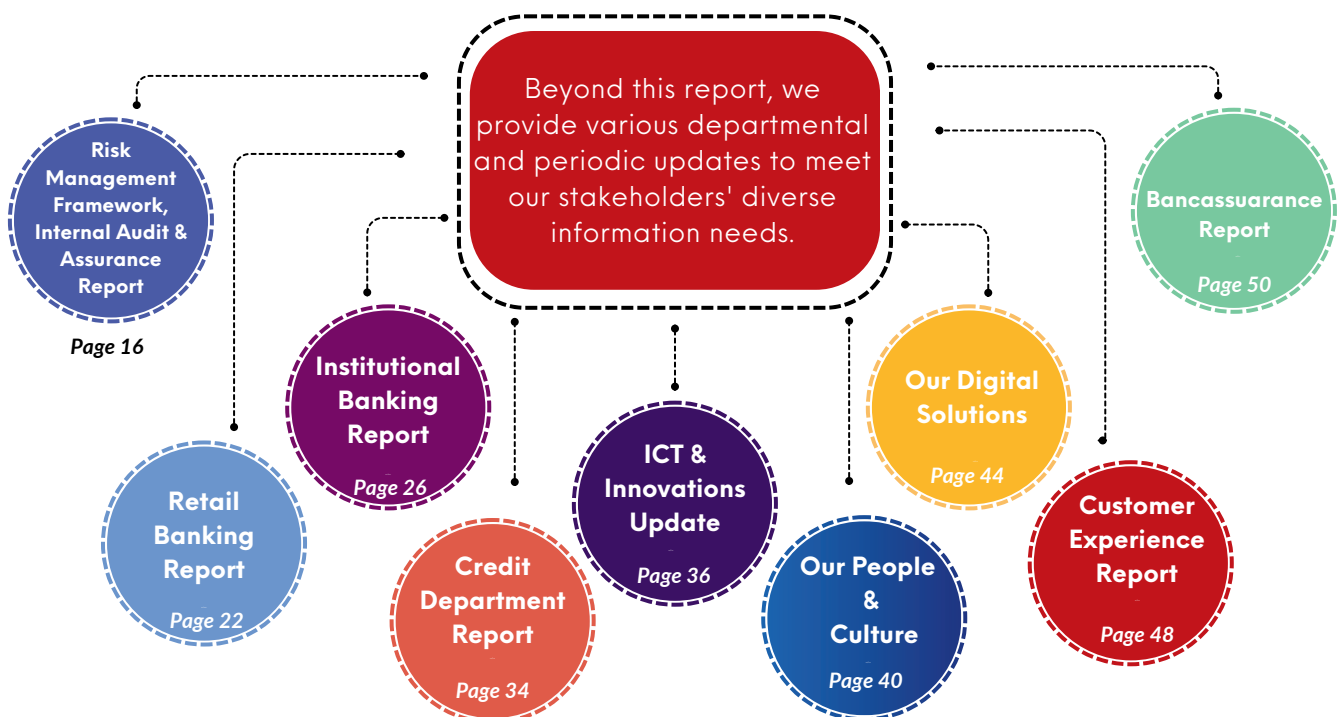
His Eminence John Cardinal Njue
Emeritus Archbishop of Nairobi

ABOUT THIS REPORT

Our Reporting Scope and Boundary

The Caritas Microfinance Bank Annual Report and Financial Statement is our primary disclosure document for 2024. The purpose of this report is to provide a comprehensive and transparent overview of our financial and non-financial performance for the period **1st January 2024 to 31st December 2024**.

It offers insights into how our sustainable business model creates long-term value, driving growth and impact for all stakeholders. The report also highlights our strategy, governance, performance, and future prospects within the context of our operating environment.



Our Audience

This report primarily is addressed to our shareholders, but we have also included information relevant to our other stakeholders including employees, customers, regulators, partners, and the society.



CARITAS MFB SNAPSHOT

Caritas Microfinance Bank is founded on strong Catholic teachings and ethos. It was launched in **June 2015** as a deposit-taking microfinance institution, regulated by the **Central Bank of Kenya**.

Established to foster financial inclusion and economic empowerment, we provide upscaled financial services that help our customers safeguard their future and meet their financial needs.

Over the past **ten years**, we have grown to become one of the fastest-growing microfinance banks, offering a wide range of financial solutions.

Our **purpose** is to empower and promote household prosperity through ethical financial services — driving economic growth and improving livelihoods.



Vision

The household financial services provider that adds value to all.



Mission

We provide ethically driven financial solutions to achieve distinctive customer experience in a convenient and innovative way while growing our stakeholders value.



Our Core Values

Accountability & Professionalism

We emphasize responsible conduct and high standards in our work.

Integrity

We uphold honesty, transparency, accountability, and ethical conduct in all we do.

Accessible & Responsive

We are committed to being accessible to our stakeholders and promptly addressing their needs.



Customer Centric

We strive to exceed our clients' expectations with every service delivery.



Reliability

We prioritize consistency and dependability in all our services and operations.



Teamwork

We promote team effort, emphasizing collaboration, interdependence, and trust to achieve strategic objectives.



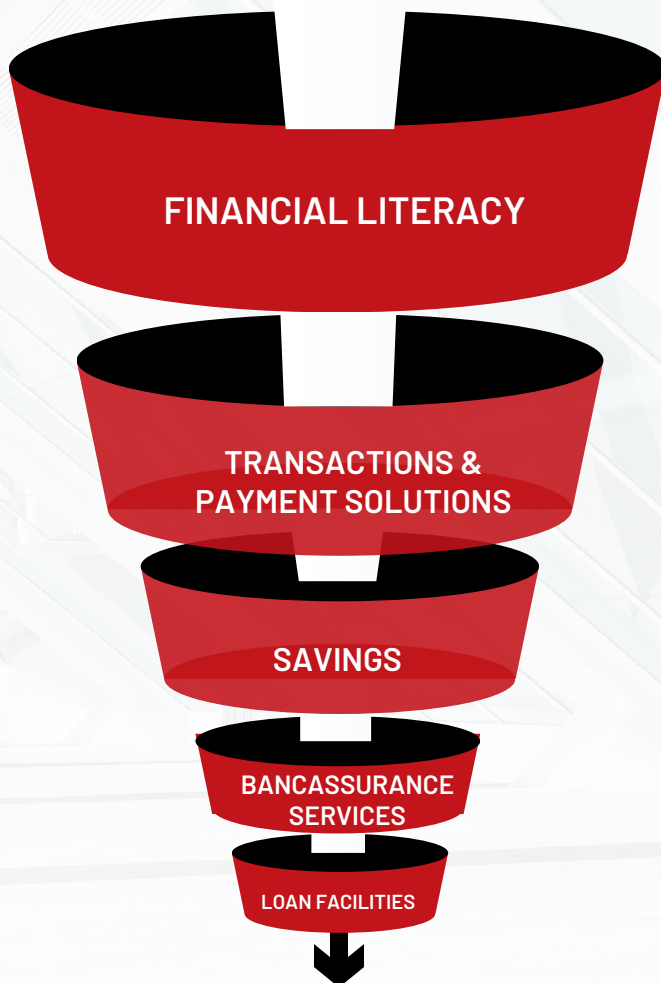
Stewardship

We uphold responsible management and conservation of resources entrusted to us.



OUR FINANCIAL SOLUTION STRATEGY

At Caritas Microfinance Bank, we focus on what matters most to our customers and the communities we serve. Our key focus areas reflect on our commitment to empowering households through ethically driven financial solutions.



Financial Literacy

We empower customers through **financial literacy programs**, recognizing its role in economic empowerment.

On **August 2nd, 2024**, The Bank launched a 3-day **Financial Literacy TOT program**, empowering staff with essential financial knowledge to support our literacy initiative.

Transactions & Payment Solutions

We leverage technology to simplify banking through **digital platforms and online banking solutions**.

In **June 2024** we launched a **bouquet of digital solutions**, aimed at delivering seamless digital banking experience.

- Caritas Pay Portal
- Mobile Money Transfers
- Lipa na Caritas
- Services
- Caritas Chama
- Pesa Link Services

Savings

We promote a culture of saving by offering accessible and flexible savings products-**Fixed Deposit Accounts, Imarisha Junior Account, & Maono Savings Account**.

Bancassurance Services

We offer **comprehensive insurance products** that protect individuals, families, and businesses from financial uncertainties.

Loan Facilities

We support financial growth by providing **tailored credit solutions**.

Our products and services are designed to **meet the diverse financial needs of individuals and businesses**, empowering every household.

We continuously innovate and expand our financial solutions, ensuring they are tailored to various customer needs.

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BANK INFORMATION

Principal place of Business

Cardinal Otunga Annex
Cardinal Otunga Street
P.O. Box 15352-00100
Nairobi, Kenya.

Registered Office

LRNO 209/13626, Nairobi
Kaunda, Street
P.O. Box 14231-00800
Nairobi, Kenya.

Company Secretary

Image Registrars Limited
Certified Public Secretary (K)
P.O. Box 9287-00100
Nairobi, Kenya.

Independent Auditor

Forvis Mazars LLP
Certified Public Accountants (K)
The Green House, 3rd Floor, Suite 8
P.O. Box 61120-00200
Nairobi, Kenya.

Principal Bankers

NCBA Bank Kenya Plc
Wabera Branch
P.O. Box 44599-00100
Nairobi, Kenya.

Cooperative Bank of Kenya
City Hall Branch
P.O. Box 48231-00100
Nairobi, Kenya.

Family Bank Ltd
Fourways- Corporate Branch
P.O. Box 74145-00200
Nairobi, Kenya.

OUR BOARD COMPOSITION



CPA Patrick Kinyori
Chairman



Fr. CPA Simon Ng'ang'a
Director



Dr. AnneMary Nkirote
Director



Prof. Peter Kiriri
Director



Mr. Graham Waliaula
Director



Ms. Joyce Njeri Munene
Director



Fr. Peter Kiarie
Director

BANK'S MANAGEMENT



David Mukaru
Chief Executive Officer



CHRP Everlyne Mutuku
Head of HR & Admin



Davies Muriuki
Head of ICT



Moses Ng'ang'a
Head of Institutional
Banking



CPA Amon Kariuki
Head of Finance
& Strategy



FA Sospeter Wafula Sitati
Head of Credit



Benson Otworu
Head of Risk &
Compliance



CPA Geoffrey Bundi
Head of Internal Audit



Dennis Nderitu- AKIB
Head of Operations



Martin Kiriimi
Head of Retail Banking

CHAIRMAN'S STATEMENT



**CPA Patrick Kinyori,
FKIM
Chairman**

Dear Esteemed Shareholders,

It is with great pleasure and a deep sense of purpose that I welcome you to the **10th Annual General Meeting** of Caritas Microfinance Bank, and present to you our **Annual Report for the year 2024**.

This past year has been a testament to our resilience, commitment to our mission, and unwavering focus on empowering our communities through ethical accessible financial services.

Economic Performance Overview

The year 2024 presented significant economic challenges, both locally and globally. Domestically, economic growth remained sluggish, impacted by constrained fiscal space, elevated interest rates and prolonged socio-political unrest, particularly the Gen Z led protests that disrupted business for nearly three months. Additionally, the lingering effects of a four year drought, the COVID-19 pandemic, and devastating floods further strained the economy.

In alignment with global trends, Kenya's economic slowdown mirrors the decline in global GDP growth, which fell slightly from 3.3% in 2023 to 3.2% in 2024, according to the Cabinet Secretary for Finance, Hon. John Mbadi.

The Microfinance sector experienced a decline in performance, primarily driven by rising operational expenses. Key cost pressures included higher loan impairment charges and increasing staff-related costs.

Despite these industry-wide challenges, Caritas Microfinance Bank was one of only three out of eight Microfinance Banks that reported a profit in their published financial statements.

Financial Performance Overview

Despite a challenging macroeconomic environment, Caritas Microfinance Bank delivered a strong performance in 2024.

- **Total assets** grew by **28%**, from Ksh. 3.84 Billion in 2023 to **Ksh. 4.91 Billion**.
- **Profit Before Tax** increased by **32%**, rising from Ksh. 41.7 Million in 2023 to **Ksh. 55.2 Million in 2024**.
- **Total revenue** surged by **35%**, from Ksh. 574 Million in 2023 to **Ksh. 777 Million in 2024**.
- The **NPL ratio remained stable at 11.4%**, reflecting robust credit risk management practices.
- Our loan portfolio expanded from Ksh. 2.55 Billion to **Ksh. 3.03 Billion**, while **customer deposits** grew significantly from Ksh. 3.18 Billion to **Ksh. 4.13 Billion**.

As a Board, we remain focused on balancing credit risk and liquidity to ensure sustainable growth.

Commitment to Good Corporate Governance

The Board remains steadfast in its commitment to professional, value driven leadership and governance anchored on ethical standards and financial inclusion. We continue to uphold the principles of **Good Corporate Governance and Business Ethics** as we guide the bank toward long term sustainability and profitability.

In compliance with the CBK guidelines and regulations the board conducted its performance evaluation exercise and identified areas that should be strengthened going forward.

Notably, Caritas Microfinance Bank **BARC** was recognized for its excellence in governance. They emerged as the winner for the **Best Audit Committee, Banks & Microfinance category** for the year 2024 during the **Institute of Internal Auditors (IIA) Awards** held on 11th April 2025. The award recognizes audit committees that have established exemplary oversight frameworks for governance, risk management, and compliance.

CHAIRMAN'S STATEMENT

Recognition and Awards

Caritas Microfinance Bank was proud to receive several prestigious accolades at the **2025 Think Business Banking Awards**, including:

- Best Microfinance Bank in Product Innovation
- Best Microfinance Bank in Agribusiness and Livestock Finance
- 1st Runners-up – Best Microfinance Bank in Digital Banking
- 1st Runners-up – Overall Best Microfinance Bank in Kenya

These awards underscore our consistent excellence, having received no fewer than four awards annually over the last ten years, including recognition as Kenya's fastest growing Microfinance Bank.

10-Year Anniversary and Future Outlook

As we commemorate our **10-year anniversary**, we reflect with pride on the strong foundation laid since the establishment of Caritas Microfinance Bank. What began as a visionary initiative, championed by **The Servant of God, Cardinal Maurice Michael Otunga**, to foster self-reliance through the self-help movement, has evolved into a robust institution committed to financial inclusion and empowerment.

Over the past decade, we have prioritized serving MSMEs and low income clients through innovative credit solutions, digital services, and ethical financial practices. This has positioned Caritas MFB as a key player in Kenya's microfinance landscape, recognized for our impact, innovation, and growth.

Looking Ahead

As we chart our path into 2025 and beyond, we remain focused on:

- Expanding our **branch network**, including planned openings in **Homabay, Kisumu City, Gatundu, and Githunguri**.
- Upgrading our **Karen branch** to better serve Catholic institutions in the area.
- Scaling our **Parish Empowerment Model (PEM)**.
- Strengthening our **digital platforms**.

- Launching our **Third Strategic Plan (2026–2030)**, which will focus on customer-centric innovation, financial sustainability, and social impact.

Appreciation

The achievements of the past year, and indeed the last decade, would not have been possible without the invaluable support of our stakeholders.

We extend our heartfelt gratitude to our **Shareholders**, especially **His Grace Archbishop Philip Anyolo, His Lordship Bishop David Kamau, and His Lordship Bishop Kamomoe**, for their unwavering support.

To our **loyal customers**, thank you for your continued trust and partnership throughout this journey. Your support inspires our continued dedication.

We also recognize and appreciate the contributions of past and present **board members** who have steered the Bank with diligence and vision.

Finally, to our **dedicated staff**, your commitment, hard work, and passion have been the engine behind our growth and national recognition. We thank you and encourage you to continue striving for excellence.

Conclusion

As we celebrate our **Jubilee Year**, I am filled with profound gratitude for the journey we have walked together. From our humble beginnings at **Cardinal Otunga Plaza in June 2015**, Caritas Microfinance Bank has grown into a respected, impactful institution founded on values of self-reliance, inclusion, and service.

We look forward to the next decade with optimism and a renewed commitment to our mission, guided always by our faith and the words that echo this celebratory moment: **"Pilgrims of Hope, Together in Prayer."**

Asante Sana!

**CPA PATRICK KINYORI, FKIM
CHAIRMAN-BOARD OF DIRECTORS**

CEO'S STATEMENT



David Mukaru
CEO

Distinguished shareholders, Board of Directors, Management and all invited esteemed guests.

It is my honor and privilege to welcome you to this 10th Annual General Meeting of Caritas Microfinance Bank, and to also present the Bank's 2024 Annual Report.

We are commemorating a decade of service to our community; this is a significant milestone for the bank as it marks a journey defined by resilience, growth, and a commitment to excellence. Above all, our guiding principle remains our dedication to being an ethical financial service provider.

Banking Industry Highlights

As we reflect on our own journey, it's equally important to look outward, to understand the broader landscape in which we operate.

The world as we have experienced over the last 5 years is rapidly changing and becoming increasingly digital. Today, customers expect the same level of convenience and accessibility from financial services as they get from other online services. To meet these demands and stay competitive, banking institutions must embrace digital transformation and the innovations available to the finance industry.

According to the 2024 Fin-Access Report, Kenya has made tremendous progress in financial inclusion with just 9.9% of the adult population remaining unbanked. The gender gap in financial access has largely closed, with 86% of men and 84% of women now formally included in the financial system.

Mobile money continues to dominate as the most common channel, used by over 82% of the population, followed by a notable rise in traditional bank usage to 52.5%.

These trends have helped to push the overall financial inclusion to 84.8%, a truly impressive figure that reflects both innovation and the growing trust in financial institutions. However, default rates have escalated to 16.6%, a clear signal of the economic pressures many households are facing. This underscores the urgent need for more robust credit risk management strategies and enhanced financial literacy for Kenya's financial industry.

Looking ahead within the banking industry, the 2024 report outlines three growth priorities; financial literacy, green finance, and underserved markets.

These areas; empowering informed decision-making, supporting sustainability, and unlocking potential in overlooked communities, reflect not just opportunities but responsibilities.

Caritas Microfinance Bank Performance

In response to these industry trends and our commitment to responsible growth, I am proud to share that Caritas Microfinance Bank has remained attuned to emerging areas such as ESG, rapidly evolving technology, and shifting banking preferences.

With the support of our shareholders and various key stakeholders, the bank has grown consistently in all KPIs. The bank registered a **PBT of Ksh. 55.2 Million** by the end of financial year 2024. The performance was driven by:

- A significant 35% growth in the bank's revenue, increasing from Ksh. 574 Million in 2023 to Ksh. 777 Million in 2024.
- A substantial 30% increase in customer deposits, rising from Ksh. 3.18 Billion to Ksh. 4.13 Billion.
- An encouraging 18.9% growth in customer loans and advances, increasing from Ksh. 2.55 Billion in 2023 to Ksh. 3.03 Billion in 2024.
- A total disbursement of Ksh. 2.1 Billion in 2024.

The Microfinance industry posted constrained performance where only 3 MFB's out of 14 posted a profit in 2024.

CEO'S STATEMENT

Bank Business Strategy

In 2024, the bank undertook a review of its Strategic Plan 2 (SP2) to ensure its alignment with the evolving needs of our customers and the dynamic market environment.

Our key strategic priorities include:

i.Expansion:

To further extend our reach, we opened two new branches in **Githurai** and **Nyeri**, set up a marketing desk in **Homabay** and onboarded **38 new agents** in 2024, serving key areas in Nairobi, Nakuru, and Nyeri.

ii.Digital Innovation

The bank has been successful in digital innovation and been recognized in the industry to be among the Best Microfinance Bank in Digital Banking.

98% of the bank's transactions take place online. Our customers, including groups and institutions, can access all our services online through our Caritas Pay App. Mobile banking for individuals and groups, Caritas Pay portal for institutions.

The bank integrated its core banking system with the newly acquired **CO BANK+ system** implemented by Social Economic Empowerment Program (SHG) groups resulting in significant impact to the bank's liquidity.

iii.Product Innovation:

In June 2024, we launched our **new digital solutions**.

This year, we are proud to introduce **CARIMED ShwAARi** health cover. A product that addresses health care needs for all ages. It's a health solution built not just with the business outlook, but for impact, dignity and community empowerment.

Partnerships

The bank continues to strengthen its relationships with parishes, hospitals, schools, health institutions, self-help groups, church associations, and church-affiliated institutions.

We have rebranded our Parish Development Model (PDM) to **Parish Empowerment Model (PEM)**, with the objective of implementing projects that will support the church in its journey towards self-sustainability; while fostering a culture of stewardship, entrepreneurship, and community-oriented strategies.

The bank was voted the **Best MFB in Kenya in Agriculture and Livestock Financing** at the **Think Business Awards 2025**. This marks our second consecutive year receiving this prestigious recognition, a testament to our strong partnership with **Caritas Nairobi Dairy** and **MESPT** in agricultural financing.

We have also continued to expand our reach through new strategic alliances, including partnerships with **AAR Insurance** and **DD Finance** on medical cover solutions and **SIFA Milele Africa** on the solarization of Catholic institutions. These are more than just partnerships; they are shared missions.

At Caritas MFB, we deeply believe in the power of collaboration to foster mutual growth and deliver impact for the common good.

Conclusion

This AGM marks our **10 years of impacting lives**. The founders of this bank have come from far; we are far and believe we will go far.

We continue to celebrate with the shareholders, Board of Directors, staff, our customers and all our valued partners.

We are humbled by your belief, and we look forward to continuing being your trusted ethical partner.

Caritas Twaimarisha Jamii

Thank you and God Bless you All.

DAVID MUKARU

CEO-CARITAS MICROFINANCE BANK LTD

OUR 2024 PERFORMANCE AT A GLANCE

Key Financial Highlights

PBT

55.2Mn

2023 | 41.7Mn

32% ↑

TOTAL ASSESTS

4.91Bn

2023 | 3.84Bn

28% ↑

TOTAL REVENUE

777Mn

2023 | 574Mn

35% ↑

NO OF CUSTOMERS

58K

2023 | 53K

9% ↑

CUSTOMER DEPOSITS

4.13Bn

2023 | 3.18Bn

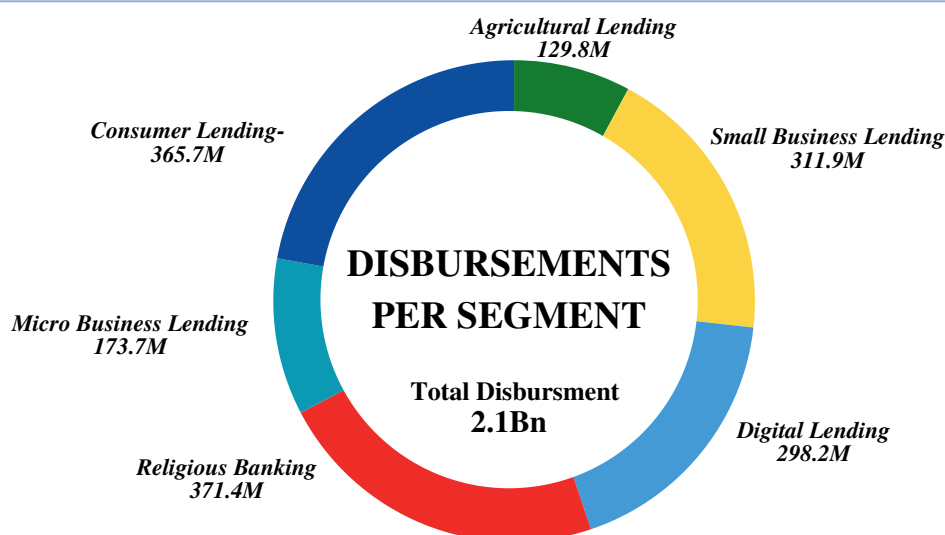
30% ↑

LOANS & ADVANCES

3.03Bn

2023 | 2.55Bn

18.9% ↑



OUR KEY MEMBERSHIPS & ALLIANCES

We generate value through meaningful collaborations by working closely with a diverse network of like-minded partners.



Caritas Microfinance Bank's collaboration and partnership with Caritas Nairobi, Caritas Dairy, and DSIK was highlighted during the CRF Partnership Commissioning on 17th August 2023.



On 18th February 2025, Caritas Microfinance Bank signed an NDA with HEVA Fund, in partnership with the Mastercard Foundation, to establish a facility dedicated to empowering youth and women in the creative industry.



On 26th February 2025, the Caritas MFB team and Pacis Insurance team held a collaborative meeting to discuss payment solutions, trade finance, and medical insurance offerings – all aimed at strengthening our partnership and enhancing collaborative efforts.



On 9th April 2025, Caritas Microfinance Bank signed an MOU with HURU International to support vulnerable girls and women through financial literacy and entrepreneurship.

Some of our key memberships and alliances include:

Memberships



Alliances





RISK MANAGEMENT FRAMEWORK

ENTERPRISE RISK MANAGEMENT

Our Approach

The types and degree of risks an organization may be exposed to depend upon several factors such as its size, complexity, business activities, and location.

To effectively address its risk profile, the bank established the **Risk and Compliance Function** which has prepared a comprehensive **Risk Management Framework** tailored to the bank's needs and circumstances under which it operates. The function is independent from those who take or accept risks but works collaboratively with all other departments.

Our Risk Culture

Risk culture refers to the shared principles, skills, and behaviours that enable our employees to understand risks and make sound decisions. It supports the achievement of the Bank's overall objectives by ensuring that staff at all levels recognize and manage the specific risks associated with their respective business areas.

One of the pivotal steps we've taken to enhance **our risk culture** is the nomination of **Risk Champions** across each branch and department. These risk champions serve as torchbearers, embodying a commitment to risk awareness and mitigation within their respective spheres.

Key Elements of the Bank's Risk Culture

1

Tone from the Top

Leaders act as role models, demonstrating accountability and transparency in risk decisions. Thus, Senior leadership and the board of directors have set clear expectations regarding risk-taking behavior.

2

Clear Accountability

Employees at all levels understand their risk-related responsibilities by use of well laid down mechanisms for escalation and review of risk concerns.

3

Risk Awareness and Communication

Risk is embedded in day-to-day decision-making. Open dialogue about risk is encouraged, and concerns can be raised without fear of retaliation (psychological safety).

4

Aligned Incentives

Compensation structures and performance evaluations have been instrumental in boosting staff morale.

5

Integrated Risk Management

Risk considerations are integrated into strategic planning, product development and business processes.

6

Challenge and Constructive Dissent

The independence of the risk function gives the authority to question decisions as they collaborate towards realization of the Bank's strategic goals.

7

Learning and Adaptability

The Bank has evolved based on analyzing past experiences and changing environments to advise on future undertakings.

8

Continuous Monitoring and Improvement

Outcome of regular assessments of risk culture through surveys, audits, and behavior monitoring are continuously implemented based on feedback and incidents.

ENTERPRISE RISK MANAGEMENT

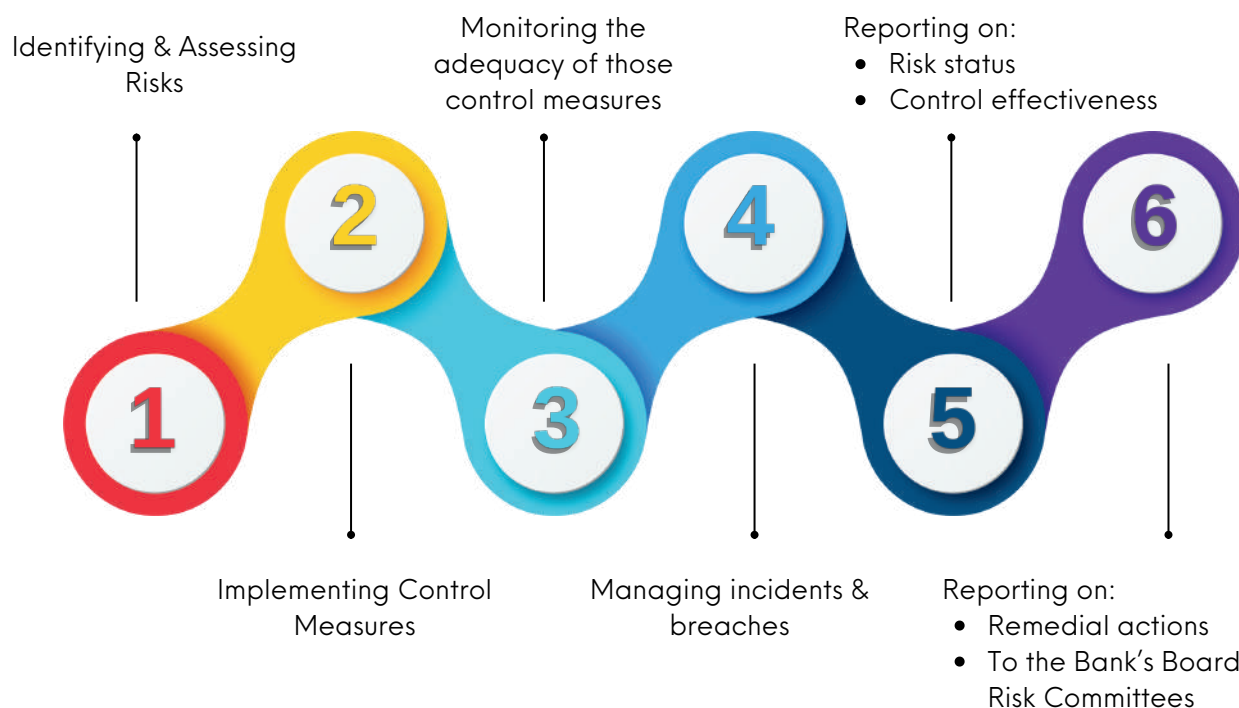
Risk Appetite and Tolerance Statement

The Bank is amplifying its focus on defining and communicating our **Risk Appetite Statement**. This serves as a guiding beacon, aligning our risk-taking decisions with our overarching business objectives.

We recognize that effective risk-taking is fundamental to achieving sustainable growth and meeting the expectations of our stakeholders. Our **risk appetite** reflects our strategic priorities, values, and commitment to responsible banking. In support of effective governance and risk-informed decision making, the bank has set out a risk appetite and tolerance statement covering its principal risk exposures. The risk appetite specifies the types of risk the Bank is willing to accept in the pursuit of its objectives and its approach to their management and ongoing oversight.

Risk Management

The Bank's risk management approach includes:



These risks are identified, assessed, and managed at both an enterprise level ('top down') and business level ('bottom-up').

The Caritas MFB Board of Directors has established **The Board Audit & Risk Committee (BARC)** who provides overall governance of risk and audit related matters across the Bank. The BARC maintains oversight of risk management and compliance within the Bank.

This Committee meets at least four times a year and provides a report on its activities to the Board. A '**three-lines-of-defence**' approach is used to allocate risk management responsibilities to areas of the Bank.

Our Commitment

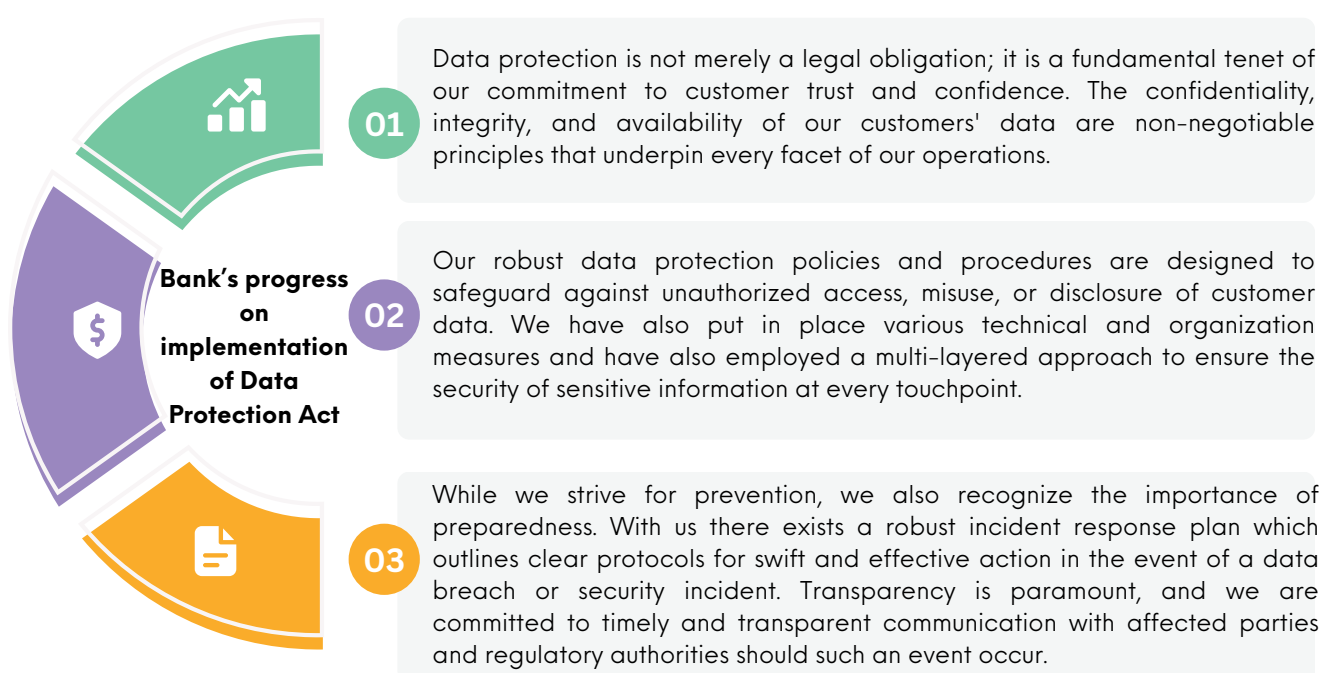
We are committed to maintaining a strong, proactive, and responsible risk management culture that safeguards the interests of our customers, shareholders, employees, and the broader financial system.

DATA PROTECTION

Safeguarding Your Information

As we convene for another Annual General Meeting, it is paramount that we reflect on the cornerstone of trust upon which our institution is built. Central to this trust is our commitment to safeguarding the sensitive data entrusted to us by our valued customers. In an era defined by rapid digital transformation and heightened privacy concerns, our dedication to data protection remains unwavering.

We live in an era where data is regarded as the new oil, meaning data is a valuable commodity hence stringent regulations have been put forth globally to safeguard data. Our bank operates within a regulatory landscape shaped by stringent data protection laws and regulations. We proudly adhere to the principles outlined in the Data Protection Act, 2019 and other relevant legislation, ensuring that our practices align with the highest standards of privacy and security.



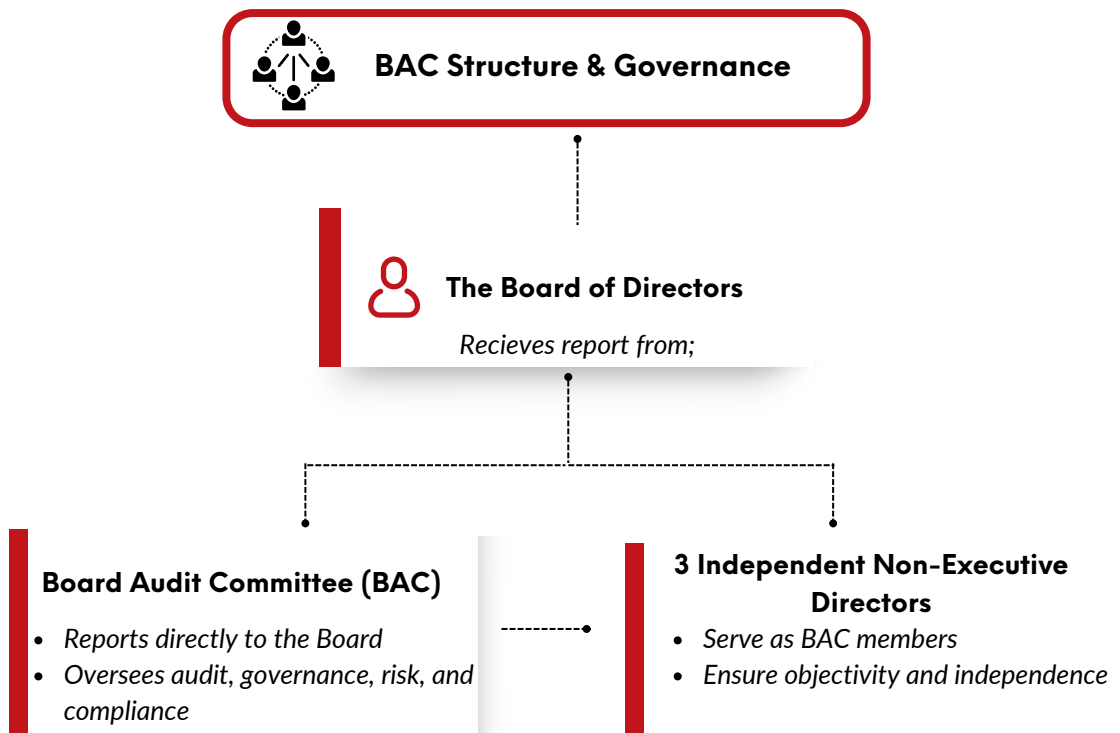
Conclusion

Our most valuable asset in the realm of data protection is our people whom we have taken through regular comprehensive training and awareness programs and ensure they are well empowered to uphold the highest standards of integrity, data security and privacy. Every member of our team plays a pivotal role in fostering a culture of vigilance and accountability in safeguarding customer information.

As technology continues to evolve, so too do the challenges and opportunities in the realm of data protection. From the proliferation of artificial intelligence to the advent of quantum computing, we remain vigilant in anticipating and addressing emerging threats to data security. Our proactive approach to innovation is guided by a steadfast commitment to the privacy and security of our customers' data. Our dedication to compliance of data protection principles is not merely a legal obligation but a moral imperative and commitment to customer trust and confidence.

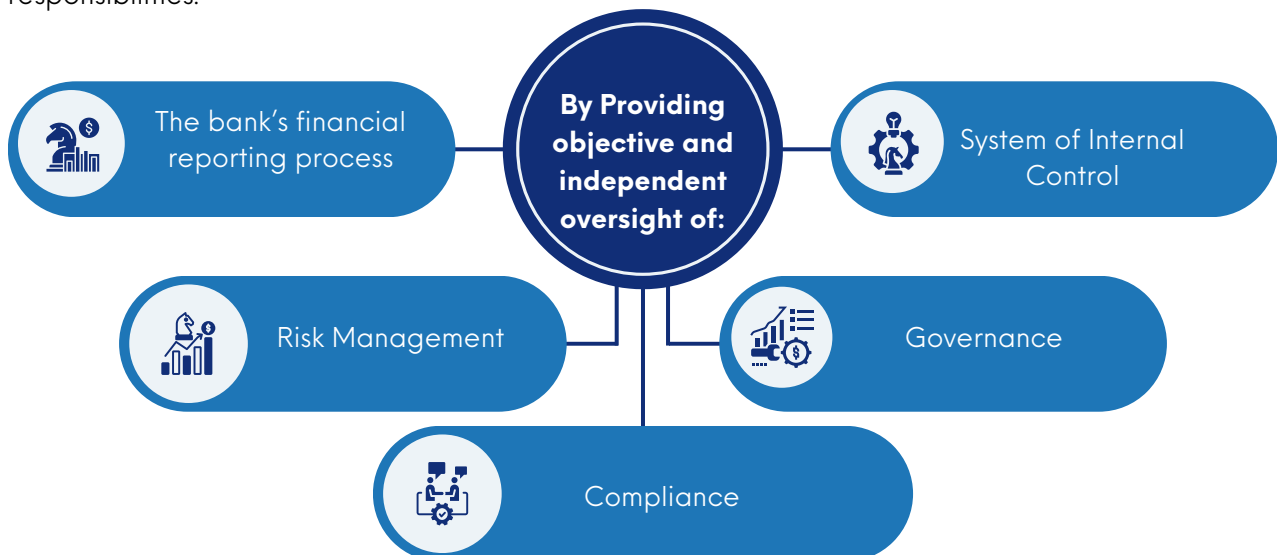
As we navigate the complexities of the digital age, rest assured that safeguarding your information remains our highest priority.

INTERNAL AUDIT & ASSURANCE



BAC Responsibilities

The key responsibilities of the BAC are to assist the Board in fulfilling its statutory and fiduciary responsibilities.



The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, The Audit Committee Charter, The Committee's Annual Work Plan and The CBK Regulations.

BAC Meetings

BAC held **5 scheduled meetings** in the year 2024 including one meeting with the external auditors to review the financial statements and management letter.

The members attendance records are disclosed in the Corporate Governance Statement.

INTERNAL AUDIT & ASSURANCE

Awards & Recognition

Caritas Microfinance Bank BAC emerged the winner for the **Best Audit Committee -Banks & Microfinance category** for the year 2024 during the **Institute of Internal Auditors (IIA) Awards** held on 11th April 2025. The award recognizes audit committees that have established exemplary oversight frameworks for governance, risk, and compliance.

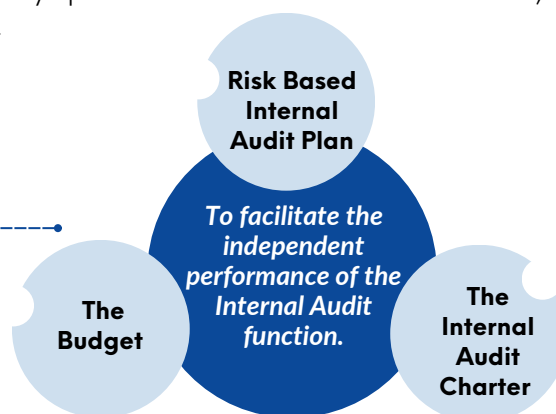


Caritas MFB Audit Team receiving the Best Audit Committee Award in the Banks & Microfinance Banks category at the 2nd Internal Audit & Risk Awards, organized by The Institute of Internal Auditors (IIA)

Governing Internal Audit

The Board and Management have established an independent internal audit function within the bank. The mandate of the internal audit function, as clearly spelt out in the internal audit charter, includes a defined purpose, authority and responsibilities.

BAC approvals that empower independent internal audit execution are:



The Head of Internal Audit annual performance was also reviewed by BAC.

Fraud Management & Whistleblowing

The Bank has put in place a **Whistle blowing policy** and appropriate mechanisms to demonstrate its commitment to the highest standards of openness, probity and accountability. All suspected instances of fraud, irregularities or unethical conduct are reported through the established whistleblowing mechanisms.

The reported instances are effectively dealt with as per the established whistleblowing policy and procedures.

Independence of External Auditor

The BAC is mandated to monitor the independence of the external auditor to ensure objectivity in auditing the financial statements.

The Committee received confirmation from and discussed with Mazars on its independence and objectivity. The Committee reviewed Mazars statutory audit scope and approved its fees.

The committee was therefore satisfied that there was no pecuniary relationship between Caritas Microfinance Bank Group or a related party and **ForvisMazars LLP**.

RETAIL BANKING REPORT



RETAIL BANKING REPORT

The retail banking segment at Caritas MFB is composed of personal and non-personal business account holders. The segment has seen consistent year-on-year growth while being driven by five (5) growth sectors.



Consumer Banking

This sector is aligned to providing financial solutions to customers who are in formal employment with predictable monthly incomes.



Microbusiness

This sector is driven by informal businesses who are still in their formative stage and require intimate financial solutions to enable future formalization.



Agribusiness

This sector is committed to empowering the farmers and agriculture value chain actors through affordable and accessible financing.



Small Business Enterprise

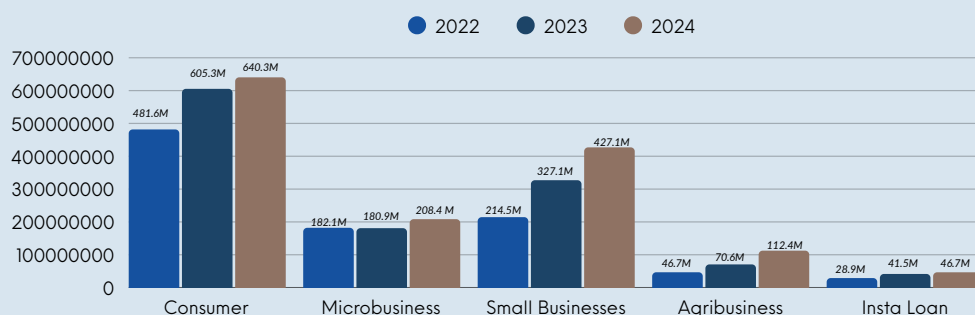
This is a sector whose mission is to upgrade the microbusiness customers into larger self-reliant enterprises contributing with the capacity to scale and provide employment.



Digital Banking

Retail Banking, through this sector provides digitally driven financial solutions where customers can access credit with minimal human intervention in line with the bank's overall digitization strategy.

Segment Growth Analysis 2022-2024



2024 % Growth

Consumer-6%

Micro- 15%

Small Businesses- 31%

Agribusiness-59%

Insta Loan-12%

RETAIL BANKING REPORT

Our Customer Acquisition Approach

Retail Banking is committed to impacting the lives of our customers in an ethical and wholesome manner and we use a **three-pronged approach** to customer acquisition.



Financial Literacy

In 2024 we ran financial literacy programs for over 500 farmers in Limuru, Dondori, Narok, Bahati, Bomet and Kilgoris.

The program was also advanced to customers in formal employment particularly catholic institutions and schools. The objective of this initiative is to equip our customers with the skills they need to make informed decisions on their finances and promote financial health among our clientele.



Wilson Nduti, Agribusiness Relationship Manager, conducting a training for farmers in Narok.



Product Innovation

The segment has a variety of innovative products that are intentionally structured to address the specific financial inclusion for the target market that includes **women, youth and PWD**.

These include products targeting customers with rental income, working capital and asset acquisition.

The bank was voted the **Best Microfinance Bank in Livestock and Agriculture Financing** in the **Think Business Awards 2024 & 2025** showcasing the impact of the **Imarisha Kilimo product** in transforming the agricultural sector.



Partnerships

In the year 2024, retail banking worked with **MESPT (Micro Enterprise Support Program Trust)** to help more than 380 farmers and value chain actors to access cheaper funds for farm development, as well as **AMFI-K** where we created a revolving fund to assist dairy farmers access quality animal feeds and supplements with at least 1,000 farmers reached.

- 2024 was a challenging year for our customers due to the adverse economic conditions as well as the widespread GenZ demonstrations that caused high latency on the projected business growth.
- In 2025 we intend to have a deeper engagement across the various sectors with a specific focus on the agribusiness value chains while broadening into green financing.

Bridge your Financial Gap with Imarisha Kilimo Loan

Are you a farmer or a value chain player in the Agribusiness?

At Caritas MFB, we provide financial solutions to support you through our Imarisha Kilimo Loan.

Purpose

- Working Capital Needs
- Asset Financing
- Farm Development Loan
- Green Financing

Product Benefits

- Affordable interest rates
- Flexible repayment period
- Repayment aligned to production cycles
- Flexibility in processing
- Easy access to top up facilities
- Attractive insurance terms
- Access to digital loans
- Access to Livestock Insurance

Visit your
nearest Caritas
MFB Branch to
Apply!



INSTITUTIONAL BANKING REPORT



INSTITUTIONAL BANKING REPORT

The Institutional Banking (IB) Department of Caritas Microfinance Bank is dedicated in delivering ethical financial solutions to the Church ecosystem. Our key focus areas are Dioceses, Associations and Commissions, Parishes and Priests, Religious Congregations, Health and Education institutions, and Self Help Groups (SHGs).

In 2024, we continued to deepen our reach and impact through tailored products, strategic partnerships, digital innovation, and financial empowerment initiatives. This report highlights our achievements and ongoing initiatives within these sectors.



Clergy, & Parishes Sector

Caritas MFB is committed to empowering Priests, Parishes, and the Catholic Ecosystem. By aligning our financial services with the unique needs and values of religious organizations, we aim to support the role these entities play in fostering community development and social cohesion.

To drive this commitment, the bank adopted the **Parish Empowerment Model (PEM)**—a holistic framework designed to foster sustainability and stewardship across parishes. This model focuses on building financial capacity and encouraging community-oriented strategies through self-sustaining projects.

Our key pillars under PEM include:

Financial Literacy Training

01

Support for Income-Generating Projects

02

Savings and Investment Programs

03

Encouragement of Entrepreneurship & Job Creation

04

Digital Financial Solutions

05

Mission-Aligned and Ethical Investments

06

Access to Affordable Loans

07

In June 2024, the bank launched a **bouquet of digital financial solutions** aimed at enhancing efficiency and service delivery within the Church network. As a result, out of **127 parishes, 96** have opened accounts with Caritas MFB, and **52 parishes** are actively using our **Lipa na Caritas** platform to manage collections and payments.

In 2024 the sector holds a **deposits of Ksh. 1.5 Billion**.

To further enhance digital engagement, we are currently developing the **Kanisa App**—a tech-driven solution designed to transform parish administration and member interaction.

It's designed to streamline:

- Member Onboarding
- Parish Accounting
- Announcements & Events
- Access to Resources
- Financial & Activity Reports

Our dedicated efforts to integrate the entire Church ecosystem are supported by several strategic initiatives:

1

Tailored Financial Products for specific Church segments such as the CWA, CMA and Youth

2

Strong Relationship Management to build and sustain long-term trust with clergy and Church leadership

3

Targeted Marketing Activations and Church-Wide Marketing Sprees

4

Ongoing Financial Literacy Outreach, empowering people with the tools to manage resources wisely

INSTITUTIONAL BANKING REPORT



Health Sector

The health segment of Institutional Banking (IB) at Caritas Microfinance Bank is strategically designed to serve health institutions within the Church ecosystem. As part of our broader growth strategy, we continue to develop innovative and sustainable solutions that respond to the evolving needs of faith-based health providers.

In line with this commitment, Caritas MFB rolled out **CARIMED ShwAARI** —an affordable, Faith-Based Healthcare cover designed to support the Church ecosystem.

The **objective** of the health cover is to enhance institutional sustainability while providing accessible, quality healthcare services to the population.

The health cover offers comprehensive coverage plans that include:

- Inpatient and Outpatient Care
- Maternity Services
- Dental and Optical Coverage

Key features

- A household-focused product structure.
- No age capping—ensuring inclusivity for all ages & the vulnerable population.
- A low-cost premium model which members can pay by cash or the bank can offer IPF.
- A closed benefit scheme targeting Church-owned health institutions.
- Short waiting periods and coverage for chronic conditions.



On 10th April 2025 Caritas Microfinance Bank led by our CEO David Mukaru signed a tripartite agreement with AAR Insurance and DD Finance Kenya, towards the provision of a ground breaking insurance package dubbed CARIMED ShwAARI.

Value Addition to the Bank

- **Enhanced Deposit Mobilization:** All partners participating in the implementation of the health cover, along with empaneled health institutions, are required to open collection accounts with Caritas MFB. This ensures that all funds related to the healthcover are channeled through the bank, thereby contributing to increased deposit volumes.
- **Loan Portfolio Growth:** The bank will expand its lending portfolio by offering IPF and tailored financial solutions for the procurement of telemedicine equipment and facility upgrades within Church health institutions.
- **Expanded Customer Base and Visibility:** Caritas MFB will continue to grow its customer base, strengthen its presence in the health sector, and enhance its brand visibility.
- **Additional Income and Improved Liquidity** Caritas MFB will onboard 100,000 principal members in the first year receiving a commission of 10% of the premium paid.

As we continue to strengthen our health financing agenda, **telemedicine** has emerged as a key strategic driver for the health cover. Already in its pilot phase, **this initiative aims to lower the cost of accessing specialist care** by minimizing the need for physical consultations—aligning perfectly with CARIMED ShwAARI's low-cost model.

To support this, Caritas MFB **will provide financing to health institutions for the procurement of compatible digital equipment**, enabling seamless integration with telemedicine networks. This not only reduces operational costs but also expands healthcare access, especially in remote and underserved areas.

Looking ahead, our vision is to become a leading partner in providing innovative, health financing solutions to every Kenyan.

INSTITUTIONAL BANKING REPORT



Education Sector

Under the IB Arm the Education Sector supports schools within and beyond the Archdiocese of Nairobi (ADN) both financially and socially.

In 2024, we made notable strides in empowering education institutions through financial literacy, community engagement, and targeted financing solutions.

Financial Literacy

In 2024, we successfully piloted a financial literacy program in five schools under the ADN. The initiative aims to instill essential money management skills and nurture a savings culture among students from an early age.

To support implementation, three teachers from each school were trained, and they are currently running the program under the close guidance of Caritas MFB.

Education Walks and School Events

Caritas MFB actively participated in a series of school-related events throughout the year, reinforcing our social support to the education sector. These included:

- Education Walk organized by the Archdiocese of Nairobi in Kiambu and Thika deanery which demonstrates our commitment to education and solidarity among teachers and students.
- CaPEIA and CaPSHA forums at the Catholic University of Eastern Africa (CUEA).
- A Cultural Day and Prize giving events.



Caritas MFB participated at the CaPEIA forum that was held at Ngong Diocese.

School Development

Through our **School Development Loan** facility 31 Catholic schools have benefitted in 2024. These financing options have enabled schools to invest in essential infrastructure, learning materials, and facilities—ultimately enhancing the learning environment and contributing to an increase in student enrollment.



Ongoing construction of classrooms at Queen of Peace Academy in the Diocese of Kisii.

Asset Finance

Caritas MFB continues to support educational growth through tailored financial solutions. In 2024, 12 Catholic schools have so far benefitted from our Asset Finance product, specifically designed to meet the unique needs of learning institutions.

This product has empowered schools to acquire school buses thereby enhancing the quality of education and overall school operations.



Handing Over of the Maria Immaculata Primary School Bus

As of the close of 2024, Caritas MFB recorded a total **deposit base** of **Ksh. 334,867,512** and a **loan book** of **Ksh. 263,192,401** within the education sector.

We have successfully banked **304** out of **500** schools under the Archdiocese of Nairobi (ADN).

Looking ahead, we anticipate continued growth in as more institutions embrace our digital solutions and financing.

INSTITUTIONAL BANKING REPORT



Self Help Groups

Through our strong partnership with Caritas Nairobi, Caritas Microfinance Bank continues to provide ethical and tailored financial services to Self Help Groups (SHGs) and their members.

These services are primarily offered through the Caritas Pamoja Program, which enables SHG members to access group-linked savings accounts and loan facilities.

- All **12 zones** have opened accounts.
- **172 SHGs** have accounts with Caritas MFB, and are actively using our **Lipa na Caritas** solution.
- Deposits from SHGs reached **Ksh. 194 Million** by December 2024.

Caritas Pamoja System

This platform continues to be a game-changer—providing a user-friendly platform that supports financial growth, promotes accountability, and strengthens collaboration between the bank and SHG members.

With this digital solution, groups can effortlessly manage their finances from anywhere—empowering their financial journey with greater transparency and control.

As of now, **73 groups** are actively using the Caritas Pamoja System—56 in Nyeri and 17 in Eldoret—demonstrating its growing adoption and impact across regions.

System Integration- [CO-BANK+]

A major milestone in 2024 was the successful system integration with Caritas Nairobi through **CO-BANK+**, a core banking platform that enhances real-time access, transparency, and service delivery for SHG members.

All 172 SHGs have been integrated into the system and have shortcodes, significantly improving financial visibility and operational efficiency.

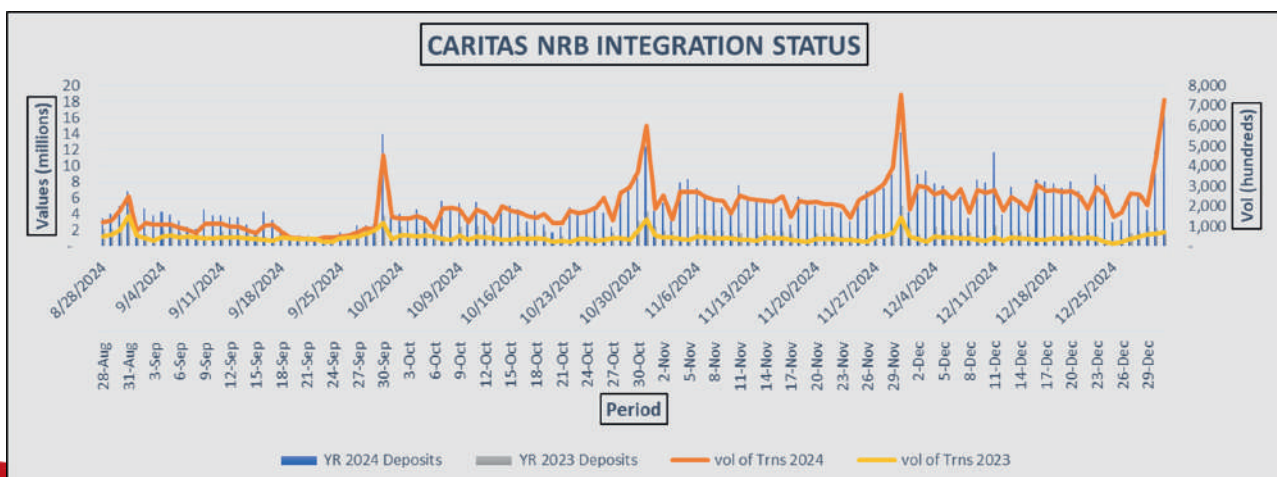
Ksh. 744 Million was transacted during **Q1** with **326,707** volume of transactions.



On 27th November 2024, our Board Members, led by Board Chairman CPA Patrick Kinyori, together with CEO David Mukaru, at the launch of Caritas Nairobi's Strategic Plan 2024–2028 and the unveiling of the CO-BANK+ system integration.

To foster closer relationships and ensure member-level engagement, we achieved **95% attendance at SHG AGMs**, which has been instrumental in deposit growth and onboarding.

Our ongoing support includes participating in group AGMs, promoting agency banking within SHGs, and encouraging uptake of digital products to deepen financial inclusion across communities.



INSTITUTIONAL BANKING REPORT



Religious Congregations Sector

In the competitive landscape of microfinance banking in Kenya, Caritas MFB has identified a unique and thriving market niche through its IB Department's focus on religious congregations. This sector has demonstrated remarkable growth and stability, becoming a cornerstone of the bank's institutional portfolio.

Growth Trajectory

The congregation segment has shown consistent growth, establishing Caritas MFB as a preferred financial partner for religious institutions across Kenya.

Currently, the bank serves **114 congregation accounts** out of approximately **280 religious congregations** in the country, representing a significant **40% market penetration** in this specialized sector.

The segment's portfolio:

- Total deposits stand at Ksh. 200 Million
- Loan book valued at Ksh. 86 Million
- 18 active loan accounts

A Foundation of Trust

By tailoring their banking solutions to address the specific requirements of these institutions, Caritas MFB has positioned itself as more than just a financial service provider—it has become a trusted partner in advancing the missions of these religious organizations.

Strategic Growth Initiatives

Building on this strong foundation, Caritas MFB's IB Department has outlined several strategic initiatives to further strengthen and expand its congregation segment:



Targeting New Congregations

With a focus on sustainable growth, the bank is targeting newly established congregations entering Kenya—an untapped segment showing flexibility in banking and strong potential for long-term partnerships.



Targeted Product Promotion

The bank is enhancing its product offerings with solutions specifically designed for religious institutions:

- Short-term fixed deposit options for congregations with surplus funds.
- Specialized loan products focused on religious infrastructure development.
- Tailored financing for education projects.
- Integration with the CARIMED ShwAARI product from the health segment to provide comprehensive health solutions for consecrated men and women.



Financial Health Check-ups

Caritas MFB is implementing a proactive financial wellness program that includes:

- Complimentary financial assessments for congregation accounts.
- Expert guidance on annual budget planning.
- Strategic recommendations for optimizing banking relationships and maximizing financial resources.



Digital Banking Transformation

To enhance convenience and efficiency, the bank is launching a comprehensive digital transformation initiative for congregation accounts:

- Targeted campaign to increase adoption of online and mobile banking platforms.
- Specialized training sessions on digital banking tools designed for congregation administrators.
- Incentive programs for congregations transitioning to paperless statements and digital banking solutions.

The Path Forward

Caritas MFB's success with the congregation segment highlights the value of tailored financial solutions and a deep understanding of client needs.

As the bank expands its footprint among religious institutions, our customer-centric approach and strategic initiatives will deepen existing relationships and forge new ones.

This focused strategy positions Caritas MFB as the trusted ethical financial partner for congregations across Kenya.

INSTITUTIONAL BANKING REPORT



Partnerships

Diocesan Engagements

We have successfully MOUs with several dioceses where we operate, including Meru, Ngong, Embu, Homa Bay, and Kisii.

These MOUs lay the foundation for structured collaboration, allowing the bank to roll out financial literacy programs, digital banking solutions, and tailor-made financial products aligned with the needs of each diocese.

Through these partnerships, we have been able to deepen our reach at the grassroots level, empowering parishioners, church groups, and institutions with accessible and ethical financial services.

More diocesan partnerships are in the pipeline, reflecting our commitment to serving the entire Catholic ecosystem nationwide.



Rt. Rev. John Oballa Owaar- Bishop of Ngong Diocese (left), Our CEO-David Mukaru and Head of IB- Moses Ng'ang'a, during a strategic engagement meeting.



His Lordship Rt. Rev. Salesius Mugambi, Bishop of Meru Diocese, engages with the IB team during a partnership meeting focused on initiating the PEM model.

Strategic Partnership with SIFA Milele Africa

Caritas MFB has also entered into a strategic partnership with SIFA Milele Africa, a development-focused organization committed to transformative community initiatives.



On 13th March 2025, The bank entered into a strategic collaboration with SIFA Milele Africa to promote farming and green energy adoption.

This collaboration encompasses a wide range of sectors, including:

- Small-scale Farmers Empowerment
- Health and Telemedicine Programs
- Social Enterprise Development
- Environmental Sustainability Initiatives
- Educational Programs
- The Catholic Solarization Project

One of the flagship initiatives under this partnership is the **Catholic Solarization Project**, developed in collaboration with **Norse Power Limited**.

This project provides renewable energy solutions to Church institutions, financed through Caritas MFB.

In the **education sector**, for instance, schools and universities are turning to solar energy to counter the impact of rising electricity costs—freeing up resources for educational programs and infrastructure.

Value Addition to the Bank

- Enhanced Deposit Mobilization through collection accounts.
- Expansion of our Customer Base within Church-based networks.
- Financing Solutions for energy, healthcare, and school development projects.

By aligning with mission-driven partners like SIFA Milele Africa, Caritas MFB continues to play a transformative role in community empowerment—fueling both spiritual and socio-economic development across Kenya.



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- Partnerships with trusted Catholic travel agencies
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CREDIT DEPARTMENT REPORT



CREDIT DEPARTMENT REPORT

Industry Highlights

The Central Bank of Kenya (CBK) *Credit Officer Survey Report for December 2024* notes a slight decrease in the ratio of gross loans to total assets, moving from 53.7% in September 2024 to 53.6% in December 2024. Despite a reduction in the Central Bank Rate (CBR), average lending rates remained high—above 16% as of December 2024—signaling continued pressure on borrowers and a cautious lending environment.

Meanwhile, the global microfinance sector is experiencing a significant transformation. According to the *Microfinance Global Market Report 2025*, the industry is growing at a Compound Annual Growth Rate (CAGR) of 11.6%, fueled by an increasing shift toward online lending platforms and a deepening focus on financial inclusion, particularly targeting underserved populations.

The *2024 State of the Banking Industry Report by KBA* highlights overall growth across large, medium, and small banks in terms of assets, reflecting continued resilience and innovation within the financial services sector.

Credit Department Overview

The department has strategically evolved to remain responsive to both local and global trends in credit management. The department has three specialized arms: **Credit Administration**, **Credit Analysis**, and the **Debt Recovery Unit (DRU)**.

Key Functions

Credit Administration: This arm handles loan documentation and security perfection, ensuring that all loan agreements are properly executed, and collateral is correctly secured.

Credit Analysis: Responsible for evaluating loan applications to maintain high loan quality standards, thereby minimizing lending risks and ensuring the bank's financial health.

DRU: Focuses on loan monitoring, enforcing timely repayments, and recovering bad loans. The DRU has a robust segment with micro field collection officers who support branches in enforcing loan repayments.

Strategic Actions

• Insta-Logic Rollout

In line with the industry's shift toward data-driven lending, the bank introduced **Insta-Logic** in 2024—a revolutionary credit-scoring model for mobile loans. This innovation uses real-time account activity to determine creditworthiness, enhancing decision-making accuracy while promoting responsible borrowing. Aligned with CBK's consumer protection principles, Insta-Logic enables the bank to extend accessible credit to small business owners without compromising financial health.

• Implementation of CAMS

To drive efficiency and improve service delivery, the department rolled out the **Credit Administration Module System (CAMS)**—a major leap from manual to digital loan processing. This system has dramatically reduced turnaround times, streamlined documentation, and enhanced customer satisfaction.

• Continuous Training Programs

Recognizing that technology alone is not enough, the department has invested in **ongoing staff training programs** to strengthen credit analysis and underwriting capabilities. This initiative ensures that personnel are well-equipped to uphold rigorous credit standards and adapt to evolving customer needs and regulatory expectations.

Our Commitment

The Department is dedicated to growing a **high-quality loan portfolio** while delivering excellent customer service. Its strategic initiatives and continuous improvements demonstrate a strong commitment to sustainable growth, operational excellence, and positive client relationships.

The Credit Department has established a solid foundation for sound credit management. Its focus remains on maintaining loan quality, enhancing efficiency, and ensuring customer satisfaction amidst economic uncertainties.



ICT & INNOVATIONS UPDATE

ICT & INNOVATIONS UPDATE

Foreword

The Information Technology space keeps evolving, month by month, year by year. This time round it's in the **Artificial Intelligence (AI)** space. This is a term used to describe how processors, machines or robots use pre-defined processes to predict and give an efficient solution electronically.

The power of machines to process has increased and at Caritas Microfinance Bank we are using AI technology to know who to accord **mobile loans** and what amount we can pre-qualify them for. Other cases of use is in the **cyber security defense firewalls** that block attacks with known patterns.

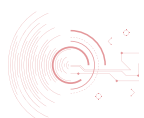
They say every coin has two sides and AI technology is no different. The good and the bad.

God made man, man-made machines, machines made data, and the data has now made man mad. Indeed, right there we have just coined the phrase, "God made man- and man-made money and money made man mad".



Caritas Microfinance Bank hold both jewels of our time and so does other like-peers in the industry, money and data. The distinct common denominator from the two phrases and separates us from the rest is the stewardship culture that we embrace in our ethics.

One thing we can assure our shareholders of, is that we shall keep investing to secure their data and the current percentile in **volumes apportions our transactions at 98% digital.**



Hacking at a Glance in the Global & Kenyan Sphere

In 2024, cyber threat actors targeted database servers, operating systems, web applications and email servers.

The **Communications Authority of Kenya, 35th Edition, July-September 2024** has given the landscape of the cyber space as below;

"During the three-month period between July and September 2024, the National KE-CIRT/CC detected over 657.8 million cyber threat events, which represented a 41.87% decrease from the 1,131,696,878 threat events detected in the previous period, April - June 2024.

In response to the cyber threats observed, we continued to enhance the dissemination of cyber threat advisories to critical information infrastructure sectors. In line with global trends, the ongoing exploitation of "system vulnerabilities" may be associated to the continued proliferation of Internet of Things (IoT) devices which are inherently insecure.

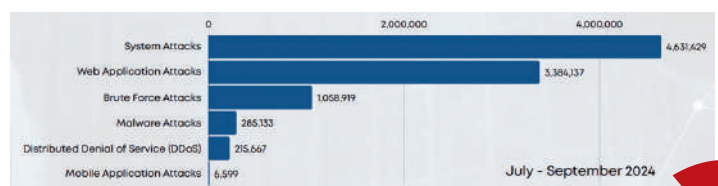
Other weaknesses include system misconfigurations and deprecated software, and the dynamism occasioned by new and emerging technologies such as Artificial Intelligence (AI)."



Communications Authority of Kenya-35th Edition, July- Sept 2024. Pg6

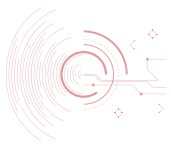
In response to the detected cyber threat events, the National KE-CIRT/CC issued 9,582,347 advisories between the period July - September 2024, which represented a 2.51% increase compared to the 9,347,363 advisories that were issued during the previous period, April - June 2024.

During the period, there was a significant increase in the number of advisories on system attacks. These advisories were aimed at advising users to patch vulnerable systems on a regular basis, utilising multi-factor authentication, strong passwords, and hardening systems and networks.



Communications Authority of Kenya-35th Edition, July- Sept 2024. Pg6

ICT & INNOVATIONS UPDATE



Kenya Ranked in Tier 1 in the ITU Global Cybersecurity Index (GCI) Ranking

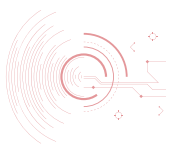
The Global Cybersecurity Index (GCI), which is an initiative of the International Telecommunication Union (ITU), is a ranking system that is used to measure countries' global commitment to cybersecurity.

It aims to assist countries in improving their cybersecurity readiness and resilience by establishing a comparative baseline and encouraging cybersecurity cooperation and capacity-building.



Kenya, which is represented by the Communications Authority in the ITU GCI initiative, was ranked as Tier 1, which is the highest ranking awarded in the ITU GCI report.

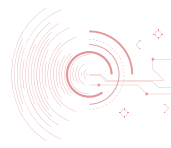
This ranking indicates that a country has demonstrated the highest level of cybersecurity commitment, readiness and resilience. Tier 1 countries are acknowledged as global cybersecurity leaders with advanced legal frameworks, technical measures, organisational structures, capacity-building initiatives, and strong international collaborations in the cyber space.



Security is Our Priority

While we cannot eliminate all risks, we are confident in our ability to detect and respond effectively to any threats.

We have invested heavily in the **latest security technologies** for the year ended 2024. Additionally, we have **reviewed some procedures, policies** and adopt to continuously **improve our systems** to protect your data more and more.



What You Can Do to be Safe

Cybersecurity is a shared responsibility with our customers. Here are a few enlightenment tips, to help you protect as consumers of our services;

Be Vigilant



Be vigilant of suspicious emails, texts, or calls asking for personal or financial information.

Unique Passwords



Create unique, complex passwords for your online banking channels and change regularly.

Have the Latest Update



Let your mobile devices be possessing the latest update to mitigate cyber vulnerabilities

Two Factor Authentication



Enable two factor authentication in all your social profiles (i.e. WhatsApp/Facebook, Google etc).

Domain Protection Tools



Deployment of domain protection tools such as Domain-Based Message Authentication Reporting and Conformance (DMARC) and spam filters to company domains.

Report Unusual Activities



If you notice anything unusual, report it to the bank immediately through our contact center or our official website contacts.

Much more needs to be done with concerted efforts from all stakeholders. A popular African proverb highlighting the benefits of teamwork states, "If you want to go fast, go alone. If you want to go far, go together."

CARITAS PAY APP



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Your Fingertips**



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Digital Account**



Transfer Funds



Balance Enquiry



Access Mobile Loan



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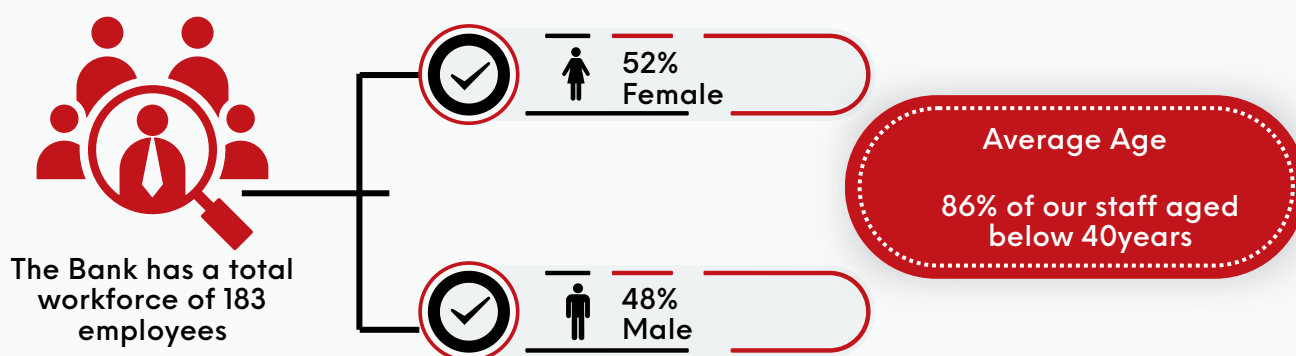
OUR PEOPLE & CULTURE



OUR PEOPLE & CULTURE

At Caritas Microfinance Bank, our team is the foundation of our success. Their diverse experiences and unwavering passion for excellence drive our continued growth, while a spirit of collaboration keeps us aligned in pursuing our collective goals. We remain committed to investing in the development of our people, equipping them with the skills and knowledge needed to stay competitive and excel.

Our people



Training and Development

Our training initiatives have strategically blended both physical and online sessions to enhance staff knowledge and operational competencies across various areas.



These learning opportunities have been vital in strengthening our team's capacity, ensuring regulatory compliance, improving customer service standards, and supporting the bank's operational and strategic priorities.

OUR PEOPLE & CULTURE

Promotions

Caritas MFB aims to provide career advancement opportunities for employees to develop and utilize their potential whenever possible, while at the same time recognizing their outstanding performance.

The basic principles of promotion in Caritas MFB are equal opportunities, non-discriminatory and the best person for the job. This approach empowers our employees to apply their newly acquired skills as they embrace leadership opportunities.

As of the end of 2024, the bank managed to identify some supervisor positions which were filled internally. Selection for promotion should be based on merit with due consideration of the following factors:

- Job knowledge and technical know-how
- Competence and potential
- Performance and quality of work
- Academic/professional/technical qualifications
- Honesty, integrity & commitment to work
- Working attitude and interpersonal skills
- Personal attributes and tact

This was also a form of **succession planning** for senior positions in future.

Health and Well being

The Microfinance Bank remains dedicated to promoting the well-being of its employees through a comprehensive Medical Insurance Scheme, offered in partnership with Pacis.

This scheme provides 24-hour medical coverage for staff and their dependents at no personal cost. It includes both in-patient and out-patient services, extending benefits to the employee's spouse and up to four children.

To further support our employees through significant life events and minimize out-of-pocket medical expenses, we have enhanced the outpatient benefit to KSh 150,000 for Category A & B staff and KSh 100,000 for Category C.

Additionally, the maternity cover has been increased to KSh 200,000 across all staff categories.

Complementing this, we have introduced a **Group Life Cover** to offer financial protection to families in the event of an employee's passing, along with a **Last Expense Benefit** to assist during bereavement.

We believe these initiatives not only enhance staff welfare but also foster a motivated and productive workforce.

Performance Management

The Bank places strong emphasis on its performance as the key driver in achieving its short, medium, and long-term business objectives.

In line with this, the bank's reward systems are structured to recognize and reinforce outstanding performance and meaningful contributions that align with organizational goals.

The **performance management framework** involves setting clear objectives, continuously tracking progress, evaluating outcomes, and rewarding achievements — all essential for ensuring sustainable growth.

Employees who exceed their performance targets are rewarded in accordance with the bank's policy, while cases of consistent underperformance attract appropriate corrective measures.

Recognizing that non-performance negatively impacts productivity and staff morale, the bank prioritizes timely interventions to maintain operational efficiency across all branches.

Branch Managers are expected to actively utilize performance management tools, offer the necessary support to their teams, and escalate cases of persistent non-performance for further action.

The **HR department** will maintain ongoing monitoring of productivity **KPIs** for each branch to ensure consistent performance management and support.

OUR PEOPLE & CULTURE

Corporate Social Responsibility (CSR)

On 30th November 2024, as part of our CSR efforts, the Bank, led by the HR department, visited **Familia ya Ufariji Children's Home**. During the visit, staff members donated essential items and spent meaningful time with the children, spreading joy and compassion.



On 30th November 2024, the Bank, led by Head of HR and Admin-Everlyne Mutuku, spent the day at Familia ya Ufariji Children's Home as part of a CSR initiative.

Inaugural Participation -Interbank Sports Competition

Caritas Microfinance Bank proudly took part in the Interbank Sports event held in September 2024, competing in a variety of games including: Football, Netball, Lawn Tennis, Badminton, Chess, Table Tennis, the Corporate Run, & CEO's Run.

Through teamwork, resilience, and determination, the Bank achieved commendable results, bringing home two awards:

- The Best Tier 3 Bank, securing 2nd runners-up in our category.
- The Best Emerging Bank.
- Overall, Caritas MFB ranked 14th out of 33 participating banks.



Caritas MFB participated in the Interbanks 2024 Tournament

Little Cab Transport Service

The Bank has implemented the use of Little Cab services to enhance efficiency in staff transport for approved official assignments. This facility is strictly intended for official duties as authorized by respective supervisors under supervisors' approval and monitoring.

COLA

At the beginning of year 2025, Caritas Microfinance Bank remained mindful of the financial impact recent tax regulation changes will have on staff.

Through the recommendations from the Board of Directors, the Bank reviewed the implications on payroll arising from the newly introduced statutory deductions, which include:

01 NSSF at 6% of a Ksh. 18,000 base salary

02 Housing Levy at 1.5%

03 SHIF at 2.75%, effective October 2024

This results in a total statutory deduction of 10.25% per month. However, the bank reviewed 7.25% of the staff salary.

Additionally, the bank is coming up with a better model of **bonus payments** which will remain at the discretion of the Board and would be awarded based on overall Bank performance.

Looking ahead, we aim to deepen our investment in our people, refine our performance management systems, and create even more opportunities for growth and innovation. With a youthful, skilled, and passionate workforce, we are confident that the journey ahead will be marked by continued excellence and greater impact for both our staff and the communities we serve.

ALTERNATIVE CHANNELS



ALTERNATIVE CHANNELS

98% of Caritas Microfinance Bank's financial transactions are now processed digitally through Alternative Channels.

These channels include: *Mobile Banking, Agency Banking, ATM Cards, Internet Banking, Money Remittance Services, Caritas Pay Portal, Lipa na Caritas, Caritas Chama, and PesaLink Services.*

At Caritas Microfinance Bank, Alternative Channels play a significant role in our commitment to delivering exceptional customer service.

Our multifaceted approach encompasses the following key aspects:

Customer Onboarding:

Ensuring a smooth experience during account setup and verification through innovations like the **Caritas Digital Account** — customers can now download the **Caritas Pay App** and instantly open an account from their mobile phones.

Uptake and Turnaround Time:

Encouraging customers to adopt digital channels for their banking needs.

Reducing response times for customer inquiries and service requests through platforms like the **Caritas Pay Portal** — a one-stop solution for all your payment needs.

Collaboration / Partnerships

In 2024, we forged new partnerships with **PesaLink, Interswitch, Ecobank, Western Union, MoneyGram, RIA Rapid,** and **Caritas Chama** to enhance and expand our digital service offerings.

Payment Transactions Overview

This section highlights the volume and value of key payment transactions. The data reflects our growing capacity to facilitate high-value transfers across local and international channels—including RTGS, ERO, and Dollar transactions—underscoring our commitment to efficient, secure, and diverse payment solutions for our customers.

Payment Type	NO of Transactions	Amount
RTGS Incoming	2,436	Ksh. 6,164,044,641.61
RTGS Outgoing	1,421	Ksh. 6,195,346,019.45
ERO Transactions Incoming	56	£ 686,063.22
ERO Transactions Outgoing	46	£ 681,327.74
Dollar Transactions Incoming	126	\$1,677,565.15
Dollar Transactions Outgoing	144	\$1,658,691.18

ALTERNATIVE CHANNELS

Our efforts in digitalization have yielded remarkable results.

The **number of transactions** conducted digitally has surged from **97% in 2023** to an impressive **98% in 2024** driven by the successful rollout of new digital solutions. Similarly, the **value of transactions** processed digitally has grown from **70% in 2023** to **75% in 2024**, reflecting increased customer trust and usage.

Additionally, our digital channels have recorded a remarkable surge in usage, with transaction volumes rising from **Ksh. 1.3 Million** in 2023 to **Ksh. 9.2 Billion in 2024** marking a **146%** increase

Meanwhile, the value of transactions grew significantly from **Ksh. 3.3 Million** in 2023 to **Ksh. 14.3 Billion** in 2024 a **55%** increase.



Mobile Banking

By the end of 2024, a total of **344,975 customers** had registered and were actively using our Mobile Banking service (*810#), reflecting the strong adoption of our digital channels.



Agency Banking

In 2024, we onboarded **38 agents** and now totaling to **133** Caritas MFB Agents.



Lipa Na Caritas

A total of **8,905 customers** are currently utilizing our Lipa na Caritas solution.



Caritas Pay Portal

As part of our ongoing digitization of customer payment needs, we continue to see steady growth across our platforms — with the Caritas Pay Portal processing **over 5,500 transactions** in 2024, totaling **Ksh. 226 Million** in value.



Caritas Digital Account

Currently the total number of Digital Accounts are **800**.



ATM Cards

Currently the total number of the VISA Cards are **3,665**.



Caritas Pamoja System

Currently, **73 groups** are actively engaging with the Caritas Pamoja System—56 based in Nyeri and 17 in Eldoret—highlighting the system's expanding reach and positive impact across our regions.

Outlook

We remain committed to enhancing efficiency and delivering our products and services more conveniently, ensuring a seamless and rewarding experience for our customers.

Need to raise funds for a cause?

Whether it's a wedding, medical emergency, education, funeral, or a community initiative—

Caritas Changa makes it easy, secure, and transparent.

How It Works:

- ✓ Create a fundraising page for your cause
- ✓ Get a unique shareable link
- ✓ Set a target and track every contribution in real-time
- ✓ Contributors pay easily via Lipa Na Caritas Paybill

Features

- ✦ Seamless mobile contributions
- ✦ Real-time progress tracking
- ✦ Transparent and secure
- ✦ Personalized for your cause

Caritas Changa – Fundraising Made Secure, Transparent , and Convenient

FUNDRAISING



CUSTOMER EXPERIENCE REPORT

CUSTOMER EXPERIENCE

In line with our commitment to becoming a truly customer-centric institution, the bank established a dedicated **Customer Experience (CX) Department** to serve as the voice of the customer within the bank. The department represents a strategic investment in building meaningful, long-lasting relationships with our clients through continuous improvement in service delivery, empathy, and innovation.

The CX Department's core purpose is to understand, design, and enhance every interaction a customer has with the bank, ensuring that each touchpoint reflects trust, ease, and excellence. Our vision is to create a seamless and consistent experience that not only meets but exceeds customer expectations, fostering loyalty and advocacy.

2024 Highlights

In 2024, Caritas Microfinance Bank implemented a range of initiatives to enhance customer availability and responsiveness:



24/7 Call Centre Operations

The bank operates a **24/7 Call Centre**, ensuring that customers receive consistent, reliable support at any time of the day or night. This round-the-clock service reinforces our commitment to being available whenever our customers need us.



Investment in Technology and Employee Training

The bank continued to invest in modern technological tools to improve accessibility and service efficiency. In parallel, comprehensive training programs were delivered to front-line employees, reinforcing the importance of delivering consistent, empathetic service.



Customer Forums and Stakeholder Engagement:

We've held **customer engagement forums** at both the branch and head office levels to gather insights and maintain open communication. These engagements fostered stronger relationships with customers and stakeholders, ensuring that our offerings and approach remain aligned with evolving client needs.

Customer Journey Mapping

Systematically document and analyse key customer journeys to identify friction points and unlock opportunities for service improvement

Feedback Framework:

Build a structured and proactive feedback mechanism to gather, track, and respond to customer insights in real-time.

CX Culture Building:

Promote a customer-first mindset across all levels of the organization through regular training, internal campaigns, and recognition programs.

Quick-Win Projects:

Roll out targeted, small-scale service improvements that create immediate positive impacts on customer experience and demonstrate value.

Voice of the Customer Integration:

Establish robust channels and processes to ensure that customer voices inform product design, process reengineering, and policy decisions across departments.

CX Metrics & Monitoring

Develop and implement clear CX performance indicators to measure impact, monitor progress, and drive accountability across departments.





Caritas

BANCASSURANCE INTERMEDIARY LTD

A SUBSIDIARY OF CARITAS MICROFINANCE BANK

CARITAS BANCASSURANCE INTERMEDIARY LIMITED

BANCASSURANCE REPORT



Josphat Cheruiyot
Principal Officer

In the year 2024, Caritas Bancassurance Intermediary Limited recorded an exceptional performance, marked by significant financial growth and strategic expansion.

Among the most notable achievements was the remarkable growth of our bancassurance business, which expanded by over **50%** compared to the previous year.

Key Achievements

In 2024, Caritas Bancassurance Intermediary Limited recorded several key milestones that contributed to our continued growth and market positioning:

Crossed the Ksh. 100 Million Mark

1

For the first time since inception, our annual production surpassed **Ksh. 100,000,000**, a significant achievement that reflects strong business development, improved customer engagement, and increased uptake of insurance.

Enhanced Operational Efficiency through the Bancassurance System

2

The implementation and use of the Bancassurance System streamlined our operations, improved service delivery, and increased overall efficiency in policy processing and reporting.

Active Industry Engagement

3

We proudly participated in the Bancassurance Association of Kenya (BAK) Annual Conference held in Diani. This platform allowed us to engage with industry peers, share knowledge, and align with national trends and regulatory expectations.

Branch-Level Expansion

4

We successfully allocated dedicated bancassurance personnel to the Githurai Branch, strengthening our presence at the branch level and improving access to insurance services for clients in that region.

Expansion of Our Insurance Provider Panel

5

We onboarded additional insurance underwriters, broadening our product range and enhancing our ability to offer diverse, competitive, and customer-focused insurance solutions.

This outstanding performance is a direct result of the unwavering support from Caritas Microfinance Bank, the dedication and commitment of our bancassurance team, and the continued trust and loyalty of our customers. Our success was further propelled by strong strategic partnerships and a clear focus on customer-centric solutions.

Throughout the year, our team actively participated in all marketing activities organized by Caritas Microfinance Bank, enhancing brand visibility and driving uptake of our insurance solutions. This collaborative approach significantly contributed to establishing Caritas Bancassurance as a trusted and recognized brand in the market.

BANCASSURANCE REPORT

Our Key Priorities

As we look forward, we are optimistic about continued growth and innovation.

Our Key Priorities



Expanding our network of partners to enhance our product offering.



Introducing new insurance products tailored to the evolving needs of our customers.



Allocating bancassurance personnel to all Caritas MFB branches to strengthen distribution and customer service.



Rolling out the CARIMED ShwAARi health cover, a flagship healthcare insurance product.

The **CARIMED ShwAARi** health cover is an affordable, faith-based healthcare solution developed by the Caritas Microfinance Group and underwritten by **AAR Insurance**. Distributed through **Caritas Bancassurance Limited**, this innovative medical cover is tailored to meet the healthcare needs of congregants, seminarians, employees of faith-based institutions, and the broader community.

It provides comprehensive coverage including Inpatient, Outpatient, Maternity, Accident, Optical, and Dental services. This unique healthcare product embodies our commitment to delivering inclusive and accessible healthcare solutions, grounded in the values of compassion, dignity, and service.

The Board Members of Caritas Bancassurance Intermediary Limited (CBIL)



CPA Patrick Kinyori



Fr. Peter Kiarie



Fr. Eliud Mumo

We remain committed to delivering value to our customers and stakeholders while supporting the broader mission of Caritas Microfinance Bank. With strong foundations in place, we are confident that 2025 will be another successful year for Caritas Bancassurance Intermediary Limited.



CARIMED *ShwAARi*

Affordable. Accessible. All-Inclusive.

An affordable, Faith-Based Healthcare cover designed to support the Church ecosystem

Objective: To enhance sustainability for the health institutions while addressing health care needs for the population.

Unique Features

- Household product
- No Age Capping
- Low-Cost Premium Model
- Short Waiting period and Covers Chronic Conditions

Product Plans: Covers Inpatient, Outpatient, Maternity, Accident, Optical, and Dental coverage.

Bringing quality healthcare to every Kenyan

Our Partners:





AWARDS & RECOGNITIONS

Best Microfinance Bank in Agriculture & Livestock Financing

Think Business Awards 2024 & 2025

Best Microfinance Bank in Product Innovation

Think Business Annual Awards 2024 & 2025

1st Runners Up for Overall Best Microfinance Bank In Kenya

Think Business Annual Awards 2024 & 2025

1st Runners-Up – Best Microfinance Bank in Digital Banking

Think Business Annual Awards 2025

Best Overall Microfinance Bank in Kenya

Think Business Awards 2023

Fastest Growing Microfinance Bank in Kenya

Think Business Annual Awards (2018, 2019, 2020, 2021, 2022)

Most Efficient Microfinance Bank

1st Runners up 2023

Customer Satisfaction

1st Runners up 2023

Lifetime Achievement in Banking Award

David Mukaru (CEO) 2022

2nd Runners Up - Best Microfinance Bank in Digital Banking

Think Business Awards 2022

WINNER: Most Improved Microfinance in Automotive Finance

Automotive Industry Excellence Award 2019

1st Runners Up in Financial Reporting for Microfinance Banks

Fire Awards (2019, 2020, 2021)

OUR STRATEGY IN ACTION

Our Priorities

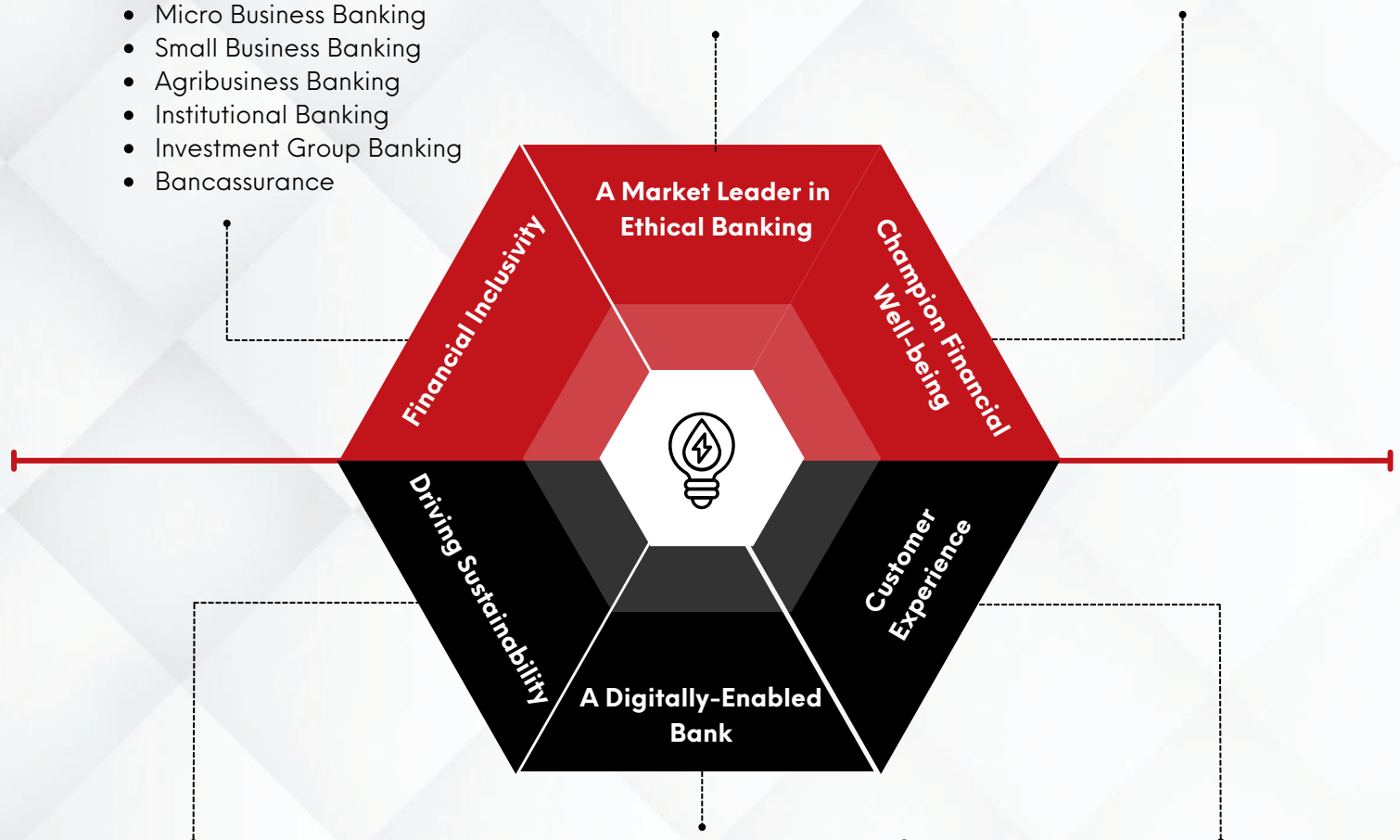
We foster financial inclusion and economic empowerment by providing financial solutions designed to meet the unique needs of individuals, salaried employees, business owners, chamás, schools, hospitals, and parishes (outstations and jumuiyas).

Our core segments include:

- Retail Banking
- Micro Business Banking
- Small Business Banking
- Agribusiness Banking
- Institutional Banking
- Investment Group Banking
- Bancassurance

Our ambition is to lead the way in ethical banking by embedding integrity, transparency, and social responsibility into every aspect of our business. We strive to be a trusted financial partner, upholding Catholic values and making a positive difference in the lives of our customers and communities.

We empower our customers to secure their future and achieve financial goals through scalable, relevant solutions. By promoting a savings culture, offering responsible credit, and encouraging long-term planning, we help build financial stability across communities.



We are committed to responsible lending, green finance, and inclusive community empowerment. Our sustainability efforts aim to nurture a financially healthy population and ensure our services have a meaningful, long-term impact across society.

We have implemented a digital transformation programme leveraging cutting-edge cloud-based technologies to enhance agility, security, and scalability—ensuring that our customers always stay connected to trusted financial solutions.

We offer tailored financial solutions designed to meet the unique needs of individuals, salaried employees, business owners, chamás, schools, hospitals, and parishes (outstations and jumuiyas). At every touchpoint, we deliver service with the customer in mind.

Our Enablers

CONSOLIDATED FINANCIAL STATEMENTS



CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2024



The directors present their report together with the audited financial statements of Caritas Microfinance Bank Limited (the "Bank") and its subsidiaries (together, the "Group") for the year ended 31 December 2024, which disclose its state of financial affairs.

1 Incorporation

The Bank is incorporated in Kenya under the Companies Act. It is a private limited liability company domiciled in Kenya. The address of the registered office is as shown on page 7.

2 Principal activity

The Bank and its subsidiary offers microfinance banking services and Bancassurance services. Its principal activity is lending and investments.

3 Business review

The results for the year are summarised below:-

	Group		Company	
	2024	2023	2024	2023
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Profit before tax	55,191,970	41,676,201	50,355,380	38,661,059
Income tax expense	(1,422,514)	(933,004)	-	-
Profit for the year	<u>53,769,456</u>	<u>40,743,197</u>	<u>50,355,380</u>	<u>38,661,059</u>

The Board and management of the Group are pleased to report the following as some of the achievements and key milestones for the year ended 31 December 2024:

The board and management of the group are pleased to report the following as some of the achievements and key milestones for the year ended 31st December 2024:

i Improved capitalization

During the period the shareholders injected more capital to the bank of **Shs 66.9 million** to place the total paid-up capital to **Shs 766.9 million**.

ii Financial performance

Deposits - Customer deposits grew from Shs 3.1 billion in year 2023 to Shs 4.1 billion in year 2024 representing a 30% growth of ksh 969 million.

Asset base - The group recorded a 28% growth in total assets to Shs 4.9 billion as at 31st December 2024, from Shs 3.8 billion as at 31 December 2023.

iii Increased footprint

As part of growth and investment strategy, the group Opened two new branches in Nyeri and Githurai and a marketing desk in Homabay. This is to extend the banking services to a wide range customer network.

iv Digitization and financial solutions

With a strong focus on enhancing customer satisfaction and service delivery, the group invested in digital payment solutions that provide convenience, efficiency, and seamless transactions. These solutions

· **Lipa na caritas** - Using the merchant code, customers can use the lipa na caritas pay bill number and pay for merchandise through group onboarded merchants across the country.



CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

3 Business review (continued)

iv Digitization and financial solutions (continued)

Caritas Pay Portal – A secure platform designed to facilitate seamless payments to members of groups and organizations, improving financial management and accessibility.

Caritas Chama – A digital solution that enables Self-Help Groups to make payments, disbursements, and manage funds using the chama wallet. This eliminates the need for physical meetings to authorize transactions, ensuring efficiency and convenience.

Mobile Money Transfers: Through our partnership with Ecobank, we now offer international and local transfers via Western Union, Rapid Transfer, Ria, and MoneyGram. Additionally, the successful implementation of CO-Bank+ in 2024 has integrated Caritas Nairobi's system with the bank, allowing self-help group members to seamlessly transfer funds to their savings and loan accounts.

Pesalink Integration – Customers can now move funds instantly from their Caritas account to other banks and microfinance institutions without the need for manual RTGS requests or physical transfer forms.

v. Market & Economic Highlights in Kenya

The Kenyan economy in 2024 showed resilience despite fiscal challenges and external pressures. The World Bank revised Kenya's growth estimate to 4.7%, citing fiscal constraints, flooding, and political unrest. However, the agriculture sector experienced a 6.5% rebound, supporting overall economic recovery.

Inflation remained relatively stable, averaging 6.7% in 2024, down from 7.5% in 2023, driven by improved food production and a stable currency. The Central Bank continued implementing tight monetary policies, maintaining interest rates at 12.5% to counter inflation and stabilize the currency. While higher interest rates led to increased lending costs, they also attracted foreign investments in government securities.

A major highlight of the year was the contentious Finance Bill 2024, which proposed increased taxes to raise Kes 346 billion for debt servicing and development projects. The bill sparked widespread public protests, leading to policy adjustments and a reconsideration of some proposed levies. The uncertainty surrounding the bill affected business confidence and investment flow during the year.

4 Dividends

The directors do not recommend the payment of dividend in respect of the year ended 31 December 2024 (2023: Nil)

5 Financial statement

At the date of this report, the directors were not aware of any circumstances which would have rendered the values attributed to the assets in the consolidated financial statements misleading.

6 Directors

The directors who held office during the year and to the date of this report are listed on page 8.

7 Board committees

The following committees of the board were in operation during the year

Audit, risk and compliance committee

Fr. CPA Simon Ng'ang'a Kinyanjui - Chairman
Mr. George Kirigi Thogo - Exited on 30/8/2024
Ms. Joyce Njeri Munene

Credit committee

Dr. AnneMary Nkirote - Chairperson
Sr. Mary Wanja Mbaci - Exited on 14/6/2024
Mr. Graham Waliaula B. Soita
Fr. Peter Njuguna Kiarie - Joined 23/8/2024

CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024



7 Board committees (continued)

ICT and Operations committee

Fr. CPA Simon Ng'ang'a Kinyanjui - Chairman
Prof. Peter Ndung'u Kiriri
Mr. George Kirigi Thogo - Exited on 30/8/2024

Business development committee

Prof. Peter Ndung'u Kiriri - Chairman
Dr. AnneMary Nkirete
Mr. Graham Waliaula B. Soita
Sr. Mary Wanja Mbaci - Exited on 14/6/2024

Finance and strategy committee

Mr. Graham Waliaula B. Soita - Chairman
CPA. Patrick Kariuki Kinyori
Prof. Peter Ndung'u Kiriri

Human resources, procurement, and leadership committee

Fr. Peter Njuguna Kiarie - Chairman
Ms. Joyce Njeri Munene
Mr. George Kirigi Thogo - Exited on 30/8/2024
Sr. Mary Wanja Mbaci - Exited on 14/6/2024

Introduction

Caritas Microfinance Bank Limited received its licence from the Central Bank of Kenya on 12 June 2015

The Bank recognises the need to conduct its business with integrity and in line with generally accepted corporate practice. The Bank will strive to maintain the highest standards of corporate governance.

Shareholders' responsibilities

The shareholders' role is to appoint the Board of directors and independent auditor. The role of the shareholders is to ensure that the Board is accountable for effective and efficient governance.

Board of directors

The Board of directors is responsible for the governance of the Bank and to ensure that the Bank complies with the law and the highest standards of corporate governance and business ethics. The Board is responsible for the long-term growth and profitability of the Bank.

The Directors guide the management and maintain full and effective control over financial, strategic, operational and compliance issues of the Bank. The Board is chaired by a non-executive director and has six other non-executive directors. The Board meets regularly and holds special meetings as and when the situation demands.

Board attendance register

No of meetings held during the year

Board Members	Meetings held	Meetings attended	% of meetings attended
CPA. Patrick Kariuki Kinyori	9	9	100%
Mr. David Mukaru	9	9	100%
Mr. George Kirigi Thogo	7	6	86%
Fr. CPA Simon Ng'ang'a Kinyanjui	9	9	100%
Sr. Mary Wanja Mbaci	6	6	100%
Prof. Peter Ndung'u Kiriri	9	9	100%
Mr. Graham Waliaula B. Soita	9	9	100%
Dr. AnneMary Nkirete	9	9	100%
Ms. Joyce Njeri Munene	9	7	78%
Fr. Peter Njuguna Kiarie	3	3	100%



CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

7 Board committees (continued)

The Board has appointed six committees - Credit; Audit and Risk Management; ICT and Operations; Business development; Finance and strategy; and Human resources, Procurement and Leadership Committee. These committees are guided by terms of reference and are mandated to meet at least every alternate month. These committees make recommendations to the Board on matters which fall under their mandates. All the committees are chaired by non-executive directors.

Credit Committee

Dr. AnneMary Nkrote, a non-executive director chairs the committee. Fr. Peter Njuguna Kiarie, a non-executive director, Mr. Graham Waliaula B. Soita, a non-executive director, Sr. Mary Wanja Mbaci, a non-executive director, the CEO, Head of Credit, Head of Operations, Head of Finance & Strategy and Head of Retail Banking are the other members of the committee. Credit proposals are placed before the credit committee for sanction. The committee also reviews the credit limits sanctioned, as per the credit policy approved by the board.

Audit and risk management committee

This committee is chaired by Fr. CPA. Simon Ng'ang'a Kinyanjui, a non-executive director. Ms. Joyce Njeri Munene, a non-executive director, Mr. George Kirigi Thogo, a non-executive director, and the Head of audit, Head of risk & compliance are the other members of this committee. The committee reviews the audit reports presented to it by the internal and external auditors, and based on these reports, also recommends review of various operational areas of the bank. The committee is responsible for the setting of the tone of the bank on risk management. The committee also reviews the observations made by the bank supervision department of the Central Bank of Kenya in its inspection reports.

Business development committee

Prof. Peter Ndung'u Kiriri, a non-executive director, chairs this committee. Fr. Peter Njuguna Kiarie, a non-executive director, Dr. AnneMary Nkrote, a non-executive director, Mr. Graham Waliaula B. Soita, a non-executive director, Sr. Mary Wanja Mbaci, a non-executive director, the CEO, Head of Operations, Head of Finance, Head of Credit, Head of Institutional Banking, Head of Retail Banking and the Head of ICT are the other members of this committee. The responsibilities of the committee are growth of the overall business of the Bank and implementation of the strategic plan including Bank's expansion strategy.

ICT and operations

Fr. CPA. Simon Ng'ang'a Kinyanjui, a non-executive director, chairs this committee, Prof. Peter Ndung'u Kiriri, a non-executive director, Mr. George Kirigi Thogo, a non-executive director, the CEO, Head of Operations, Head of Human resources and administration and the Head of ICT are the other members of this committee. The responsibilities of the committee are identification of operational areas where automation is necessary, undertaking new automation projects, procurement of hardware and software and monitoring ICT projects implementation, providing directions to the it and operations department on implementation issues and review of systems and operations audit reports.

Oversight of the Bank's operations, treasury, and investments.

Finance and strategy committee

Mr. Graham Waliaula B. Soita, a non-executive director, chairs this committee, CPA. Patrick Kariuki Kinyori, Chairman, Prof. Peter Ndung'u Kiriri, a non-executive director, the CEO, Head of Operations, Head of Credit, Head of Finance & strategy, Head of ICT, Head of Institutional Banking and the Head of Retail Banking are the other members of this committee. The responsibilities of the finance and strategy committee are monitoring and review of the implementation of the financial strategy and performance of the bank, approval and monitoring the implementation of the budget, oversight over alco management committee and approval of all banking arrangements and partnerships.



7 Board committees (continued)

Human resources, procurement, and leadership committee

The human resources committee is chaired by Fr. Peter Njuguna Kiarie who is a non-executive director, Ms. Joyce Njeri Munene, a non - executive director, Mr. George Kirigi Thogo, a non-exectutive director, Sr. Mary Wanjia Mbaci, a non-executive director, the CEO, the Head of Human resources and administration, Head of Operations and the Head of Finance & strategy are the other members of this committee. The committee facilitates recruitment of staff members, their placement, promotions, transfers, training, and benefits to the employees. The committee also monitors and sanctions procurements, logistics and other general administration of Bank.

Assets and liability management committee (ALCO)

This committee is chaired by the Chief executive officer. The Head of finance & Strategy, Head of credit, Head of operations, Head of ICT, Head of Retail Banking and Head of Institutional Banking are the other committee members. This committee monitors the liquidity position of the bank and regulatory compliance with regards to statutory liquidity ratio, cash reserve ratio and foreign exchange exposure as per the prudential guidelines of the Central Bank of Kenya. The committee decides on investments in various securities to maximise returns. It also analyses all risks including the interest rate risk and fixes the interest rates in line with the market trends.

8 Statement as to disclosure to the company auditor

Each of the persons, who was a director at the time the report was approved, confirms that:

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

9 Terms of appointment of the auditor

Forvis Mazars LLP was appointed during the year and have expressed their willingness to continue in office in accordance with Regulation 44 of the Microfinance Act and Regulations (2008) and Section 719 of the Kenyan Companies Act, 2015. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration has been charged to statement of comprehensive income in the year.

By order of the board



Company Secretary

Nairobi 25 - 03 - 2025



CARITAS MICROFINANCE BANK STATEMENT OF THE DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2024

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

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

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

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

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

Approved by the board of directors on 25-03- 2025 and signed on its behalf by:

Sign: _____

CPA. Patrick Kariuki Kinyori
Director

Sign: _____

Mr. David Mukaru
Chief Executive Officer

Sign: _____

Fr. CPA. Simon Ng'ang'a
Director

Opinion

We have audited the accompanying financial statements of Caritas Microfinance Bank Limited (the "Bank") and its subsidiary (together, the "Group") set out on pages 68 to 113, which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2024 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis of our opinion

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

Key audit matters

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

- (i) Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost

As explained in Note 1 and 2 of the consolidated financial statements, determining expected credit losses on loans and advances is complex, judgmental and involves significant estimation uncertainty. IFRS 9, Financial Instruments, requires the directors to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. The standard adopts a 3-stage model approach where the loans and advances are categorised in stage 1, 2 and 3 depending on whether the facilities are performing, have experienced significant increase in credit risk or are in default.

Changes to the assumptions and estimates used by management could generate significant fluctuations in the Group's financial results and materially impact the valuation of the portfolio of loans and advances.

The calculation of the expected credit losses involves complex mathematical models that are prone to data integrity or configuration errors, or mathematical formulaic errors.

Key audit matters (continued)

- (i) Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost (continued)

Our audit procedures focused on the following areas that have a significant impact on the calculation of the expected credit losses:

- the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used;
- the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances;
- the appropriateness of forward-looking information used in the models; and
- the conceptual logic, soundness and accuracy of the expected credit losses models used by the Group.

How our audit addressed the key audit matter

Reviewed the Group's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments.

Tested the Group applied the system extracts of 'days past due (DPD)' report in categorising the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD reports from the IT systems and the respective customer files.

Reviewing judgments applied in the staging of loans and advances; Tested the completeness of restructured loans listing and, on a sample basis, assessed the rationale for the restructures and the appropriateness of their subsequent measurement in accordance with IFRS 9 requirements.

Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD), including the post write-off recovery rates for unsecured facilities.

We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports.

On a sample basis, we tested the reasonableness of EADs for both on and off-balance sheet exposures, including the applied cash conversion factors.

We corroborated the assumptions used for determination of forward-looking information (FLI) in the models using publicly available information.

We reviewed and assessed adequacy of the disclosures in the consolidated financial statements on the key judgements and assumptions in accordance with the requirement of IFRS 9.

Key audit matters (continued)**(ii) Information Technology systems and controls over financial reporting**

The Group's financial accounting and reporting processes are dependent on complex information technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes.

Weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information.

Our audit focus on information technology systems and applications and controls over financial reporting included the following areas:

- management of logical access to critical systems including privileged access and developer access to production environment;
- controls over changes of programs and systems developments;
- automated application controls relating to processing of transactions, accounting and financial reporting; and

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over the integrity of information technology (IT) systems and applications that are relevant for financial accounting and reporting.

We tested controls over programs development and changes, access to programs and data and IT operations including compensating controls where necessary. We also tested certain aspects of the security of the IT systems including logical access management and segregation of duties.

Where, either design or operating effectiveness control deficiencies were identified, we altered our audit approach to test the compensating controls or increased the level of our tests of detail. These additional procedures mitigated the deficiencies or provided the additional audit comfort.

We validated any manual adjustments to information generated by the IT systems and applications and assessed the appropriateness of the adjustments.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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' responsibility for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

In our opinion the information given in the report of the directors on page 57 - 61 is consistent with the consolidated financial statements.

The engagement partner responsible for the audit resulting in this independent audit report is CPA Alphonse Karungu P/No. 856.



**For and on behalf of Forvis Mazars LLP
Certified Public Accountants (K)
Nairobi.**

26 March 2025



CARITAS MICROFINANCE BANK LTD

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Income	Note	Group		Bank	
		2024 Kshs	2023 Kshs	2024 Kshs	2023 Kshs
Interest income	4	734,795,702	530,703,756	734,795,702	530,703,756
Interest expense	5	(214,233,034)	(142,301,278)	(214,233,034)	(142,301,278)
Net interest Income		520,562,668	388,402,478	520,562,668	388,402,478
Fees and commissions income	6	33,551,709	36,013,436	22,864,811	28,333,908
Fees and commissions expense	7	(534,442)	(587,357)	(534,442)	(587,357)
Net fees and commission income		33,017,267	35,426,079	22,330,369	27,746,551
Other operating income	8	9,081,567	8,021,064	9,081,567	8,021,064
Credit impairment losses	18	(18,090,996)	(35,463,212)	(18,090,996)	(35,463,212)
Net operating income		544,570,506	396,386,409	533,883,608	388,706,881
Expenses					
Employee benefits	9	(216,027,192)	(166,710,886)	(212,500,532)	(164,099,281)
Depreciation and amortisation	10	(54,635,318)	(40,697,637)	(54,520,178)	(40,577,778)
Administration expenses	11	(218,716,026)	(147,301,685)	(216,507,518)	(145,368,763)
		(489,378,536)	(354,710,208)	(483,528,228)	(350,045,822)
Profit before tax		55,191,970	41,676,201	50,355,380	38,661,059
Income tax expense	12	(1,422,514)	(933,004)	-	-
Profit for the year		53,769,456	40,743,197	50,355,380	38,661,059
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Fair value gain on financial instruments held at FVOCI		-	-	-	-
<i>Items that will not be reclassified to profit and loss</i>					
Gain on revaluation of motor vehicle		-	-	-	-
		-	-	-	-
Total comprehensive income for the year attributable to owners of the bank		53,769,456	40,743,197	50,355,380	38,661,059

CARITAS MICROFINANCE BANK

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FOR THE YEAR ENDED 31 DECEMBER 2024



Consolidated Statement of Financial Position as at 31 December 2024

Assets	Note	Group		Bank	
		2024 Kshs	2023 Kshs	2024 Kshs	2023 Kshs
Property and equipment	13	122,256,540	53,752,469	121,713,616	53,326,405
Right-of-use assets	14	83,436,239	74,146,410	83,436,239	74,146,410
Intangible assets	15	30,261,223	23,967,551	30,261,223	23,967,551
Government securities	16	433,564,366	433,228,754	433,564,366	433,228,754
Cash and bank	17	1,078,277,567	576,905,508	1,078,277,567	576,905,508
Loans and advances	18	3,029,105,974	2,547,335,171	3,029,105,974	2,547,335,171
Receivables and prepayments	19	132,701,911	127,024,414	125,234,803	121,063,576
Investments in subsidiary	20	-	-	5,000,000	5,000,000
Total assets		4,909,603,820	3,836,360,277	4,906,593,788	3,834,973,375
Reserves and liabilities					
Liabilities					
Customer deposits	21	4,139,086,296	3,182,853,576	4,152,418,462	3,189,526,016
Other liabilities	22	57,274,901	35,676,301	47,424,351	29,952,505
Current tax payable	12	1,047,084	300,987	-	-
Borrowings	24	54,545,450	90,909,090	54,545,450	90,909,090
Deferred tax asset	23	17,106	21,177	-	-
Lease liability	25	92,369,845	82,005,464	92,369,845	82,005,464
		4,344,340,682	3,391,766,595	4,346,758,108	3,392,393,075
Share capital and reserves					
Share capital	26	700,000,000	700,000,000	700,000,000	700,000,000
Shareholders contribution pending allotment	26	66,900,000	-	66,900,000	-
Statutory reserve		142,056,509	86,800,227	142,056,509	86,800,227
Accumulated losses		(345,363,371)	(343,876,545)	(350,790,829)	(345,889,927)
Revaluation reserve		1,670,000	1,670,000	1,670,000	1,670,000
Equity attributable to owners of the parent company		565,263,138	444,593,682	559,835,680	442,580,300
Total reserves and liabilities		4,909,603,820	3,836,360,277	4,906,593,788	3,834,973,375

The financial statements on pages 68 to 113 were approved for issue by the directors on 25 - 03 - 2025 and signed on its behalf by:-

Sign: _____

CPA. Patrick Kariuki Kinyori
Director

Sign:  _____

Fr. CPA Simon Ng'ang'a
Director

Sign:  _____

Mr. David Mukaru
Chief Executive Officer



CARITAS MICROFINANCE BANK LTD

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FOR THE YEAR ENDED 31 DECEMBER 2024

Consolidated Statement of Changes In Equity								
a) Group	Note	Share capital Kshs	Shareholders contribution					Total Kshs
			pending allotment Kshs	Accumulated losses Kshs	Statutory reserve Kshs	FVOCI reserve Kshs	Revaluation reserve Kshs	
Year ended 31 December 2023								
At start of year								
As previously stated		696,600,000	-	(337,378,863)	39,418,304	(7,958,766)	1,670,000	392,350,675
Prior year adjustment	23	-	-	141,044	-	-	-	141,044
Prior year adjustment	16	-	-	-	-	7,958,766	-	7,958,766
As restated								
		696,600,000	-	(337,237,819)	39,418,304	-	1,670,000	400,450,485
Transfer to statutory reserves								
		-	-	(47,381,923)	47,381,923	-	-	-
Contributions for share allocation								
26		3,400,000	-	-	-	-	-	3,400,000
Profit for the year								
		-	-	40,743,197	-	-	-	40,743,197
At 31 December 2023								
		700,000,000	-	(343,876,545)	86,800,227	-	1,670,000	444,593,682
Year ended 31 December 2024								
At 1 January 2024								
		700,000,000	-	(343,876,545)	86,800,227	-	1,670,000	444,593,682
Transfer to statutory reserves								
		-	-	(55,256,282)	55,256,282	-	-	-
Contributions for share allocation								
26		-	66,900,000	-	-	-	-	66,900,000
Profit for the year								
		-	-	53,769,456	-	-	-	53,769,456
At 31 December 2024								
		700,000,000	66,900,000	(345,363,371)	142,056,509	-	1,670,000	565,263,138

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Consolidated Statement of Changes In Equity									
		Shareholders contribution							
b) Bank	Note	Share capital Kshs	Shareholders contribution pending allotment Kshs	Accumulated losses Kshs	Statutory reserve Kshs	FVOCI reserve Kshs	Revaluation reserve Kshs	Total Kshs	
Year ended 31 December 2023									
At start of year									
As previously stated		696,600,000	-	(337,169,063)	39,418,304	(7,958,766)	1,670,000	392,560,475	
Prior year adjustment	16	-	-	-	-	7,958,766	-	7,958,766	
As restated									
Transfer of statutory reserves		696,600,000	-	(337,169,063)	39,418,304	-	1,670,000	400,519,241	
Issue of shares	26	3,400,000	-	-	-	-	-	3,400,000	
Profit for the year		-	-	38,661,059	-	-	-	38,661,059	
At 31 December 2023		700,000,000	-	(345,889,927)	86,800,227	-	1,670,000	442,580,300	
Year ended 31 December 2024									
At 1 January 2024		700,000,000	-	(345,889,927)	86,800,227	-	1,670,000	442,580,300	
Transfer of statutory reserves		-	-	(55,256,282)	55,256,282	-	-	-	
Contributions for share allocation	26	-	66,900,000	-	-	-	-	66,900,000	
Profit for the year		-	-	50,355,380	-	-	-	50,355,380	
At 31 December 2024		700,000,000	66,900,000	(350,790,829)	142,056,509	-	1,670,000	559,835,680	



CARITAS MICROFINANCE BANK LTD

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FOR THE YEAR ENDED 31 DECEMBER 2024

Consolidated Statement of Cash Flows

	Note	Group 2024 Kshs	2023 Kshs	Bank 2024 Kshs	2023 Kshs
Cash flows from operating activities:					
Profit before tax		55,191,970	41,676,201	50,355,380	38,661,059
Adjusted for:					
Depreciation of property and equipment	13	24,839,708	18,105,687	24,724,568	17,985,828
Depreciation of right-of-use assets	14	25,531,929	19,834,793	25,531,929	19,834,793
Amortisation of intangible assets	15	4,263,681	2,757,157	4,263,681	2,757,157
Impairment of loans and advances	18	18,090,996	35,463,212	18,090,996	35,463,212
Interest on lease liabilities	5	7,894,463	3,087,943	7,894,463	3,087,943
Interest on borrowing	5	4,638,180	3,250,000	4,638,180	3,250,000
Operating profit before working capital changes		140,450,927	124,174,993	135,499,197	121,039,992
Working capital changes:					
Increase in loans and advances		(499,861,799)	(428,339,216)	(499,861,799)	(428,339,216)
Increase in receivables and prepayments		(5,677,497)	(36,857,247)	(4,171,227)	(32,469,428)
Increase in customer deposits		956,232,720	332,677,476	962,892,446	335,366,485
Increase in other liabilities		21,598,600	9,050,957	17,471,846	4,396,335
Increase in financial assets held at amortised cost		(335,612)	(8,205,944)	(335,612)	(8,205,944)
Fair value gain on Government securities		-	7,958,766	-	7,958,766
Cash generated from/(used in) operating activities		612,407,339	459,785	611,494,851	(253,010)
Tax paid	12	(680,488)	(469,796)	-	-
Net cash generated from/(used in) operating activities		611,726,851	(10,011)	611,494,851	(253,010)
Cash flows from investing activities:					
Purchase of property and equipment	13	(93,343,779)	(14,508,223)	(93,111,779)	(14,265,224)
Purchase of intangible asset	15	(10,557,353)	(18,270,822)	(10,557,353)	(18,270,822)
Net cash used In investing activities		(103,901,132)	(32,779,045)	(103,669,132)	(32,536,046)
Cash flows from financing activities:					
Contributions for share allocation	26	66,900,000	3,400,000	66,900,000	3,400,000
Proceeds from borrowings	24	-	100,000,000	-	100,000,000
Repayments of borrowings	24	(36,363,640)	(9,090,910)	(36,363,640)	(9,090,910)
Payments of principal portion of the lease liability	25	(32,351,840)	(24,535,177)	(32,351,840)	(24,535,177)
Interest on borrowings	5	(4,638,180)	(3,250,000)	(4,638,180)	(3,250,000)
Net cash (used in)/generated from financing activities		(6,453,660)	66,523,913	(6,453,660)	66,523,913
Increase in cash and cash equivalents		501,372,059	33,734,857	501,372,059	33,734,857
Movement in cash and cash equivalents					
At the start of the year		576,905,508	543,170,651	576,905,508	543,170,651
Increase during the year		501,372,059	33,734,857	501,372,059	33,734,857
At end of the year	17	<u>1,078,277,567</u>	<u>576,905,508</u>	<u>1,078,277,567</u>	<u>576,905,508</u>



Notes

1 Material accounting policy information

The accounting policy information considered material in the preparation of these general purpose consolidated financial statements are set out below:

a) Basis of preparation

The consolidated financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenyan Shillings, which is also the functional currency (see (c) below).

The financial statements comprise a profit and loss account (statement of comprehensive income), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.



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Notes (continued)

1 Material accounting policy information (continued)

b) New and revised standards

i) Adoption of new and revised standards

Four Amendments to Standards became effective for the first time in the financial year beginning 1 January 2024 and have been adopted by the Group.

The following new and revised standards have become effective for the first time in the financial year beginning 1 January 2024:

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

Amendments to IAS 7 and IFRS 7 titled Supplier Finance Arrangements (issued in May 2023)

The amendments require an entity to provide additional disclosures about its supplier finance arrangements.

None of the amendments have had a material impact on the Company's financial statements.

ii) New and revised standards that have been issued but are not yet effective

The Group has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2024. None of the changes is expected to have any material impact on the Group's financial statements except IFRS 18, which will require changes to the presentation, and related disclosures, of the Profit and Loss Account and the Statement of Cash Flows.

Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023)

The amendments, applicable to annual periods beginning on or after 1st January 2025, require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

IFRS 18 titled Presentation and Disclosure in Financial Statements (issued in April 2024)

The new standard, applicable to annual periods beginning on or after 1st January 2027, replaces IAS 1 and sets out revised requirements for the presentation and disclosure of information in general purpose financial statements.

IFRS 19 titled Subsidiaries without Public Accountability: Disclosures (issued in May 2024)

The new standard, applicable to annual periods beginning on or after 1st January 2027, specifies the disclosure requirements a subsidiary without public accountability is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.



Notes (continued)

1 Material accounting policy information (continued)

b) New and revised standards (continued)

ii) New and revised standards that have been issued but are not yet effective (continued)

Amendments to IFRS 9 and IFRS 7 titled Amendments to the Classification and Measurement of Financial Instruments (issued in May 2024)

The amendments, applicable to annual periods beginning on or after 1 January 2026, address diversity in accounting practice by making the requirements more understandable and consistent.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

c) Translation of foreign currencies

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 Kenyan Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

d) Interest income and expenses

Interest income and interest expense for all interest bearing financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are also presented in net trading income included in the profit or loss.

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

Interest income includes interest on loans and receivables, placements with other banks and investments in government securities, and is recognized in the year in which it is earned.



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Notes (continued)

1 Material accounting policy information (continued)

d) Interest income and expenses (continued)

The effective interest rate method

Interest income on interest bearing financial instruments is accounted for in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle. If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income.

The effective interest rate method (continued)

The adjustment is subsequently amortised through interest and similar income in profit or loss.

Interest on credit-impaired financial assets

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

e) Investment in subsidiaries/Consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2024. Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the investee; is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have the power of majority of the 'voting rights but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements.

When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



Notes (continued)

1 Material accounting policy information (continued)

e) Investment in subsidiaries/Consolidation (continued)

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Assets, liabilities, income and expenses liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

- Changes in ownership interests in subsidiaries without change of control

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

- Disposal of subsidiaries

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

- Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to/by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquire. Acquisition related costs are generally recognised in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.



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Notes (continued)

1 Material accounting policy information (continued)

e) Investment in subsidiaries/Consolidation (continued)

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments' are recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

f) Fees and commission income

In the normal course of business, the Group earns fees and commission income from a diverse range of services to its customers. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

g) Property and equipment

Items of motor vehicles, furniture & fittings, computers and equipment are initially measured at cost. Cost includes the purchase price of an asset and other costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

All items of property and equipment are stated at historical cost or subsequently at valuation, less cumulated depreciation and any impairment in value.

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

Depreciation is calculated on the straight-line basis at annual rates estimated to write off carrying amounts of the property and equipment over their expected useful lives.

Computers	20.0%
Furniture and fittings	12.5%
Equipment	12.5%
Motor vehicles	25.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.



Notes (continued)

1 Material accounting policy information (continued)

g) Property and equipment (continued)

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

h) Intangible assets

Computer software

The Group's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated Amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortized over their useful lives. The Amortisation period and the Amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the Amortisation period or method, as appropriate, and treated as changes in accounting estimates. The Amortisation expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. The Group adjusted the useful life and the amortisation rates for the intangible assets (from 20% p.a to 10% p.a).

The Group's software is developed by external consultants and hence the Group does not incur any research and development costs.

Software in test mode stage is held as work in progress until it is certified as fully operational.

Intangible assets are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

i) Financial Instruments

i) Recognition

A financial asset or liability is recognised when the Group becomes party to the contractual provisions of the instrument.

ii) Classification and measurement

a) Financial assets

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-for-sale investments. Management determines the appropriate classification of its investments at initial recognition.



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Notes (continued)

1 Material accounting policy information (continued)

i) Financial Instruments (continued)

a) Financial assets (continued)

i) Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other operating income' line item in the profit or loss.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a borrower with no intention of trading the receivable. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

iv) Available-for-sale financial assets

(a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity, and are measured at fair values.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for sale equity instruments are recognised in the profit or loss when the Group's right to receive payment is established. Fair values of quoted investments in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

If it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans and receivables, or held-to-maturity investments carried at amortized cost, an impairment or bad debt loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount).

The carrying amount of the financial asset is reduced to its estimated recoverable amount through use of the provision for bad and doubtful debts account. The amount of the loss incurred is included in the profit or loss for the period. The Group reviews its loan portfolios to assess impairment regularly.



Notes (continued)

1 Material accounting policy information (continued)

i) Financial Instruments (continued)

a) Financial assets (continued)

In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio.

After initial recognition, the Group measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

This evidence may include observable data indicating that there has been an adverse

iii) Derecognition of financial liabilities

Financial liabilities are derecognized when and only when the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

j) Cash collateral

Cash collaterals represent payments made by loanees as security for loans taken. In accordance with the loan agreements, the amounts are refundable upon the successful repayment of loans by loanees and at the time a loanee leaves the loan scheme. The amounts are utilized to cover loans in the event of default.

k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

l) Payables

Payables are stated at their nominal value. Amounts received for the period after year end are classified as received in advance and are carried in the statement of financial position as part of trade and other payables.

m) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

(i) Current tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.



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Notes (continued)

1 Material accounting policy information (continued)

m) Income tax (continued)

ii) *Deferred income tax*

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities 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 or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

n) Employee entitlements

i) *Service awards and leave accrual*

Employee entitlements to long service awards are recognised as a liability based on the service rendered by the employees up to the balance sheet date. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

ii) *Pension obligations*

The Group and all its employees contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. Contributions are determined by a local statute and are currently limited at Kshs. 1,080 per employee per month, with the Group contributing a similar amount. In addition the Group has a pension scheme offered by CIC Insurance Group which is contributory at 5% of the basic pay.

The Group's contributions are charged to the statement of profit or loss in the year to which they relate.

o) Related parties

In the normal course of business the Group has entered into transactions with related parties. The related party transactions are at arm's length.

p) Loans and provision for loan impairment

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.



Notes (continued)

1 Material accounting policy information (continued)

q) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

r) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating units (CGUs) fair value less costs of disposal and its value in use. 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 Bank of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 Significant judgements and key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

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

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

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.



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Notes (continued)

2 Significant judgements and key sources of estimation uncertainty (continued)

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

The carrying amounts of the Group's financial assets that are subject to impairment assessment are disclosed in notes 3(a) and 15.

- **Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets**

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 18, 19 and 20, respectively.

- **Accounting for leases under IFRS 16**

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:



Notes (continued)

2 Significant judgements and key sources of estimation uncertainty (continued)

- Accounting for leases under IFRS 16 (continued)

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 12 and 23, respectively.

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property and equipment, right-of-use assets and intangible assets are disclosed in notes 11, 12 and 13, respectively.

Impairment of non-financial assets

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3 Risk management

a) Capital risk management

The Central Bank of Kenya sets and monitors capital requirements for Microfinance Bank Institutions as a whole. The Microfinance Bank regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.



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Notes (continued)

3 Risk management (continued)

a) Capital risk management (continued)

- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 % of tier 1 capital.

There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of Microfinance Bank and certain other regulatory items.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

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

In implementing current capital requirements, the Central Bank of Kenya requires each Microfinance Bank to maintain;

- A minimum level of regulatory capital of Shs 60 million.
- A ratio of core capital to the risk-weighted assets plus risk-weighted off-statement of financial position assets at or above the required minimum of 8%.
- Core capital of not less than 10% of total deposit liabilities.
- Supplementary capital of not less than 12% of risk weighted assets plus risk-weighted off-statement of financial position items.

The Microfinance Bank is committed to comply with all externally imposed capital requirements.

	Group		Bank	
	2024	2023	2024	2023
	Kshs	Kshs	Kshs	Kshs
Tier 1 capital				
Share capital	700,000,000	700,000,000	700,000,000	700,000,000
Accumulated losses	(345,363,371)	(343,876,545)	(350,790,829)	(345,889,927)
	<u>354,636,629</u>	<u>356,123,455</u>	<u>349,209,171</u>	<u>354,110,073</u>
Tier 2 capital				
Statutory reserve	142,056,509	86,800,227	142,056,509	86,800,227
	<u>142,056,509</u>	<u>86,800,227</u>	<u>142,056,509</u>	<u>86,800,227</u>
Total regulatory capital	<u>496,693,138</u>	<u>442,923,682</u>	<u>491,265,680</u>	<u>440,910,300</u>
Total risk-weighted assets	<u>3,647,216,227</u>	<u>2,855,805,000</u>	<u>3,647,216,227</u>	<u>2,855,805,000</u>

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Notes (continued)

3 Risk management (continued)

a) Capital risk management (continued)

	Group 2024 Kshs	2023 Kshs	Bank 2024 Kshs	2023 Kshs
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets (CBK minimum 12%)	13.62%	15.10%	13.47%	15.10%
Total tier 1 capital expressed as a percentage of total Risk weighted assets requirement (CBK Minimum 10%)	9.72%	12.47%	9.57%	12.40%
Total regulatory capital expressed as a percentage of total deposit liabilities (CBK minimum 8%)	12.00%	11.99%	11.83%	11.99%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes and activities is undertaken independently of those responsible for the operation, by Risk and Compliance and Credit, and is subject to review by the Board Credit Committee or ALCO as appropriate. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Microfinance Bank Institution to particular operations or activities, it is not the sole basis used for decision making.

Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Microfinance Bank's longer term strategic objectives. The Microfinance Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.



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Notes (continued)

3 Risk management (continued)

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure. The Credit Committee manages and oversees the overall lending policy of the Group. Measures to minimize credit risk include the following among others;

- i) Establishing the authorization structure for the approval and renewal of credit facilities.
- ii) Establishment of IT controls to avoid unauthorized lending and to generate exception reports on new advance accounts.
- iii) Placing limits on the amounts of risk accepted in relation to one borrowers, or group of borrower, and to industry segments.
- iv) Regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations.
- v) Obtaining collateral and corporate/personal guarantees.
- vi) Reviewing compliance with agreed exposure limits. Regular reports are provided to the Risk Committee on the credit quality of portfolios and appropriate corrective action is taken.

Management of credit risk

Concentrations of assets and off balance sheet items:

Details of significant concentrations of the Group's financial assets by loan portfolio are as detailed below:

	2024		2023	
	Kshs	%	Kshs	%
Loans and advances to customers				
Agriculture	109,875,770	3%	35,956,448	1%
Manufacturing	74,127,404	2%	7,987,392	0%
Building and construction	272,909,842	9%	153,389,805	6%
Electricity and water	5,705,574	0%	411,745	0%
Trade	1,366,371,695	43%	1,608,240,558	60%
Tourism, restaurant and hotels	257,409,080	8%	85,133,559	3%
Transport and communication	66,994,456	2%	48,923,818	2%
Real estate and home improvement	51,998,568	2%	34,109,309	1%
Financial services	219,062,160	7%	50,413,592	2%
Consumer loans	744,419,000	23%	644,445,524	24%
	3,168,873,549	100%	2,669,011,750	100%

Maximum exposure to credit risk before collateral held

	2024		2023	
	Kshs	%	Kshs	%
Deposits and balances due from banking Institutions	251,068,047	6%	160,659,485	5%
Short-term bank deposits	790,928,282	18%	386,193,949	11%
Government Securities	433,564,366	10%	433,228,754	12%
Loans and advances to customers	3,029,105,974	67%	2,547,335,171	72%
Other assets	9,416,455	0%	11,909,682	0%
	4,514,083,124	100%	3,539,327,041	100%

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Notes (continued)

3 Risk management (continued)

b) Credit risk (continued)

	2024 Kshs	Group %	2023 Kshs	%
Deposits and balances due from banking Institutions	251,068,047	6%	160,659,485	5%
Short-term bank deposits	790,928,282	18%	386,193,949	11%
Government Securities	433,564,366	10%	433,228,754	12%
Loans and advances to customers	3,029,105,974	67%	2,547,335,171	72%
Other assets	16,226,188	0%	17,766,345	1%
	4,520,892,857	100%	3,545,183,704	100%

Type of credit exposure

Loans and advances to customers at amortised Cost:

	Stage 1 12- months ECL Kshs	Stage 2 Lifetime ECL Kshs	Stage 3 Lifetime ECL Kshs	Year 2024 Kshs	Year ended 2023 Kshs
Normal	2,787,890,933	-	-	2,787,890,933	2,339,979,000
Watch	-	49,456,105	-	49,456,105	81,827,000
Substandard	-	-	10,439,642	10,439,642	18,112,000
Doubtful	-	-	15,151,887	15,151,887	7,902,000
Loss	-	-	305,934,982	305,934,982	221,191,000
Gross carrying amount	2,787,890,933	49,456,105	331,526,511	3,168,873,549	2,669,011,000
Loss allowance	(11,912,157)	(1,717,247)	(126,138,171)	(139,767,575)	(121,676,000)
Carrying amount	2,775,978,776	47,738,858	205,388,340	3,029,105,974	2,547,335,000

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

	Stage 1 Kshs	Stage 2 Kshs	Stage 3 Kshs	2024 Kshs	2023 Kshs
Current	2,787,890,933	-	-	2,787,890,933	2,339,979,000
Overdue < 30 days	-	49,456,105	-	49,456,105	81,827,000
Overdue > 30 days	-	-	331,526,511	331,526,511	247,205,000
Total	2,787,890,933	49,456,105	331,526,511	3,168,873,549	2,669,011,000



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Notes (continued)

3 Risk management(continued)

b) Credit risk (continued)

Classification of loans and receivables

	Bank 2024 Kshs	2023 Kshs
Neither past due nor impaired	2,787,890,933	2,339,979,000
Past due but not impaired	49,456,105	81,827,000
Impaired	331,526,511	247,205,000
Gross	3,168,873,549	2,669,011,000
Less allowances for impairment	(139,767,575)	(121,676,000)
Net	3,029,105,974	2,547,335,000

Allowances for impairment

At each reporting date, the Bank recognizes loss allowances based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant movement in credit risk on the financial instrument since its initial recognition. The IFRS 9 transition is the amount arising by the reclassification of these financial assets from IAS 39, which reduced such amount in retained earnings.

31 December 2024

	Stage			Total
	1	2	3	
At 1 January 2023	11,205,163	1,816,891	73,191,313	86,213,367
Provision allowance	327,797	95,168	35,040,247	35,463,212
At 31 December 2023	11,532,960	1,912,059	108,231,560	121,676,579
At 1 January 2024	11,532,960	1,912,059	108,231,560	121,676,579
Provision allowance	379,197	(194,812)	17,906,611	18,090,996
At 31 December 2024	11,912,157	1,717,247	126,138,171	139,767,575

31 December 2023

	Stage			Total
	1	2	3	
At 1 January 2022	4,728,266	1,077,947	42,651,208	48,457,421
Provision allowance	6,476,897	738,944	40,931,839	48,147,680
Financial asset derecognised	-	-	(10,391,734)	(10,391,734)
At 31 December 2022	11,205,163	1,816,891	73,191,313	86,213,367
At 1 January 2023	11,205,163	1,816,891	73,191,313	86,213,367
Provision allowance	327,797	95,168	35,040,247	35,463,212
At 31 December 2023	11,532,960	1,912,059	108,231,560	121,676,579

Staging Criteria 12-month ECL (Stage 1)

As IFRS 9 does not distinguish between individually significant or not individually significant financial instruments, the Bank measures potential credit losses for all non-impaired operations (Stage 1 and Stage 2) on an individual operation basis based on the asset class. Their PD and LGD are multiplied by general market scenarios assigned within the IFRS impairment model/ tool. Provisions for impairment in Stage 1 are therefore not directly related to the specifics of any particular operation. They are meant to protect against potential risks that are considered present, or within a 12-month horizon, and derived from potentially adverse developments in operating conditions beyond the control of individual borrowers.



Notes (continued)

3 Risk management (continued)

b) Credit risk (continued)

Staging Criteria lifetime ECL (Stages 2 and 3)

When an operation deteriorates substantially in credit quality, it enters Stage 2 and an expected credit loss calculation is performed on a Lifetime Expected Credit Loss (LECL) basis. Stage 2 operations are those that have experienced an overall credit quality downgrade but are still performing. They are not considered credit impaired.

Stage 3 operations have objective evidence of impairment that immediately impacts the ECL.

Revolving facilities

Overdraft credit facilities have no fixed term and they can be cancelled at the discretion of the Bank at any point in time. These facilities are subject to, at a minimum, an annual credit review. In this regard, the date of the latest credit review provides the relevant date to assess if there is any increase in credit risk, as at that point in time. The Bank may amend the terms and conditions of the exposure.

c) Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company does not use derivative financial instruments to hedge risk exposures. Risk management is carried out by the holding company under policies approved by the board. Company management identifies and evaluates financial risks in close co-operation with the company's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The company is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with customer requirements. Liquidity risk is addressed through the following measures:

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company maintains flexibility in funding by maintaining availability under committed credit lines such as bank overdraft.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is addressed through the following measures:

i) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

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



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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

Management of liquidity risk (continued)

The Group maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and deposits with institutions, to ensure that sufficient liquidity is maintained within the company.

The Group has a well-defined contingency plan that is reviewed regularly as a way of ensuring that it's prepared for any eventualities at any one given time. All liquidity policies and procedures are subject to review and approval by board of directors.

Exposure to liquidity risk

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

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

Year ended 31 December	2024	2023
Average for the year	36%	34%
Maximum for the year	38%	37%
Minimum for the year	32%	29%
Central Bank of Kenya required minimum	20%	20%

The table below represents the cash flows payable by the group under non- derivative financial liabilities by remaining contractual maturities at the end of the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The group manages the inherent liquidity risk based on expected undiscounted cash inflows.

Concentration by location for loans and advances, loan commitments and financial guarantees is based on the customer's country of domicile. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Offsetting financial assets and financial liabilities

There were no financial assets and financial liabilities that were offset in the Bank's statement of financial position and none are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments.

Currency risk

The Group operates wholly within Kenya and its assets and liabilities are reported in the local currency. As at the end of trading period it had no currency risk pertaining to its operations.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2024, the Group's borrowings at variable rate were denominated in the Kenyan Shilling, Euro and US dollar.

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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

The following table summarizes the maturity profile of the undiscounted cash flows on the Group's financial assets and liabilities as at the reporting date:

Group	<3 months	3 - 6 months	6 – 12 months	1 - 5 years	Total undiscounted Cashflows
As at 31 December 2024					
Cash balances and deposits in financial institutions	Kshs 1,078,277,567	-	-	-	1,078,277,567
Government Securities	-	-	-	433,564,366	433,564,366
Loans and advances to customers	194,501,265	25,862,885	106,530,690	2,702,211,134	3,029,105,974
Other assets	16,226,188	-	-	-	16,226,188
Total financial assets (expected maturity dates)	1,289,005,020	25,862,885	106,530,690	3,135,775,500	4,557,174,095
Deposits from customers	2,070,797,658	1,999,149,137	66,843,567	2,295,934	4,139,086,296
Lease liabilities	6,714,050	6,896,101	14,966,265	63,793,429	92,369,845
Medium term loan	9,090,910	9,090,910	18,181,820	18,181,810	54,545,450
Other liabilities	760,411	24,386,319	-	-	25,146,730
Total financial liabilities (contractual maturity dates)	2,087,363,029	2,039,522,467	99,991,652	84,271,173	4,311,148,321
Net Liquidity surplus/(gap)*	(798,358,009)	(2,013,659,582)	6,539,038	3,051,504,327	246,025,774

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.



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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

Group	<3 months	3 - 6 months	6 – 12 months	1 - 5 years	Total Undiscounted Cashflows Kshs
As at 31 December 2023					
Cash balances and deposits in financial institutions	576,905,508	-	-	-	576,905,508
Government Securities	-	-	-	425,269,988	425,269,988
Loans and advances to customers	320,076,942	71,822,514	112,530,934	2,042,904,781	2,547,335,171
Other assets	17,766,345	-	-	-	17,766,345
Total financial assets (expected maturity dates)	914,748,795	71,822,514	112,530,934	2,468,174,769	3,567,277,012
Deposits from customers	573,890,646	2,048,075,106	558,591,890	2,295,934	3,182,853,576
Lease liabilities	5,960,698	6,122,323	13,286,971	56,635,471	82,005,463
Medium term loan	-	-	-	90,909,090	90,909,090
Other liabilities	760,411	34,915,890	-	-	35,676,301
Total financial liabilities (contractual maturity dates)	580,611,755	2,089,113,319	571,878,861	149,840,495	3,391,444,430
Net Liquidity surplus/(gap)*	334,137,040	(2,017,290,805)	(459,347,927)	2,318,334,274	175,832,582

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.

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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

The following table summarizes the maturity profile of the undiscounted cash flows on the banks' financial assets and liabilities as at the reporting date:

Bank	<3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total undiscounted Cashflows
As at 31 December 2024	Kshs	Kshs	Kshs	Kshs	Kshs
Cash balances and deposits in financial institutions	1,078,277,567	-	-	-	1,078,277,567
Government Securities	-	-	-	433,564,366	433,564,366
Loans and advances to customers	194,501,265	25,862,885	106,530,690	2,702,211,134	3,029,105,974
Other assets	8,863,255	-	-	-	8,863,255
Total financial assets (expected maturity dates)	1,281,642,087	25,862,885	106,530,690	3,135,775,500	4,549,811,162
Deposits from customers	2,084,129,824	1,999,149,137	66,843,567	2,295,934	4,152,418,462
Lease liabilities	6,714,050	6,896,101	14,966,265	63,793,429	92,369,845
Medium term loan	9,090,910	9,090,910	18,181,820	18,181,810	54,545,450
Other liabilities	760,411	24,386,319	-	-	25,146,730
Total financial liabilities (contractual maturity dates)	2,100,695,195	2,039,522,467	99,991,652	84,271,173	4,324,480,487
Net Liquidity surplus/(gap)*	(819,053,108)	(2,013,659,582)	6,539,038	3,051,504,327	225,330,675

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.



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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

Bank	<3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total Undiscounted Cashflows
As at 31 December 2023					
Cash balances and deposits in financial institutions	Kshs	Kshs	Kshs	Kshs	Kshs
Government Securities	576,905,508	-	-	-	576,905,508
Loans and advances to customers	320,076,942	-	-	425,269,988	425,269,988
Other assets	11,909,682	71,822,514	112,530,934	2,042,904,781	2,547,335,171
		-	-	-	11,909,682
Total financial assets (expected maturity dates)	908,892,132	71,822,514	112,530,934	2,468,174,769	3,561,420,349
Deposits from customers	573,890,646	2,048,075,106	558,591,890	8,968,374	3,189,526,016
Lease liabilities	5,960,698	6,122,323	13,286,971	56,635,471	82,005,463
Medium term loan	-	-	-	90,909,090	90,909,090
Other liabilities	760,411	29,192,094	-	-	29,952,505
Total financial liabilities (contractual maturity dates)	580,611,755	2,083,389,523	571,878,861	156,512,935	3,392,393,074
Net Liquidity surplus/(gap)*	328,280,377	(2,011,567,009)	(459,347,927)	2,311,661,834	169,027,275

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.



Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

ii) Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Currency risk exposure

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group had no financial instruments denominated in foreign currencies during the year ended 31 December 2024 (2023: nil).

Interest rate risk exposure

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of the financial assets. The Board has set limits on level of mismatch of interest repricing that may be undertaken. Consequently, the interest sensitivity effect on profit or loss would not be significant given the repricing frequency.



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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

ii) Market risk (continued)

The following table analyses the Group's interest rate risk exposure on financial assets and liabilities. The group's assets and liabilities are included at carrying amount and categorized by maturity date.

	Maturing Less than one month	Between 1- 3 months	Between 3- 6 months	6 Months less than a year	1 year less than 3 year	3 year less than 5 year	Over 5 years Kshs. '000'	Non-interest bearing	Total
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
As at 31 December 2024									
Financial Assets									
Cash and bank balances	-	790,928	-	-	-	-	-	287,349	1,078,278
Government securities	-	433,564	-	-	-	-	-	-	433,564
Loan to customers (net)	-	3,029,106	-	-	-	-	-	-	3,029,106
Total financial assets	-	3,820,034	-	-	-	-	-	287,349	4,107,384
Financial Liabilities									
Borrowings	-	54,545	-	-	-	-	-	-	54,545
Customer Deposits	346,843	282,995	1,999,149	66,844	2,296	-	-	1,440,960	4,139,086
Total financial liabilities	346,843	337,540	1,999,149	66,844	2,296	-	-	1,440,960	4,193,632
Interest rate sensitivity Gap	(346,843)	3,482,494	(1,999,149)	(66,844)	(2,296)	-	-	(1,153,610)	(86,248)
As at 31 December 2023									
Total Financial assets	-	2,933,529	-	-	-	-	-	190,712	3,124,241
Total Financial liabilities	526,208	181,754	933,324	525,258	1,000	-	-	1,112,891	3,280,435
Interest rate sensitivity Gap	(526,208)	2,751,775	(933,324)	(525,258)	(1,000)	-	-	(922,179)	(156,194)



Notes (continued)

3 Risk management (continued)

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the institution's processes, personnel, technology, and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Group's operations and are faced by all business units. The Group cannot expect to eliminate all operational risks, through a control framework and monitoring and responding to potential risks, the Group is able to manage its risk. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

e) Fair value of financial instruments

Determination of fair value and fair values hierarchy

IFRS 7 and IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have been utilized to arrive at the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The only assets carried at fair value are government securities at fair value through other comprehensive income - Fair value is estimated using last quoted closing price on their principal stock exchange.



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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

The following table summarizes the carrying amounts and fair value of those assets and liabilities not held at fair value. The carrying amount of assets and liabilities held at amortised costs is considered to approximate the fair value of the assets and liabilities.

Group	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2024	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Cash on hand and deposits held with other banks	1,078,277,567	1,078,277,567	-	1,078,277,567	-
Government Securities	433,564,366	429,985,600	429,985,600	-	-
Loans and advances	3,029,105,974	3,168,873,549	-	-	3,168,873,549
Other assets	132,701,911	132,701,911	-	-	132,701,911
Total assets	4,673,649,818	4,809,838,627	429,985,600	1,078,277,567	3,301,575,460
Liabilities					
Customer deposits	4,139,086,296	4,139,086,296	-	-	4,139,086,296
Lease liability	92,369,845	92,369,845	-	92,369,845	-
Medium term loan	54,545,450	54,545,450	-	-	54,545,450
Other liabilities	57,274,901	57,274,901	-	-	57,274,901
Total liabilities	4,343,276,492	4,343,276,492	-	92,369,845	4,250,906,647

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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

Group	As at 31 December 2023	Carrying amount Kshs	Fair value Kshs	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs
Assets						
Cash on hand and deposits held with other banks		576,905,508	576,905,508	-	576,905,508	-
Government Securities		425,269,988	425,269,988	425,269,988	-	-
Loans and advances		2,547,335,171	2,547,335,171	-	-	2,547,335,171
Other assets		127,024,414	127,024,414	-	-	127,024,414
Total assets		3,676,535,081	3,676,535,081	425,269,988	576,905,508	2,674,359,585
Liabilities						
Customer deposits		3,182,853,576	3,182,853,576	-	-	3,182,853,576
Lease liability		82,005,463	82,005,463	-	82,005,463	-
Medium term loan		90,909,090	90,909,090	-	-	90,909,090.00
Other liabilities		35,967,177	35,967,177	-	-	35,967,177
Total liabilities		3,391,735,306	3,391,735,306	-	82,005,463	3,309,729,843



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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

The following table summarizes the carrying amounts and fair value of those assets and liabilities not held at fair value. The carrying amount of assets and liabilities held at amortised costs is considered to approximate the fair value of the assets and liabilities.

Bank	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2024	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Cash on hand and deposits held with other banks	1,078,277,567	1,078,277,567	-	1,078,277,567	-
Government Securities	433,564,366	429,985,600	429,985,600	-	-
Loans and advances	3,029,105,974	3,168,873,549	-	-	3,168,873,549
Other assets	125,234,803	125,234,803	-	-	125,234,803
Total assets	4,666,182,710	4,802,371,519	429,985,600	1,078,277,567	3,294,108,352
Liabilities					
Customer deposits	4,152,418,462	4,152,418,462	-	-	4,152,418,462
Lease liability	92,369,845	92,369,845	-	92,369,845	-
Medium term loan	54,545,450	54,545,450	-	-	54,545,450
Other liabilities	44,789,014	44,789,014	-	-	44,789,014
Total liabilities	4,344,122,771	4,344,122,771	-	92,369,845	4,251,752,926

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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

Bank	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2023	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Cash on hand and deposits held with other banks	576,905,508	576,905,508	-	576,905,508	-
Government Securities	425,269,988	425,269,988	425,269,988	-	-
Loans and advances (Gross)	2,547,335,171	2,547,335,171	-	-	2,547,335,171
Other assets	127,024,414	127,024,414	-	-	127,024,414
Total assets	3,676,535,081	3,676,535,081	425,269,988	576,905,508	2,674,359,585
Liabilities					
Customer deposits	3,182,853,576	3,182,853,576	-	-	3,182,853,576
Lease liability	82,005,463	82,005,463	-	82,005,463	-
Medium term loan	90,909,090	90,909,090	-	-	90,909,090.00
Other liabilities	35,676,301	35,676,301	-	-	35,676,301
Total liabilities	3,391,444,430	3,391,444,430	-	82,005,463	3,309,438,967



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Notes (continued)	Group		Bank	
	2024 Kshs	2023 Kshs	2024 Kshs	2023 Kshs
4 Interest income				
Interest on loans and advances	581,688,417	422,521,006	581,688,417	422,521,006
Interest on call deposits	936,258	1,983,541	936,258	1,983,541
Interest on fixed deposits	94,710,615	48,827,231	94,710,615	48,827,231
Interest on Government securities	57,460,412	57,371,978	57,460,412	57,371,978
	<u>734,795,702</u>	<u>530,703,756</u>	<u>734,795,702</u>	<u>530,703,756</u>
5 Interest expenses				
Savings accounts	-	9,791,381	-	9,791,381
Fixed deposits	201,700,391	126,171,954	201,700,391	126,171,954
Lease expense	7,894,463	3,087,943	7,894,463	3,087,943
Borrowings	4,638,180	3,250,000	4,638,180	3,250,000
	<u>214,233,034</u>	<u>142,301,278</u>	<u>214,233,034</u>	<u>142,301,278</u>
6 Fees and commissions income				
Bank transactions	8,906,285	13,060,106	8,906,285	13,060,106
Mobile banking commissions	13,958,526	15,273,802	13,958,526	15,273,802
Insurance commission	10,686,898	7,679,528	-	-
	<u>33,551,709</u>	<u>36,013,436</u>	<u>22,864,811</u>	<u>28,333,908</u>
7 Fees and commissions expense				
Fees and commissions expense	<u>534,442</u>	<u>587,357</u>	<u>534,442</u>	<u>587,357</u>
8 Operating Income				
Bad debts recovered	5,938,023	4,938,479	5,938,023	4,938,479
Other income	1,324,646	1,366,956	1,324,646	1,366,956
Foreign exchange income	1,818,898	1,715,629	1,818,898	1,715,629
	<u>9,081,567</u>	<u>8,021,064</u>	<u>9,081,567</u>	<u>8,021,064</u>
9 Employee benefits				
Salaries and wages	171,070,007	131,909,034	167,543,347	129,297,429
Pension and gratuity expenses	12,496,453	9,433,146	12,496,453	9,433,146
Staff medical, training and other expenses	32,460,732	25,368,706	32,460,732	25,368,706
	<u>216,027,192</u>	<u>166,710,886</u>	<u>212,500,532</u>	<u>164,099,281</u>
10 Depreciation and amortisation				
Depreciation of property and equipment (Note 13)	24,839,708	18,105,687	24,724,568	17,985,828
Depreciation on Right of use asset (Note 14)	25,531,929	19,834,793	25,531,929	19,834,793
Amortisation of intangible assets (Note 15)	4,263,681	2,757,157	4,263,681	2,757,157
	<u>54,635,318</u>	<u>40,697,637</u>	<u>54,520,178</u>	<u>40,577,778</u>

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Notes (continued)	Group		Bank	
	2024	2023	2024	2023
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
11 Operating expenses				
AGM expenses	1,519,193	1,372,103	1,519,193	1,372,103
Auditor's remuneration	3,993,600	3,081,351	3,750,000	2,766,351
Bulk SMS expense	4,000,002	1,666,667	4,000,002	1,666,667
Business promotion and marketing	22,381,051	14,646,363	22,381,051	14,646,363
Cash in transit	2,496,180	630,139	2,496,180	630,139
Cheque book printing	1,505,198	804,257	1,505,198	804,257
Communication expense	8,190,611	6,949,576	8,140,200	6,947,826
Consultancy fees	6,522,034	2,897,138	6,522,034	2,854,138
Contribution to Deposit Protection Fund	4,661,629	4,676,640	4,661,629	4,676,640
Customer credit reference expense	1,212,199	868,992	1,212,199	868,992
Directors emoluments	11,560,477	12,788,306	10,851,811	12,310,444
Directors expenses	2,818,481	2,620,757	2,818,481	2,620,757
Electricity and water	4,284,597	3,570,430	4,284,597	3,570,430
General insurance	7,234,500	6,669,631	7,234,500	6,669,631
General office expenses	15,161,681	13,267,222	15,161,681	13,267,222
Mpesa and bank charges	32,112,941	17,336,145	32,102,306	17,326,629
Office security	10,813,982	10,965,790	10,813,982	10,965,790
Postage and courier	2,036,582	1,496,267	2,036,582	1,496,267
Repairs and maintenance	7,222,748	3,383,346	7,222,748	3,383,346
Service charge and expensed VAT on rent	8,070,514	5,377,554	7,602,110	5,040,864
Software maintenance costs	24,224,319	11,388,948	24,224,319	11,388,948
Stationery and printing	8,956,567	6,896,588	8,956,567	6,896,588
Subscription and donations	4,410,533	3,197,755	4,410,533	3,197,755
Travel, accommodation and meals	9,856,500	5,268,850	9,534,514	4,977,446
Other expenses	13,469,907	5,480,870	13,065,101	5,023,170
	<u>218,716,026</u>	<u>147,301,685</u>	<u>216,507,518</u>	<u>145,368,763</u>

12 Taxation

i) Tax expense

Current income tax	1,426,585	770,783	-	-
Deferred tax expense relating to the origination and reversal of temporary differences (Note 23)	(4,071)	162,221	-	-
Income tax expense	<u>1,422,514</u>	<u>933,004</u>	<u>-</u>	<u>-</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate of 30% (2023: 30%) as follows:

Profit before income tax	55,191,970	41,676,201	50,355,380	38,661,059
Tax calculated at the statutory tax rate of 30% (2023: 30%)	16,557,591	12,502,860	15,106,614	11,598,318
Tax effect of:				
Over/(under) provision in prior years	-	28,462	-	-
Deferred tax asset not recognised	(15,135,077)	(11,598,318)	(15,106,614)	(11,598,318)
Income tax expense	<u>1,422,514</u>	<u>933,004</u>	<u>-</u>	<u>-</u>



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Notes (continued)

12 Taxation (continued)	Group		Bank	
	2024 Kshs	2023 Kshs	2024 Kshs	2023 Kshs
ii) Current tax liability				
At start of the year	300,987	-	-	-
Current income tax	1,426,585	770,783	-	-
Tax paid - Balance of tax	(300,987)	-	-	-
- Withholding tax	(379,501)	(469,796)	-	-
	<u>1,047,084</u>	<u>300,987</u>	<u>-</u>	<u>-</u>

13 Property and equipment

a) Group	Computers Kshs	Equipment Kshs	Furniture & fittings Kshs	Motor vehicles Kshs	Total Kshs
Cost					
At 1 January 2023	38,561,851	36,687,484	75,914,231	1,670,000	152,833,566
Additions	<u>12,916,227</u>	<u>118,000</u>	<u>1,473,996</u>	<u>-</u>	<u>14,508,223</u>
At 31 December 2023	<u>51,478,078</u>	<u>36,805,484</u>	<u>77,388,227</u>	<u>1,670,000</u>	<u>167,341,789</u>
At 1 January 2024	51,478,078	36,805,484	77,388,227	1,670,000	167,341,789
Additions	<u>23,704,272</u>	<u>5,684,927</u>	<u>55,772,700</u>	<u>8,181,880</u>	<u>93,343,779</u>
At 31 December 2024	<u>74,454,350</u>	<u>42,490,411</u>	<u>132,822,578</u>	<u>9,851,880</u>	<u>260,685,568</u>
Depreciation					
At 1 January 2023	29,437,263	25,100,664	40,945,706	-	95,483,633
Charge for the year	<u>6,228,728</u>	<u>4,009,418</u>	<u>7,450,041</u>	<u>417,500</u>	<u>18,105,687</u>
At 31 December 2023	<u>35,665,991</u>	<u>29,110,082</u>	<u>48,395,747</u>	<u>417,500</u>	<u>113,589,320</u>
At 1 January 2024	35,665,991	29,110,082	48,395,747	417,500	113,589,320
Charge for the year	<u>12,010,141</u>	<u>3,352,827</u>	<u>7,763,566</u>	<u>1,713,174</u>	<u>24,839,708</u>
At 31 December 2024	<u>47,261,854</u>	<u>32,462,909</u>	<u>56,050,166</u>	<u>2,130,674</u>	<u>138,429,028</u>
Net book value					
At 31 December 2024	<u>27,192,496</u>	<u>10,027,502</u>	<u>76,772,412</u>	<u>7,721,206</u>	<u>122,256,540</u>
At 31 December 2023	<u>15,812,087</u>	<u>7,695,402</u>	<u>28,992,480</u>	<u>1,252,500</u>	<u>53,752,469</u>

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Notes (continued)

13 Property and equipment (continued)

b) Bank	Computers Kshs	Equipment Kshs	Furniture & fittings Kshs	Motor vehicles Kshs	Total Kshs
Cost					
At 1 January 2023	38,308,851	36,687,484	75,575,881	1,670,000	152,242,216
Additions	12,673,227	118,000	1,473,997	-	14,265,224
At 31 December 2023	50,982,078	36,805,484	77,049,878	1,670,000	166,507,440
At 1 January 2024	50,982,078	36,805,484	77,049,878	1,670,000	166,507,440
Additions	23,472,272	5,684,927	55,772,700	8,181,880	93,111,779
At 31 December 2024	74,454,350	42,490,411	132,822,578	9,851,880	259,619,219
Depreciation					
At 1 January 2023	29,230,541	25,100,664	40,864,002	-	95,195,207
Charge for the year	6,108,868	4,009,418	7,450,042	417,500	17,985,828
At 31 December 2023	35,339,409	29,110,082	48,314,044	417,500	113,181,035
At 1 January 2024	35,339,409	29,110,082	48,314,044	417,500	113,181,035
Charge for the year	11,922,445	3,352,827	7,736,122	1,713,174	24,724,568
At 31 December 2024	47,261,854	32,462,909	56,050,166	2,130,674	137,905,603
Net book value					
At 31 December 2024	27,192,496	10,027,502	76,772,412	7,721,206	121,713,616
At 31 December 2023	15,642,669	7,695,402	28,735,834	1,252,500	53,326,405

14 Right-of-use assets	Group and Bank	
	2024 Kshs	2023 Kshs
At start of the year	74,146,410	71,718,634
Net additions	34,821,758	22,262,569
Depreciation charge	(25,531,929)	(19,834,793)
At end of the year	83,436,239	74,146,410

The Group leases various offices and branches. The leases of offices and branches are typically for periods of between 3 and 9 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

For information on the related lease liabilities, see Note 25.



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Notes (continued)

	Group and Bank	
	2024	2023
	Kshs	Kshs
15 Intangible assets		
Software costs		
Cost		
At 1 January	52,827,119	34,556,297
Additions	10,557,353	18,270,822
At 31 December	63,384,472	52,827,119
Amortization		
At 1 January	28,859,568	26,102,411
Charge for the year	4,263,681	2,757,157
At 31 December	33,123,249	28,859,568
Net Book Value		
At 31 December	30,261,223	23,967,551

16 Government securities

Financial assets comprise investment in Treasury bonds.

The group has reclassified the financial asset above measured at fair value to amortised cost during the year. This was as a result of change in the business model from available for sale financial assets to held to maturity hence the reclassification which has been done prospectively.

	Group		Bank	
	2024	2023	2024	2023
	Kshs	Kshs	Kshs	Kshs
a) Amortised cost				
At start of year	420,000,000	-	420,000,000	-
Reclassification	-	412,041,234	-	412,041,234
Interest	13,564,366	13,228,754	13,564,366	13,228,754
Prior year adjustment	-	7,958,766	-	7,958,766
At end of year	433,564,366	433,228,754	433,564,366	433,228,754
Amortised cost can be analysed as follows:				
Maturing within 91 days	-	-	-	-
Maturing after 91 days	433,564,366	433,228,754	433,564,366	433,228,754
Total other financial assets	433,564,366	433,228,754	433,564,366	433,228,754

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Notes (continued)

16 Government securities (continued)

None of the financial assets is either past due or impaired.

The fair values of the financial assets are categorised under Level 1 based on the information set out in accounting policy (I).

Credit risk primarily arises from the changes in the market value and the financial stability of the respective quoted companies, issuers of commercial bonds and investment funds.

Management monitors the credit quality of financial assets by:

- discussion at the management and board meetings;
- reference to external historical information available; and

The maximum exposure to credit risk as at reporting date is the carrying amount of the financial assets as disclosed above.

17 Cash and cash equivalent

For the purpose of the statement of cash flows, cash and cash equivalents comprise

Short-term bank deposits (See below)
Cash at bank
Deposit with CBK
Cash in hand

Group and Bank

2024	2023
<u>Kshs</u>	<u>Kshs</u>
790,928,282	386,193,949
53,725,663	21,294,405
197,342,384	139,365,080
36,281,238	30,052,074
<u>1,078,277,567</u>	<u>576,905,508</u>

Short-term bank deposits

Kingdom Bank Limited
Family Bank Limited
Sidian Bank Limited
NCBA Bank Kenya Plc
ICEA Lion Asset Managers
Interest receivable

311,846,033	213,086,822
359,228,154	95,557,012
-	56,531,946
-	14,141,911
100,899,604	-
18,954,491	6,876,258
<u>790,928,282</u>	<u>386,193,949</u>

The weighted average effective interest rate on short-term bank deposits for the year ended 31 December 2024 was 14.75% (2023: 12.64%).

The Group's cash and bank balances are held with major Kenyan financial institutions and, insofar as the directors are able to measure any credit risk to these assets, it is deemed to be limited.



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Notes (continued)

	Group and Bank	
	2024	2023
	Kshs	Kshs
18 Loans and advances		
Gross loans and advances	3,168,873,549	2,669,011,750
Provisions on loans and advances	(139,767,575)	(121,676,579)
Net loans and advances	3,029,105,974	2,547,335,171
Provision for expected credit losses		
At start of year	121,676,579	86,213,367
Net provision expense for the year	18,090,996	35,463,212
At end of year	139,767,575	121,676,579

	Group		Bank	
	2024	2023	2024	2023
	Kshs	Kshs	Kshs	Kshs
19 Receivables and prepayments				
Prepaid expenses	37,486,965	44,334,724	37,382,790	44,230,549
Prepaid taxes	78,435,558	64,370,145	78,435,558	64,370,145
Accounts receivables	16,226,188	17,766,345	8,863,255	11,909,682
Prepaid ATM cards	553,200	553,200	553,200	553,200
	132,701,911	127,024,414	125,234,803	121,063,576

	2024	2023
	Kshs	Kshs
20 Investments in subsidiary		
At 1 January and 31 December	5,000,000	5,000,000

Details of the investment in subsidiary is as shown below:

Subsidiary	Country of incorporation	Principal activity	Holding	2024	2023
Caritas Bancassurance Intermediary Limited	Kenya	Provision of insurance agency services	100%	100%	

The Group financial statements include the results of the subsidiary, Caritas Bancassurance Intermediary Limited.

	Group		Bank	
	2024	2023	2024	2023
	Kshs	Kshs	Kshs	Kshs
21 Customers deposits				
Current and demand accounts	615,380,757	527,089,120	628,712,923	533,761,560
Savings accounts	1,417,926,405	1,128,864,513	1,417,926,405	1,128,864,513
Fixed deposit accounts	2,105,779,134	1,526,899,943	2,105,779,134	1,526,899,943
	4,139,086,296	3,182,853,576	4,152,418,462	3,189,526,016
22 Other liabilities				
Excise and stamp duty	1,273,752	760,411	1,273,752	760,411
Leave accrual	1,361,585	1,361,585	1,361,585	1,361,585
Other liabilities and accrued expenses	54,639,564	33,554,305	44,789,014	27,830,509
	57,274,901	35,676,301	47,424,351	29,952,505

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Notes (continued)

23 Deferred tax

Deferred income tax is calculated using the enacted tax rate of 30%, except for capital gains, for which the enacted tax rate of 15% is used (2023: 30% and 15%).

Deferred tax assets/(liabilities), and the deferred tax charge/(credit) in the profit and loss account and in other comprehensive income (OCI) are attributable to the following items:

a) Group

	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2024			
Property and equipment	(42,120)	25,014	(17,106)
Tax losses	(130,375)	130,375	-
Over provision in prior year	10,274	(10,274)	-
Prior year adjustment	141,044	(141,044)	-
Net deferred tax asset/(liability)	(21,177)	4,071	(17,106)
	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2023			
As previously stated	-	-	-
Prior year adjustment	-	-	141,044
As restated			141,044
Property and equipment	-	(42,120)	(42,120)
Tax losses	-	(130,375)	(130,375)
Over provision in prior year	-	10,274	10,274
Prior year adjustment	-	-	-
Net deferred tax asset/(liability)	-	(162,221)	(21,177)

b) Company

	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2024			
Property and equipment	-	-	-
Net deferred tax asset/(liability)	-	-	-
Year ended 31 December 2023			
Property and equipment	-	-	-
Net deferred tax asset/(liability)	-	-	-

The deferred tax asset has not been recognized in deductible temporary differences and tax losses carried forward amounting to Kshs. 179,215,009 (2023: Kshs. 237,510,223) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilized.



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Notes (continued)

	Group and Bank 2024 Kshs	2023 Kshs
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24 Borrowing

MESPT	54,545,450	90,909,090
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The movement is as shown below: -

At start of the year	90,909,090	-
Additions during the year	-	100,000,000
Repaid during the year	(36,363,640)	(9,090,910)
	54,545,450	90,909,090

The MESPT loan is secured as below:

MESPT:

Lien over Government Bond FXD1/2022/015 in the name of Caritas Microfinance Bank of KES 100,000,000.

	Group and Bank 2024 Kshs	2023 Kshs
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25 Lease liabilities

Current	32,351,840	29,567,020
Non-current	60,018,005	52,438,444
Lease liabilities	92,369,845	82,005,464

The total cash outflow for leases in the year was:

Payments of principal portion of the lease liability	32,351,840	24,535,177
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In 2024, the Group recognised lease assets and lease liabilities only for those leases that were classified as finance leases under the accounting policy at that time.

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 14.

26 Share capital

	Group and Bank	
Authorized:		
50,000,000 Ordinary shares of Kshs 20 each	1,000,000,000	700,000,000

Issued and fully paid:

At 1 January	700,000,000	696,600,000
Paid up during the year	-	3,400,000
At 31 December	700,000,000	700,000,000

Shareholders contribution pending allotment

Contributions for share allocation	66,900,000	-
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The contribution pending allotment were made by some of the shareholders before the end of the financial year under review and have subsequently, on 24 March 2025, been allotted and converted into share capital before the signing of this financial statements.

CARITAS MICROFINANCE BANK

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Notes (continued)

27 Related party balances

The Group is related to other companies which are related through common shareholding or common directorships.

The following transactions were carried out with related parties

	Group		Bank	
	2024	2023	2024	2023
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
i) Loans due from employees				
Employees	63,704,330	74,196,912	63,704,330	74,196,912
Interest income earned	4,968,220	6,401,127	4,968,220	6,401,127
i) Loans due from employees (continued)				
Weighted average interest rate	8.00%	8.00%	8.00%	8.00%
ii) Key management and directors' compensation				
Remuneration to key management	37,854,298	28,936,045	36,285,382	28,936,045
Directors' emoluments	11,560,477	12,788,306	10,851,811	12,310,444
	49,414,775	41,724,351	47,137,193	41,246,489
iii) Deposits received from shareholders and employees				
Employees	7,154,571	3,872,171	7,154,571	3,872,171
Shareholders	818,302,368	539,000,000	818,302,368	539,000,000
	825,456,939	542,872,171	825,456,939	542,872,171
Interest expensed	27,584,692	16,517,178	27,584,692	16,517,178
Weighted average interest rate	12.13%	13.20%	12.13%	13.20%

28 Statutory reserve

The statutory reserve relates to the excess provisions for impairment of loans and advances as computed in accordance with the Central Bank of Kenya regulations over provisions for expected credit losses as computed in accordance with International Financial Reporting Standards. The statutory reserve is not distributable.

29 Events after the reporting period

The directors are not aware of any matters arising after 31 December 2024 that would significantly affect the operations of the Group.

30 Currency

These consolidated financial statements are presented in Kenya Shillings, which is also the functional currency.



His Eminence John Cardinal Njue, His Grace Archbishop Philip Anyolo, and our esteemed Board Members flagging off the March at the Grand Reopening of Our Cardinal Otunga Branch.



Board Chairman- CPA Patrick Kinyori (far left), His Eminence John Cardinal Njue, His Grace Archbishop Philip Anyolo and our CEO David Mukaru, at the Grand Opening of our Githurai Branch.



Our Directors having a Cake cutting session at the Grand Opening of our Nyeri Branch.



His Eminence John Cardinal Njue (right) and Board Chairman CPA Patrick Kinyori (far left) during the ribbon-cutting ceremony at the grand reopening of our Thika Branch on 23rd August 2024.



On 19th June 2024, the Bank launched a bouquet of digital solutions

- Caritas Pay Portal
- Lipa na Caritas
- Caritas Chama
- Mobile Money Transfers Services
- Pesa Link Services



Caritas Microfinance Bank participated in the Interbanks 2024 Tournament and was recognized as the Best Tier 3 Bank, securing the 2nd Runners Up position. Overall, the Bank ranked 14th out of 33 participating institutions.



On 23rd October 2024, the Bank, led by CEO David Mukaru, hosted a delegation from South Africa as part of the Gordon Institute of Business Science's Senior Professional Program.



Our Board Chairman CPA Patrick Kinyori, Directors Fr. CPA Simon Ng'ang'a and Fr. Peter Kiarie, CEO David Mukaru, during the launch of Caritas Nairobi's Strategic Plan 2024-2028 and unveiling of the CO-BANK+ system integration on 27th November 2024.



On 4th March 2025, the Caritas MFB team, led by our CEO, David Mukuru, met with Marist International University College in Karen to explore collaboration opportunities within the school ecosystem.



On 15th March 2025, The Bank participated in The 33rd Annual Leaders General Meeting, which took place today at St. Mary's Msongari grounds, kicking off with Mass led by His Grace Archbishop Philip Anyolo.



On 19th March 2025, the CIC Insurance Company team and representatives from Card MBA, Philippines, paid a courtesy call to the Bank.



On 16th April 2025, the bank marked the beginning of our 10 Year Anniversary celebrations with a Thanksgiving Mass at Holy Family Basilica. The Mass was presided over by His Grace Archbishop Philip Anyolo.



Caritas MFB Board members and our CEO during a benchmarking visit to Centenary Bank 🇰🇪



At Think Business Awards 2025 we were honoured to receive:

- Best Microfinance Bank in Product Innovation
- Best Microfinance Bank in Agriculture and Livestock Finance
- 1st Runners-Up - Best Microfinance Bank in Digital Banking
- 1st Runners-Up - Overall Best Microfinance Bank



Caritas MFB Team receiving an award at Think Business Awards (2025)



Caritas MFB Trophies from the Think Business Awards 2025

- Best Microfinance Bank in Agriculture & Livestock Financing
- Best Microfinance Bank in Product Innovation

NOTES

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Caritas Bank Choir

Celebrating

10

years

OF EMPOWERING HOUSEHOLDS

2015 ★ ★ ★ 2025

Since opening our doors in June 2015, Caritas Microfinance Bank has been dedicated to offering ethical financial solutions that foster household prosperity.

For the past decade, we've remained steadfast in our mission and purpose.

Thank you for being part of our journey!

-Twaimarisha Jamii-

10



Caritas
MICROFINANCE BANK
Twaimarisha Jamii

Years of Empowering Households

2015 ★ ★ ★ 2025