

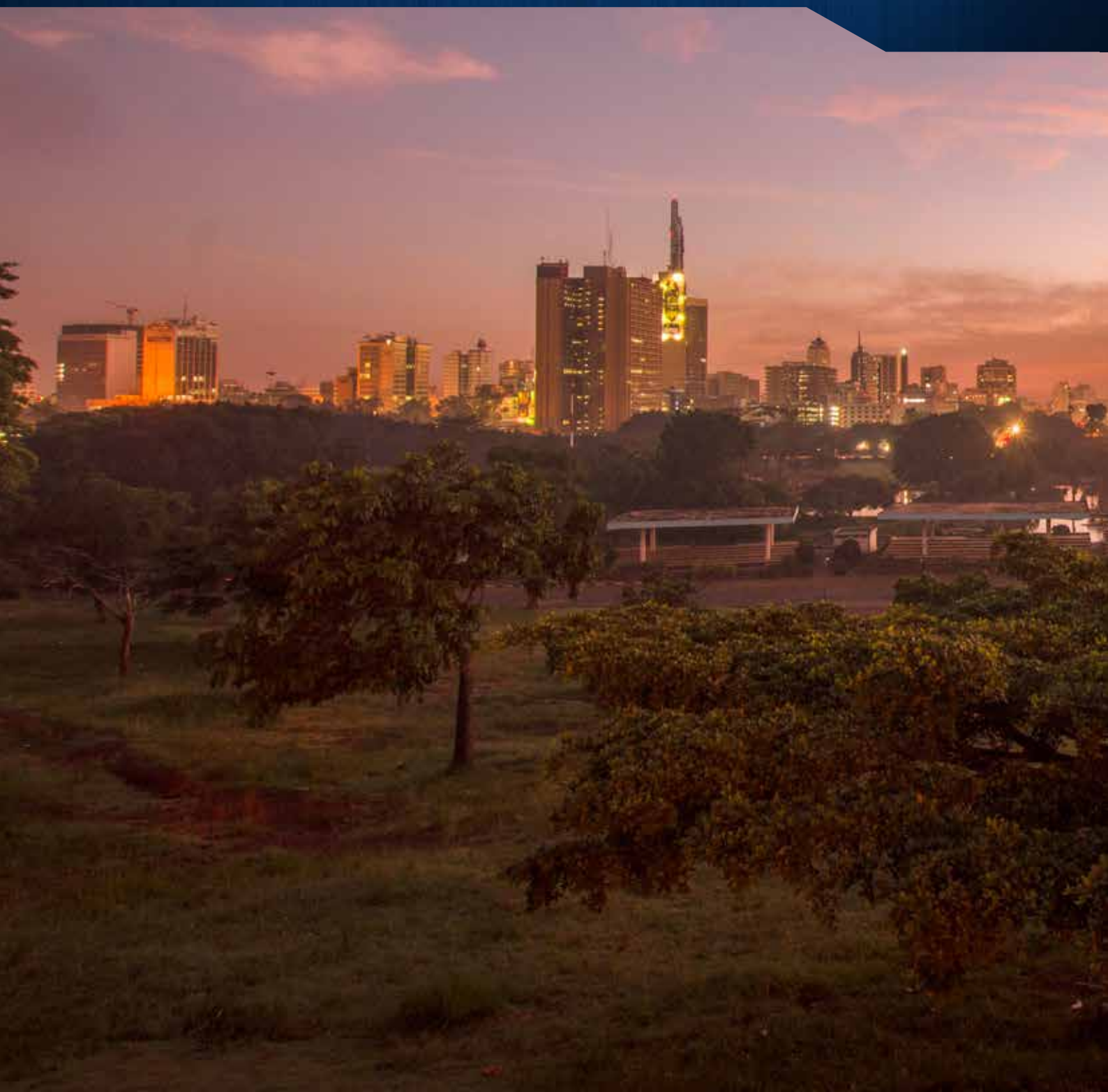
# 2024

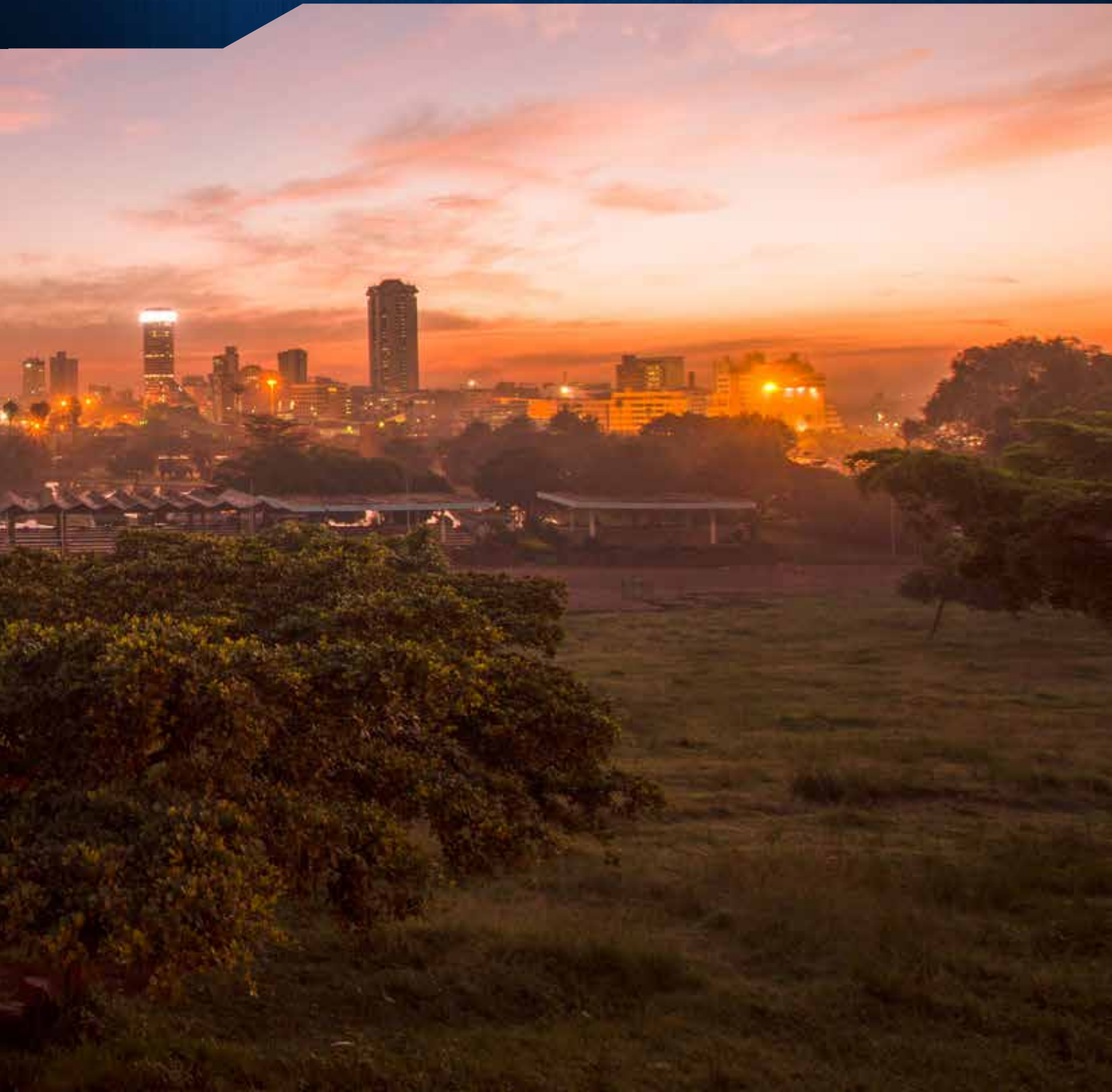
## ANNUAL

## REPORT

& FINANCIAL STATEMENTS







# ENRICHING LIVES ACROSS CONTINENTS

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## Board of directors

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

Prof. Olive Mwhiki Mugenda PhD  
Chairperson  
Dr. Benson Irungu Wairegi  
Mr. Robert Ngugi Kibaara  
Dr. Peter Kahara Munga  
Ms. Anne Helen Wairimu Nganga - Kimari  
Dr. Antony Opare Omerikwa  
Ms. Felister Wangari Kembi  
Mr. Tom Mbuthia Gitogo

## Company secretary

Ms. Regina Anyika (CPS 880)  
Rehani House  
Kenyatta Avenue/Koinange Street  
P.O. Box 30088 - 00100  
Nairobi, Kenya

## Registered office

Plot No. LR 209/905  
Rehani House  
Kenyatta Avenue/Koinange Street  
P.O. Box 30088 - 00100  
Nairobi, Kenya

## Legal adviser

Walker Kontos Advocates  
Hakika House  
Bishops Road  
PO Box 60680-00200  
Nairobi

## Principal bankers

Central Bank of Kenya  
Haile Selassie Avenue  
PO Box 60000-00200  
Nairobi, Kenya

HFC Limited  
Rehani House, Kenyatta Avenue  
PO Box 30088-00100  
Nairobi, Kenya

## Independent auditor

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

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## HF Group Plc Board of Directors



**Prof. Olive M. Mugenda, PhD,  
EBS, CBS, MGH 70 years**  
CHAIRPERSON  
INDEPENDENT & NON EXECUTIVE



**Dr. Benson I. Wairegi, EBS  
72 years**  
BOARD MEMBER  
NON INDEPENDENT &  
NON EXECUTIVE



**Dr. Peter K. Munga, EGH, CBS  
82 years**  
BOARD MEMBER  
NON INDEPENDENT &  
NON EXECUTIVE



**Dr. Anthony O. Omerikwa,  
MBS 48 years**  
BOARD MEMBER  
INDEPENDENT & NON EXECUTIVE



**Felister W. Kembi,  
68 years**  
BOARD MEMBER  
INDEPENDENT & NON EXECUTIVE



**Tom M. Gitogo,  
56 years**  
BOARD MEMBER  
NON INDEPENDENT &  
NON EXECUTIVE



**Dr. Anne W. Kimari, PhD  
52 years**  
BOARD MEMBER  
INDEPENDENT & NON EXECUTIVE



**Robert N. Kibaara,  
51 years**  
GROUP CHIEF EXECUTIVE OFFICER  
NON INDEPENDENT & EXECUTIVE

## HFC Limited Board of Directors



**Dr. Kaushik Manek, EBS**  
**67 years**  
 CHAIRPERSON  
 INDEPENDENT & NON EXECUTIVE



**Jane Kilonzo,**  
**57 years**  
 BOARD MEMBER  
 INDEPENDENT & NON EXECUTIVE



**John Mwendwa,**  
**51 years**  
 BOARD MEMBER  
 INDEPENDENT & NON EXECUTIVE



**Shilpa Haria,**  
**64 years**  
 BOARD MEMBER  
 INDEPENDENT & NON EXECUTIVE



**Robert N. Kibaara,**  
**51 years**  
 GROUP CHIEF EXECUTIVE OFFICER  
 NON INDEPENDENT &  
 NON EXECUTIVE



**Dr. Dorcas Muthoni,**  
**46 years**  
 BOARD MEMBER  
 INDEPENDENT & NON EXECUTIVE



**Peter O. Mugeni,**  
**48 years**  
 MANAGING DIRECTOR  
 NON INDEPENDENT & EXECUTIVE

## HF Group Plc Board of Directors (Continued)

### **Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH | Date of Appointment: 21<sup>st</sup> October 2021**

#### **Group Chairperson - Independent and Non Executive**

Prof. Mugenda is a seasoned academic researcher and administrator with specialization in Women/Girl's Education, Research Methods & Statistics, Leadership and Governance. She holds a Doctor of Philosophy (Ph.D.), Iowa State University, USA. Master of Business Administration, Eastern and Southern Africa Management Institute, (ESAMI), Arusha, Tanzania. Master of Science (M.Sc.), Iowa State University, USA and Bachelor of Education (First Class Honours), University of Nairobi.

She is the former Chairperson – Kenyatta University Teaching, Referral & Research Hospital; Chancellor, KCA University (November 2019) among others. She was the Vice-Chancellor, Kenyatta University for 10 years – between March 20th, 2006 to March 20th, 2016. During her tenure, the University grew in both stature and financial strength.

### **Robert N. Kibaara | Date of Appointment: 1<sup>st</sup> March 2019**

#### **Group Chief Executive Officer - Executive & Non Independent**

Robert is a renowned banker, with over 29 years' experience and an excellent record of accomplishment in successfully driving change, revenue mobilization and delivering outstanding business results. He has previously held several leadership positions including Retail Director at NIC Bank; Executive Director - Retail and Business Banking at National Bank of Kenya; Standard Chartered Bank; among other executive positions at Barclays Bank of Kenya.

He holds an MBA Degree from Strathmore University, Bachelor's Degree in Banking and Finance from the University of Sunderland (UK) and a Post Graduate Diploma from the Chartered Institute of Marketing (CIM) UK

### **Dr. Benson I. Wairegi, EBS | Date of Appointment: 1<sup>st</sup> April 2008**

#### **Non Independent & Non Executive Director**

Dr. Benson I. Wairegi, EBS, worked for Britam Holdings Plc in various capacities and held the position of Chief Executive Officer and Group Managing Director before retiring in January 2021. He had previously worked with PricewaterhouseCoopers before joining Britam. He has significant insurance, investment and financial services industry experience. Dr. Wairegi is currently the Chancellor of Kenyatta University. He is also the Chairman of Endeavor Kenya, a US based organization headquartered in New York City that is pioneering the concept of high-impact entrepreneurship in growth markets around the world.

He is a former Chairman of the Association of Kenya Insurers (AKI) and former Board Member of the Board of Trustees of the Insurance Training and Education Trust (ITET). Dr. Wairegi holds an Honorary Doctorate Degree (Honoris Causa) from Kenyatta University, Bachelor of Commerce and Master of Business Administration degrees from the University of Nairobi. He is a Certified Public Accountant (CPA-K) and a Fellow of the Kenya Institute of Management.

### **Dr. Peter K. Munga, EGH, CBS | Date of Appointment: 1<sup>st</sup> July 2008**

#### **Non Independent & Non Executive Director**

Dr. Peter K. Munga, EGH, is a Certified Public Secretary with vast experience in both public and private sector management. He holds two honorary doctorates, Doctor of Letters (Honoris Causa) from The University of Nairobi, and Entrepreneurship (Honoris Causa) from Kenya Methodist University.

He has a Diploma in Human Resources and Financial Management. He has received the highest presidential award to a civilian, the First Class Chief of the Order of the Burning Spear (CBS) and also the Second Class Order of the Golden Heart of Kenya (EGH) national decoration, for his outstanding contributions to economic development. Dr. Munga is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Limited, Freshco Seeds Limited and Murang'a Water and Sewerage Company (MWASCO). He is the current Chancellor of Pioneer International University. He is also a Director at Britam Holdings Plc.

## HF Group Plc Board of Directors (Continued)

### **Dr. Anthony O. Omerikwa, MBS | Date of Appointment: 18<sup>th</sup> January 2022**

#### **Independent & Non Executive Director**

Dr. Omerikwa, MBS is currently a Consultant with the World Bank and was the immediate former CEO/Managing Trustee of the National Social Security Fund. Prior to this, he served as the Acting General Manager Operations in the same institution overseeing Information Technology, Human Resource, Administration and Procurement functions.

He holds a Doctoral Degree from the University of Georgia in Human Resource & Organization Development, a Specialist Advanced Degree in Labour, Workforce Development and Education and a Master of Science Degree in Human Resource Development both from Pittsburgh State University, a Bachelor of Arts Degree in Economics from Kenyatta University and a Diploma in Data Processing and Management from Strathmore College. Dr. Omerikwa is an associate member of the Institute of Human Resource Management, Institute of Directors and Kenya Institute of Management.

### **Felister W. Kembi | Date of Appointment: 26<sup>th</sup> September 2016**

#### **Independent & Non Executive Director**

Ms. Felister W. Kembi joined the board on 26th September 2016. She is a graduate of the University of Nairobi with a Bachelor's Degree in Commerce (Accounting option). She is also a CPA (K) holder and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Felister has vast experience having worked for Kenya Airways, East African Portland Cement, Kenya Times, Bellhouse Mwangi, Ernst & Young and Roussel of EA later known as AgrEvo EA Limited, mainly as an accountant, auditor and Finance Manager. She is also a Director of Felicity Exclusive Designs, a major importer and distributor of clothing and household goods.

### **Tom M. Gitogo | Date of Appointment: 1<sup>st</sup> August 2023**

#### **Non Independent & Non Executive Director**

Mr. Tom Gitogo is the Group MD and CEO, of Britam Holdings Plc, a leading diversified financial services group, present in seven African countries: Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique, and Malawi.

Tom joined Britam on 1st September 2022. He is an accomplished financial services professional and board level leader, skilled in general management, commercial and business strategy, sales, and finance operations, and talent management, having spent over 30 years in various roles in the financial services industry in Africa and Europe. Before joining Britam, Tom was previously the Group CEO of CIC, a listed regional insurance group, and the CEO of Sanlam Insurance.

Tom holds a Master of Business Administration (Strategic Management) from Moi University and a Bachelor of Science in Civil Engineering from the University of Nairobi. He is also a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and a member of the Institute of Directors of Kenya (IOD).

### **Dr. Anne W. Kimari | Date of Appointment: 24<sup>th</sup> June 2022**

#### **Independent & Non Executive Director**

Dr. Anne Kimari is a committed and dedicated professional with twenty-seven years' experience in SME Banking, General Management, Accounting, Finance, Strategic Management, Tax, Risk, Audit, Microfinance, as well as having Corporate Governance and Board experience and knowledge. She is the founder and principal consultant of Fine Bridge Associates Limited, providing Finance and Microfinance Consultancy services.

She holds a Doctorate and MBA Finance – United States International University – Africa (USIU), Bachelor of Commerce Finance Option – University of Nairobi. She is a Certified Public Accountant (CPA) and member of ICPAK, Fellow of ACCA. She holds an Executive Certificate in SME Banking – Frankfurt School – Germany and a Microfinance Trainer of Trainers (MFTOT) Certificate from Asian Development Bank (Tokyo, Japan) in collaboration with the World Bank and UNCTAD. She has worked in senior roles in Microfinance and other sector companies.

## Senior Management Team



**Robert N. Kibaara, 51 years**  
GROUP CHIEF EXECUTIVE OFFICER



**Peter O. Mugeni, 48 years**  
MANAGING DIRECTOR, HFC



**Sammy Kamanthi, 50 years**  
GROUP CHIEF FINANCE OFFICER



**Regina Anyika, 57 years**  
DIRECTOR LEGAL DIVISION &  
COMPANY SECRETARY



**Joseph Chikove, 42 years**  
DIRECTOR, TREASURY



**Kennedy Gachoki, 49 years**  
GENERAL MANAGER, RISK



**Joseph Ngare, 55 years**  
GENERAL MANAGER, AUDIT

## Senior Management Team



**Catherine Olaka, 56 years**  
DIRECTOR, HUMAN RESOURCES &  
ADMINISTRATION



**David Igweta, 53 years**  
CHIEF OPERATIONS OFFICER



**Patrick Njunge, 45 years**  
DIRECTOR, RETAIL &  
BUSINESS BANKING



**Peris Wambui, 36 years**  
ACTING EXECUTIVE DIRECTOR,  
HF DEVELOPMENT & INVESTMENT LTD



**Tonney A. Mugah, 42 years**  
DIRECTOR, STRATEGY & BUSINESS  
PERFORMANCE



**Juddy Wambita, 44 years**  
DIRECTOR, CREDIT



**Nkatha Gitonga, 46 years**  
DIRECTOR, MARKETING,  
CORPORATE AFFAIRS & CITIZENSHIP

## Senior Management Team (Continued)

### Robert N. Kibaara

#### Group Chief Executive Officer

Robert is a renowned banker, with over 29 years' experience and an excellent record of accomplishment in successfully driving change, revenue mobilization and delivering outstanding business results. He has previously held several leadership positions including Retail Director at NIC Bank; Executive Director - Retail and Business Banking at National Bank of Kenya; Standard Chartered Bank; among other executive positions at Barclays Bank of Kenya.

He holds an MBA Degree from Strathmore University, Bachelor's Degree in Banking and Finance from the University of Sunderland (UK) and a Post Graduate Diploma from the Chartered Institute of Marketing (CIM) UK.

### Peter O. Mugeni

#### Managing Director, HFC

Peter is a seasoned banker, with over 18 years' experience in Credit Risk Management and Operations, as well as leading large teams both regionally and across Africa. Through his experience, he has formulated and implemented business strategies which have made significant turnaround impacts to the organizations he has worked for. He joined HF Group from Standard Bank of South Africa where he was Credit Executive responsible for Sanctioning and Monitoring of Large Exposures from Stanbic Africa entities (including Kenya). Prior to that, he was the Head of Credit, Personal and Business Banking for Stanbic Bank Tanzania for 5 years.

Peter has previously worked at HF Group Plc as an Accounts Officer, Credit Analyst and Assistant Credit Manager, and with Stanbic Bank Kenya Limited as Credit Origination Manager (Corporate & Investment Banking), Credit Evaluation Manager (Personal and Business Banking) and Head of Credit, Business Banking. He holds a Master of Science in Finance (Banking Option) and a Bachelor of Commerce degree (Finance Option) both from the University of Nairobi. In addition, he is a Certified Retail Banker (CRB), Certified Chartered Accountant (ACCA) and a fellow of the Retail Banking Academy of the United Kingdom.

### Catherine Olaka

#### Director, Human Resources & Administration

Catherine Olaka has extensive HR experience and has achieved success in designing & implementing scalable HR initiatives with a key focus on business transformation at executive level. She has a wealth of Sub-Saharan Africa work experience having served in various assignments in Tanzania, Rwanda, Chad, Gabon, Ghana, Nigeria, Congo Brazzaville, DRC, Madagascar and RSA, and industry experience within the ICT and Financial services.

Her career highlights include roles as the overall HR leader at Stanbic Bank Uganda, Tigo Tanzania, and Telkom Kenya.

Catherine holds a Bachelor of Arts Degree (University of Nairobi), an MBA (Maastricht school of Management), Post-Graduate Diploma in HR and is a licensed Executive Coach and a member of AoEC (Association of Executive Coaches – UK) and ICF (International Coaching Federation).

### Regina Anyika

#### Company Secretary & Director, Legal

Regina is a seasoned legal professional with expertise in governance, commercial law, labour relations and dispute resolution, deal structuring for Capital Raising including corporate bonds, Rights Issues, Mergers and Acquisitions. She joined HF Group Plc in September 2013 and is currently the Company Secretary and Director, Legal. Prior to joining the bank, Regina worked with the Co-operative Bank of Kenya Limited and Senator Cards Limited.

She holds an MBA (Employee Relations) from the University of Leicester, LLB from the University of Nairobi, Diploma from the Kenya School of Law and is a Certified Public Secretary of Kenya (CPS K). She is an award-winning legal expert, having been recognized in the 2015 Legal 500's list of the top 100 corporate counsel in Africa ([www.Legal500.com](http://www.Legal500.com)), as Top Private Sector Lawyer of the Year (in-house) Practitioner November 2024, Nairobi Legal Awards and as Top 10 Women Lawyer in Private Sector March 2024, Nairobi Legal Awards.

## Senior Management Team (Continued)

### Joseph Chikove

#### Director, Treasury

Joseph is a seasoned treasury professional, with over 16 years' experience in the banking industry across the East African Region. He has had an excellent track record orchestrating high team performance in the treasury business. Prior to joining HF Group Plc in 2019, Joseph held various positions including Head of Treasury at NIC Bank Uganda, Senior Treasury Dealer at NIC Bank Tanzania and Treasury Dealer at NIC Bank Kenya and Fina Bank Kenya Limited.

Joseph holds a Master's Degree in Business Administration from Edinburgh Business School and holds a Bachelor of Commerce Degree from University of Nairobi. He also holds an ACI Dealing Certificate and is a member of the Financial Markets Association of Kenya (ACI Kenya) and a student member of Chartered Institute for Securities and Investments.

### Kennedy Gachoki

#### General Manager, Risk

Kennedy joined HF Group Plc in November 2015 to oversee the Enterprise Risk Management Division with functional reporting responsibilities to Board Risk Committee. He joined the Group from Central Bank of Kenya (CBK) where he had served since June 2008, in the Bank Supervision Department. He has vast experience in banking risk management processes including risk identification, risk measurement, risk control and risk monitoring. He has also participated in several international and local forums on banking risk management including compliance related trainings.

Kennedy holds a Master's Degree in Business Administration (MBA-Finance) from the University of Nairobi and a Bachelor of Commerce Degree in Accounting. He is also a Certified Public Accountant CPA (K).

### Joseph Ngare

#### General Manager, Audit

Joseph joined HF Group Plc on 19th April, 2010 as the Head of Audit. Prior to joining the Company, he worked with Gulf African Bank and Cooperative Bank of Kenya Limited.

Joseph holds a Bachelor of Commerce Degree (Finance Option) and is a qualified Certified Public Accountant (Kenya), Certified Internal Auditor (CIA) and a Certified Quality Assessor (QA).

### David Igweta

#### Chief Operations Officer

David is an astute ICT and operations expert with over 26 years of experience in Information Technology and Banking. Before joining HF Group Plc, he worked as the Head of Technology and Operations at Spire Bank, GM ICT at NIC Bank, Soluziona (an entity affiliated to the Spanish Power company as a systems consultant) and Car and General. He has expertise in policy formulation and best practice in ICT governance standards implementation, project and program management, IT Security and key strategic road map formulation and roll-out. He is well versed with IT and operational trends in banking and payment systems with deep involvement in Fintech engagements and partnerships.

David holds a Degree in Mathematics and Computer Studies from Kenyatta University and various accreditation and certifications.

### Patrick Njunge

#### Director, Retail & Business Banking

Patrick is a seasoned results-driven banker with 15 years' experience in banking. He has good experience in building business units, driving innovation and entrenching excellence in customer experience. Patrick has managed various business units and has broad experience in digital and retail banking. Some of the roles he has managed in the past include Portfolio Manager - Lending; Head of Credit Cards business, Head of Retail Products and Segments, and Head of Digital Business across 3 banks; NIC Bank, National Bank and Standard Chartered Bank.

Patrick is a holder of a Global Executive MBA from USIU in partnership with Frankfurt School of Business and a Bachelor of Arts Degree in Economics, among other qualifications.

### Juddy Wambita

#### Director, Credit

Juddy is a credit professional with vast experience in Credit Policies formulation, Evaluation as well as Portfolio Management. She has held various positions in credit with the immediate former being Head of Credit, Consumer and High Net worth Clients and Acting Head of Credit, Business Banking & Commercial Clients. She has previously served as Senior Credit Manager, Business and Corporate Banking at Absa Kenya Plc and Credit Manager at NIC Bank.

Juddy holds a Bachelor of Education Science degree from Kenyatta University, Advanced Management Programme from IMD Business School -Switzerland, Credit Skills Development Certificate by Omega Performance Corporation (UK) and a Certificate in Agricultural Financing from ECAF. She is currently pursuing an MBA in Finance from the University of Nairobi.

## Senior Management Team (Continued)

### Tonney Agira

Director, Strategy & Business Performance

Tonney is a seasoned banker, with over 17 years' experience in strategy development & execution, business intelligence and analytics, retail banking and products management. Through his experience, he has been able to achieve business results which have made significant turnaround impacts to the organizations he has worked for, including growth in revenue and profitability; process improvements; development of business scorecards and frameworks that created excellence in market execution.

He has previously held several senior roles including Head of Products, Head of Retail Strategy & Analytics at NIC Bank; Head of Retail Lending, and Manager Business Intelligence & Analytics at National Bank of Kenya; and a Business Analyst among other roles at Barclays Bank of Kenya.

Tonney holds a Bachelor's of Science degree (Biomedical Science & Technology - Pharmacology option) and is currently undertaking his MBA. He is a data and analytics enthusiast and has several certifications in this field including predictive analytics and propensity modeling certifications. He is also a yellow belt holder of the Lean six sigma process re-engineering program.

### Sammy Kamanthi

Group Chief Finance Officer

Sammy is a finance professional and a seasoned banker with over 22 years track record in the banking industry. His role includes providing leadership in financial forecasting & budgets, overseeing the preparation of financial reports as well as advisory on long term business and financial planning. Prior to joining HF Group Plc, he held the position of General Manager and Head of Finance for the Kenya operations at Equity Bank. He has also served as the Finance Manager & Head of Financial Reporting at the same institution. Sammy has also held other positions including Accountant at Kenya Airways; Graduate Management Trainee, Senior Bank Officer and Assistant Finance Manager at the Central Bank of Kenya.

Sammy holds a Bachelor of Commerce Degree in Accounting from Kenyatta University, Master's Degree in International Development Studies, Development Economics from National Graduate Institute of Policy Studies – Tokyo, Japan and Master in Business Administration (MBA) – Finance, from Edinburgh Business School (EBS), Heriot-Watt Univ – Edinburgh. He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants (ICPAK).

### Nkatha Gitonga

Director, Marketing, Corporate Affairs & Citizenship

Nkatha is a seasoned marketer with 26 years' experience spanning entertainment, advertising & media, aviation, ICT & financial services sectors. She is passionate about leadership, brands, coaching, culture and sustainability. Nkatha has led innovative strategic project teams to successfully realize the business objectives of leading organizations in Africa.

She honed her skills at various organisations including Ayton Young & Rubicam (AY&R), Kenya Airways, ScanGroup & AccessKenya (Internet Solutions/Dimension Data). Prior to joining HF Group, she served as the Group Manager, Marketing and Communications for ICEA LION Group across Kenya, Uganda & Tanzania.

Nkatha holds a BA in Political Science & Sociology (Hons) from the University of Nairobi and an MBA in Leadership & Sustainability from the University of Cumbria, U.K. She is a Certified Engagement & Productivity Coach (CEPC) from the International Coach Federation (ICF) and a Certified Organizational Culture Practitioner under the auspices of The Culture Factor Africa.

### Peris Wambui

Acting Executive Director, HF Development & Investment Ltd

Peris is a strategic transformation professional with over 10 years' experience in corporate strategy, business transformation, operational excellence, and client service management across financial services, consulting, and public sector programs. Her career has been defined by high-impact turnarounds, through strategic restructuring, cash flow optimization, and revenue innovation. She has held several senior roles including Head of Strategy, Operations & Client Services at HF Group and Senior Associate – Business Development & Strategy at KPMG East Africa. She also served as a strategy consultant in the public sector under the Big four agenda.

Peris holds an MBA in Global Business Management from USIU-Africa and a Bachelor's degree in Business Management (Enterprise Development) from Moi University. She has also undertaken executive training in Strategy Execution from Harvard Business School, Lean Six Sigma (Green Belt), and Strategic Marketing and Digital Strategy from the Chartered Institute of Marketing (CIM UK).

## HF Bancassurance Intermediary Limited Directors



**Dr. Benson I. Wairegi, EBS**  
**72 years**  
 BOARD MEMBER  
 NON INDEPENDENT & NON  
 EXECUTIVE



**Constance W. Gakonyo, CBS,**  
**MGH, 59 years**  
 BOARD MEMBER  
 INDEPENDENT & NON EXECUTIVE



**Robert N. Kibaara, 51 years**  
 GROUP CHIEF EXECUTIVE OFFICER  
 NON INDEPENDENT & NON  
 EXECUTIVE



**Patrick Njunge, 45 years**  
 BOARD MEMBER  
 NON INDEPENDENT & NON  
 EXECUTIVE



**Tonney A. Mugah, 42 years**  
 BOARD MEMBER  
 NON INDEPENDENT & NON  
 EXECUTIVE



**Maureen Stephyne, 39 years**  
 PRINCIPAL OFFICER

# Notice of Annual General Meeting

To the Shareholders of **HF GROUP PLC**

**NOTICE IS HEREBY GIVEN** that in accordance with Articles 59 and 61 of the Articles of Association of the Company, the 59<sup>th</sup> Annual General Meeting of the Company will be held via electronic communication on Wednesday, 28<sup>th</sup> May 2025 at 11.00 a.m. to conduct the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31<sup>st</sup> December 2024 together with the Chairman's, the Directors' and Auditor's Reports thereon.
4. To note that the Directors do not recommend the payment of a dividend for the year ended 31<sup>st</sup> December 2024.
5. To elect Directors:
  - a) Ms. Felister Kembi retires by rotation in accordance with Article 105 of the Company's Articles of Association and, being eligible, offers herself for re-election.
  - b) Dr. Peter Kahara Munga, who is over seventy years old, retires by rotation in accordance with Article 105 of the Company's Articles of Association, and being eligible, offers himself for re-election.
  - c) Dr. Anne Kimari retires by rotation in accordance with Article 105 of the Company's Articles of Association and, being eligible, offers herself for re-election.
  - d) Prof. Olive Mugenda, having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers herself for re-election.
  - e) Dr. Anthony Omerikwa Opare retires at this meeting, and does not offer himself for re-election.
  - f) In accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected individually to continue to serve as members of the said Committee:-
    - Ms. Felister Kembi
    - Dr. Anne Kimari
6. To approve the Directors Remuneration Report as detailed in the Annual Report for the year ended 31<sup>st</sup> December 2024.
7. To appoint PricewaterhouseCoopers (PwC) Kenya as the auditors of the Company in accordance with Sections 721 of the Companies Act, No. 17 of 2015 and to authorize the Directors to fix the remuneration of the auditors in terms of section 724 of the said Companies Act.

## 8. SPECIAL BUSINESS

### A. Approval of Company Policies

To generally authorize the Board to formulate, approve and regularly review policies and procedures as a continuing obligation, as required under the Thirteenth Schedule of the Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2023 for:

- a. Remuneration
- b. Effective communication with stakeholders' policy
- c. Corporate Disclosures policies and procedures
- d. Disputes Resolution for Internal & External disputes
- e. Retention and attraction of Board Members of the Company

### B. The Conclusion of The Rights Issue

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

- a. **THAT** following the successful completion of the Rights Issue dated 25<sup>th</sup> October 2024 the Company hereby ratifies the


allocation policy adopted by the Board of Directors during the Rights Issue as per the Rights Issue documentation and this ratification forms part of the members resolution dated 4<sup>th</sup> September 2024.

### C. The Establishment of an Employee Share Ownership Scheme

To consider and, if thought fit, to pass the following resolutions as special resolutions:

- i. **THAT** subject to the Company receiving the required regulatory approvals including but not limited to the approval of the Capital Markets Authority, the Board of Directors of the Company be and is hereby authorized to replace the existing employees' share scheme dated the 2<sup>nd</sup> day of July Two thousand and eight with a new employees' share scheme under the Companies Act 2015 for the purposes of granting shares and options to eligible employees, such scheme to be known as the **HF GROUP PLC SCHEME (ESOP)**, and to be in a form and structure to be approved by the Board of Directors, the Capital Markets Authority and any other relevant Authority.
- ii. **THAT** the nominal share capital of the Company be increased from Kes **9,999,976,275** comprising of **1,999,995,255** ordinary shares of KES. 5/= each to **10,471,348,280** by the creation of **94,274,401** ordinary shares of KES. 5/= each ("the **ESOP Shares**") ranking *pari passu* with the existing ordinary shares of the Company in issue.
- iii. **THAT** the authority granted by members on 26<sup>th</sup> May 2023 having lapsed on 26<sup>th</sup> May 2025, and subject to the Company receiving the required regulatory approvals including but not limited to the approval of the Capital Markets Authority, the Board of Directors of the Company is hereby authorized to allot to the ESOP **94,274,401** new ordinary shares of Kshs.5 each, being the ESOP Shares such shares to be issued to eligible employees for such consideration and such terms as is established in the ESOP Trust Deed and Rules **PROVIDED THAT:-**
  - (i) The Board of Directors are at liberty to allot the ESOP Shares in phases within a period of five (5) years from the date of this resolution;
  - (ii) The maximum number of shares held by the ESOP shall not at any one time exceed 5% of the issued share capital of the Company;
  - (iii) The ESOP Shares may be issued at a discount but shall not be issued below par value;
  - (iv) The ESOP Shares shall rank *pari passu* in all respects with the existing ordinary shares of the Company; and.
  - (v) The authority granted under this resolution shall, unless renewed, varied or revoked by the Company, expire on 28<sup>th</sup> May 2030, noting that the Directors may allot ordinary shares of the Company notwithstanding the expiry of the authority conferred by this resolution where such allotment is done pursuant to an offer or agreement made before such expiry.

9. To consider any other business for which due notice has been given.



**BY ORDER OF THE BOARD**

**Regina Anyika**

**Company Secretary**

**P.O. Box 30088, GPO 00100**

**NAIROBI**

**Date: 6<sup>th</sup> May 2025**

## Notice of Annual General Meeting (Continued)

### NOTES:

1. Shareholders wishing to participate in the meeting should register for the AGM by dialing **\*483\*803#** for all networks and follow the various prompts on the registration process. Shareholders will not incur any cost for such registration.
2. To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number: **(+254) 709 170 000** from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Shareholders outside Kenya should dial the helpline number for assistance during registration.
3. Registration for the AGM opens on **Tuesday 6<sup>th</sup> May 2025 at 9:00 am** and will close on **Monday, 26<sup>th</sup> May 2025 at 11.00 a.m.** Shareholders will not be able to register after this time.
4. In accordance with Article 160 of the Company's Articles of Association, the following documents may be viewed on the Company's website [www.hfgroup.co.ke](http://www.hfgroup.co.ke) (a) a copy of this Notice and the proxy form; (b) the Company's Annual Report & Audited financial statements for the year ended 31<sup>st</sup> December 2024
5. Any shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. Such proxy need not be a member of the Company.
6. A proxy form is provided with the Annual Report. The proxy form can also be obtained from the Company's website [www.hfgroup.co.ke](http://www.hfgroup.co.ke) or from Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P. O. Box 9287 – 00100, Nairobi, Kenya. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the proxy form to Image Registrars Limited, or alternatively to the Registered Office of the Company so as to arrive not later than **Monday 26<sup>th</sup> May 2025** at 11.00 a.m.
7. Duly signed proxy forms may also be emailed to [info@image.co.ke](mailto:info@image.co.ke) in PDF format. A proxy form must be signed by the appointor or his attorney duly authorized in writing. If the appointor is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate.
8. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so on or before **Monday 26<sup>th</sup> May 2025** at 11.00 a.m. by: (a) sending their written questions by email to [agmquestions@hfgroup.co.ke](mailto:agmquestions@hfgroup.co.ke); or (b) to the extent possible, physically delivering or posting their written questions with a return physical, postal or email address to the registered office of the Company or P.O. Box 30000 – 00100, Nairobi, or to Image Registrars offices at the address above. (c) Shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting the option (Ask Question) on the prompts (d) During the AGM, shareholders can send their questions by using the "Questions" tab on their livestream link.

Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications.

The Company's directors will provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder no later than 12 hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the AGM.

9. Registered Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to Propose and Second the resolutions put forward in the notice.
10. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, as a reminder that the AGM will begin in an hours' time and providing a link to the live stream.
11. Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote (when prompted by the chairman) via the USSD prompts.
12. Results of the resolutions voted on will be published on the Company's website i.e. [www.hfgroup.co.ke](http://www.hfgroup.co.ke) within 48 hours following conclusion of the AGM on the Company's website.

# Notisi kuhusu mkutano mkuu wa pamoja wa mwaka

Kwa wanahisa wa **HF GROUP Plc**

**NOTISI INATOLEWA HAPA KWAMBA**, kufungamana na vifungu nambari 59 na 61 vya sheria za makampuni, mkutano wa 59 wa pamoja wa mwaka wa kampuni utafanyika kwa mbinu ya mawasiliano ya kielektroniki Jumatano Mei 28, 2025 kuanzia saa tano asubuhi ili kutekeleza shughuli zifuatazo za kibiashara;

1. Kuwataja mawakala na kuzingatia akida ya mkutano
2. Kusoma Notisi ya kuitishwa kwa Mkutano
3. Kupokea na endapo itaidhinishwa, kupitisha mizania iliyofanyiwa ukaguzi na taarifa za matumizi ya pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2024 pamoja na ripoti ya mwenyekiti, wakurugenzi na wahasibu
4. Kutambua kwamba, wakurugenzi hawatoji pendekezo lolote la malipo ya mgao wa faida kwa kipindi cha mwaka uliomalizika Desemba 31, 2024
5. Kuwachagua wakurugenzi:
  - a) Bi. Felister Kembi anastaafu kwa zamu kwa mujibu wa kifungu nambari 105 cha sheria za makampuni na kwa kuwa hali inamruhusu, amejitokeza ili kuchaguliwa tena
  - b) Dkt. Peter Kahara Munga ambaye umri wake ni zaidi ya miaka 70 anastaafu kwa zamu kwa mujibu wa kifungu nambari 105 cha sheria za makampuni na kwa kuwa hali inamruhusu, amejitokeza ili kuchaguliwa tena.
  - c) Dkt. Anne Kimari anastaafu kwa zamu kwa mujibu wa kifungu nambari 105 cha sheria za makampuni na kwa kuwa hali inamruhusu, amejitokeza ili kuchaguliwa tena
  - d) Prof. Olive Mugenda ambaye amefikisha umri wa miaka 70 anastaafu kwa mujibu wa kanuni za maadili ya utawala wa biashara za utoaji wa dhamana za umma ya mwaka 2015 na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena
  - e) Dkt. Anthony Omerikwa Opere atastaafu baada ya mkutano huu na hatajitokeza ili kuchaguliwa tena
  - f) Kwa Kufungamana na vipengele sehemu ya 769 vya sheria za makampuni ya mwaka 2015, wakurugenzi wafuatao ambao ni wanachama wa kamati ya kundi kuhusu uhasibu na athari wachaguliwe kibnafi ili waendeleo kuhudumu kama wanachama wa kamati husika. –
    - Bi. Felister Kembi
    - Bi. Anne Kimari
6. Kuidhinisha ripoti ya marupurupu ya wakurugenzi kama ilivyofafanuliwa kupitia ripoti ya mwaka kwa kipindi cha mwaka uliomalizika Desemba 31, 2024.
7. Kuteua PricewaterhouseCoopers (PwC) Kenya kama wakaguzi wa pesa za kampuni kwa mujibu wa sehemu ya 721 ya sheria za kampuni nambari 17 ya mwaka 2015 na kuwaamuru wakurugenzi kuamua marupurupu ya wakaguzi wa pesa kufungamana na sehemu ya 724 ya sheria za kampuni zilizotajwa

## 8. SHUGHULI MAALUM

### A. Kuidhinishwa kwa sera za kampuni

Kwa ujumla, kuidhinisha Halmashauri kuunda, kupitisha na kila mara kutathmini sera na taratibu kama wajibu unaoendelea inavyohitajika chini ya ratiba ya kumi na tatu ya mtaji wa masoko ya (Ofa za Umma, kuorodhesha na ufichuzi) sheria ya mwaka 2023 kuhusu:

- a. Marupurupu
- b. Sheria ya mawasiliano mwafaka na washika dau
- c. Ufichuzi kuhusu shirika na taratibu
- d. Utatuzi wa migogoro ya ndani na nje
- e. Uvutiaji na uhifadhi wa wanachama katika halmashauri ya kampuni

### B. Hitimisho la swala la haki miliki

Kuzingatia na endapo itakubalika, kupitisha azimilo lifuatalo kama azimio la kawaida KWAMBA, kufuatia kufaulu kwa zoezi la utoaji wa swala la haki miliki Oktoba 25, 2024, kampuni inaidhinisha matumizi ya sera ya ugawaji iliyopitishwa na halmashauri ya wakurugenzi wakati wa swala la haki miliki kwa mujibu wa nukuu na kwamba kupitishwa huku kuwe sehemu moja ya maazimio ya wanachama yaliyonukuliwa Septemba 4, 2024.

## C. Kuanzishwa kwa Mpango wa Umiliki wa Hisa za mfanyakazi

Kuzingatia na endapo itakubalika, kupitisha maazimio yafuatayo kama maazimio maalumu;

- i. **KWAMBA**, baada ya kampuni kupokea idhini zinazohitajika ikiwemo idhini kutoka masoko ya mtaji wa hisa, halmashauri ya wakurugenzi wa kampuni ipewe idhini kubadili mfumo wa sasa wa umiliki wa hisa za wafanyakazi ulionukuliwa Julai 2, 2008 na mfumo mpya wa umiliki wa hisa za mfanyakazi chini ya kifungu cha sheria za makampuni ya mwaka 2015 kwa madhumuni ya kutoa hisa na nafasi zilizoko kwa wafanyakazi waliohitimu na mpango huo kujulikana kama **HF GROUP PLC SCHEME (ESOP)** ili kuwa mfumo na muundo utakaoidhinishwa na halmashauri ya wakurugenzi, halmashauri ya masoko ya hisa na halmashauri nyingine husika.
  - ii. **KWAMBA**, kiwango cha mtaji wa hisa za kawaida za Kampuni kiongezwe kutoka **Kshs. 9,999,976,275** kwa kujumuisha hisa za kawaida 1,999,995,255 za thamani ya Kesh. 5/= kwa kila moja hadi **10,471,348,280** kwa kuanzisha hisa **94,274,401** za kawaida za thamani ya Kesh. 5/= kwa kila moja ("the ESOP Shares") na kwenda sambamba na hisa za sasa za kawaida za kampuni kwenye toleo
  - iii. **KWAMBA** halmashauri kupitia idhini ya wanachama, mnamo Mei 26, 2023 na kukamilika Mei 26, 2025 na kwa kutegemea kampuni kupokea idhini ya kisheria kutoka halmashauri husika ikiwemo idhini kutoka halmashauri ya soko la mtaji, Wakurugenzi wa Kampuni wameidhinisha kugawa kwa ESOP **94,274,401** hisa za kawaida za thamani ya Kshs.5 kwa kila moja kama hisa za ESOP na hisa kama hizo kutolewa kwa wafanyakazi waliohitimu kama ilizofafanuliwa kupitia hati na kauni za uaminifu za **ESOP IKIZINGATIWA KWAMBA:-**
    - (i) Halmashauri ya wakurugenzi ina uhuru wa kutoa hisa za ESOP kwa awamu chini ya kipindi cha muda wa miaka tano (5) kuanzia tarehe ya kupitishwa kwa azimio hili;
    - (ii) Hakuna wakati lddadi ya mwisho ya hisa zilizoshikiliwa na ESOP itazidi asilimia 5 % ya hisa zilizotolewa katika kampuni;
    - (iii) Hisa za ESOP zinaweza kutolewa kwa punguzo lakini hazitolewa chini ya thamani ya kawaida;
    - (iv) Hisa za ESOP zitaorodheshwa kwa njia zote sawa na hisa za kawaida zilizopo za Kampuni; na;
    - (v) Mamlaka iliyotolewa chini ya azimio hili itakuwa, labda kufanyiwa makabiliko, kutofautishwa au kufutuliwa mbali na kampuni itakamilika Mei 28, 2030 kwa kuzingatia kwamba wakurugenzi wanaweza kutoa hisa za kawaida za kampuni bila kujali kumalizika kwa mamlaka iliyotolewa na azimio hili ambapo mgao huo unafanywa kwa mujibu wa ofa au makubaliano yaliyotolewa kabla ya kumalizika muda huo.
9. Kuzingatia shughuli nyingine za kibiashara ambazo notisi yake itakuwa imetolewa.



**KWA AMRI YA HALMASHAURI**

**Regina Anyika**

**Katibu wa Kampuni**

**Slp 30088, GPO 00100**

**NAIROBI**

**Tarehe : Mei 6, 2025**

# Notisi kuhusu mkutano mkuu wa pamoja wa mwaka (Inaendelea)

## NUKUU:

1. Wanahisa wanaotaka kuhudhuria mkutano wa pamoja wa mwaka wajisajili kushiriki kwa kupiga nambari **\*483\*803#** kwa mitandao yote. Wanahisa hawatatozwa ada zozote wakati wa usajili huu.
  2. Ili kukamilisha hatua za usajili, wanahisa watahitajika kuonyesha nambari za kitambulisho chao cha uraia/ paspoti zilizotumika wakati wa ununuzi wa hisa au nambari zao za akaunti ya CDSC. Ili kupata usaidizi, wanahisa wapige simu kupitia nambari ya usadizi **(+254) 709 170 000** kuanzia saa tatu asubuhi hadi saa tisa alasiri siku za Jumatatu hadi Ijumaa. Wanahisa walioko nje ya Kenya wanashauriwa simu kupitia nambari ya usaidizi wakati wa usajili.
  3. Usajili kwa Mkutano Mkuu wa Pamoja wa Mwaka utaanza **Jumane Mei 6, 2025** kuanzia **saa tatu asubuhi** na kufungwa **Jumatatu Mei 26, 2025 saa tano asubuhi**. Wanahisa hawataweza kusajili baada ya muda huu kupita.
  4. Kwa mujibu wa kifungu nambari 160 cha sheria za ushirika wa makampuni, hati zifuatazo zinaweza kutazamwa kupitia wavuti wa kampuni [www.hfgroup.co.ke](http://www.hfgroup.co.ke) (a) nakala ya notisi hii pamoja na fomu ya uwakala; (b) ripoti ya mwaka ya Kampuni na taarifa za matumizi ya pesa zilizokaguliwa kufikia Desemba 31, 2024.
  5. Mwanahisa yeyote aliye na uwezo kuhudhuria na kupiga kura wakati wa mkutano wa pamoja wa mwaka ana uhuru kumteua wakala kufika na kupiga kura kwa niaba yake. Si lazima kwa wakala kama huyo kuwa mwanachama wa kampuni.
  6. Fomu ya uwakala imetolewa pamoja na ripoti hii ya mwaka. Fomu hii inaweza pia kupatikana kupitia wavuti wa kampuni; [www.hfgroup.co.ke](http://www.hfgroup.co.ke) au Image Registrars Limited jumba la Absa Towers (zamani Barclays Plaza), orofa ya 5, Loita Street, S.L.P 9287 – 00100, Nairobi, Kenya. Wanahisa ambao hawajatoa pendekezo la kuhudhuria mkutano wa pamoja wa mwaka wanaombwa kujaza fomu ya uwakala na kuirejesha kwa Image Registrars Limited au kwa ofisi ya kampuni iliyosajiliwa na kufika kabla au ifikiapo **Jumatatu Mei 26, 2025** saa tano asubuhi
  7. Fomu ya uwakala iliyotiwa sahihi kikamilifu inaweza kutumwa kupitia barua pepe [info@image.co.ke](mailto:info@image.co.ke) kwa mfumo wa PDF. Ni lazima fomu ya uwakala iwe imetiwa sahihi na mwenye kuteua au wakala wake kwa njia ya kuandika. Endapo mteuzi ni shirika, nakala inayomteua wakala iwe imepigwa mhuri wa kampuni au kutiwa sahihi na afisa au wakili aliyeidhinishwa shirika kama hilo.
  8. Wanahisa wanaotaka kuuliza maswali yoyote au ufafanuzi kuhusiana na mkutano wa pamoja wa mwaka wanaweza kufanya hiyo kabla ya **Jumatatu Mei 26, 2025** saa tano asubuhi kwa (a) kutuma maswali waliyoandika kwa [agmquestions@hfgroup.co.ke](mailto:agmquestions@hfgroup.co.ke); au (b) ikiwezekana kuwasilisha kwa njia ya moja kwa moja au kutuma kwa njia ya posta pamoja na anwani ya kurudisha majibu au anwani ya barua pepe kwa ofisi ya kampuni iliyosajiliwa au S.L.P 30000 – 00100, Nairobi, au kwa ofisi za Image Registrars kupitia anwani zilizotajwa hapo juu. (c) wanahisa ambao watakuwa wamejisajili kuhudhuria mkutano wataweza kuuliza maswali kwa kutuma ujumbe mfupi kwa kupiga USSD iliyoko hapo juu na kuchagua mfumo wanaotaka ( kuuliza swali) kwenye chaguo (d) wakati wa mkutano wa pamoja wa mwaka, wanahisa wanaweza kutuma maswali yao kwa kutumia kibonyezo " Questions" kwenye kiunganishi cha mawasiliano ya moja kwa moja.
- Ni lazima kwa wanahisa kutoa maelezo yao kamili (majina kamili, nambari ya kitambulisho/ akaunti ya CDSC ) wakati wanapotuma maswali yao au ufafanuzi.
- Wakurugenzi wa Kampuni watatoa majibu kwa maswali yaliyopokelewa kupitia anwani iliyotolewa au barua pepe ya mwanahisa kabla ya saa 12 za kuanza kwa mkutano wa pamoja wa mwaka. Orodha kamili ya maswali yaliyopokelewa na kutolewa majibu itachapishwa kupitia wavuti wa kampuni saa 12 kabla ya kuanza kwa mkutano wa pamoja wa mwaka
9. Wanahisa waliosajiliwa watapokea ujumbe mfupi kwa njia ya SMS ukiwa na maelezo kuhusu nambari zao za simu zilizosajiliwa kuwaarifu kupendekeza na kuunga mkono maazimio yaliyotolewa kwenye notisi.
  10. Mkutano wa pamoja wa mwaka utaendeshwa kwa njia ya moja kwa moja (stream live) kupitia kiunganishi ambacho kitatolewa kwa wanahisa wote ambao watakuwa wamejisajili kushiriki mkutano huo. Wanahisa waliosajiliwa kikamilifu pamoja na mawakala watapokea ujumbe mfupi (SMS/USSD) kupitia nambari zao za simu zilizosajiliwa saa 24 kabla ya kuanza kwa mkutano wa pamoja wa mwaka kuwakumbusha kuhusu mkutano. Ujumbe wa pili wa SMS/USSD utatumwa saa moja kabla ya kuanza kwa mkutano kuwakumbusha kwamba mkutano wa pamoja wa mwaka utaanza kwa muda wa saa moja ijayo na kuwapa kiunganishi ili kufuatilia matukio moja kwa moja.
  11. Wanahisa na mawakala ambao wamejisajili kuhudhuria mkutano wa pamoja wa mwaka wanaweza kufuatilia matukio moja kwa moja kupitia kiunganishi ili kupata agenda na kupiga kura (watakaposhauriwa na mwenyekiti) kwa njia ya USSD
  12. Matokeo kuhusu maazimio yaliyopitishwa yatachapishwa kupitia wavuti wa kampuni [www.hfgroup.co.ke](http://www.hfgroup.co.ke) chini ya muda wa saa 48 baada kukamilika kwa mkutano mkuu wa pamoja wa mwaka kwenye tovuti ya kampuni.



**OUR PURPOSE**  
Enriching Lives



**OUR MISSION**  
Enriching Lives  
Through Financial  
Empowerment



## OUR VISION

To be a top ten banking group by being the most **dependable** and **loved** financial services provider



## OUR VALUES

**S**tewardship

**T**eamwork

**I**nnovative

**C**ustomer Centric

**I**ntegrity



## Group Overview

HF Group Plc, was registered as a non-operating holding company (under the Banking Act Cap.488), regulated by the Central Bank of Kenya (CBK) in August 2015. The non-operating holding company oversees the operations of the Group subsidiaries. The Group structure was set up to enhance corporate governance, provide oversight in management of the subsidiaries and ensure optimal growth at both Group and subsidiary levels.

The Group is listed on the Nairobi Securities Exchange (NSE), and has four operational subsidiaries:

- HFC Limited - licensed to carry out the business of mortgage finance as well as banking services under the Banking Act.
- HF Development and Investment Limited - (formerly known as Kenya Building Society Limited) undertakes property development and investment.
- HF Bancassurance Intermediary Limited - provides bancassurance solutions.
- HF Foundation Limited - The Group's social investment arm.

## KEY THEMES



### Reposition

Achieve a complete shift of perception from a single product house to a **full service niche bank offering superior capabilities for the selected segments**

1



### Scale up the Engines of Growth

Achieve the desired growth in **Commercial, SME, Institutional, affluent, mass affluent and Diaspora segments** to build a less concentrated, stable lower-cost funding base and **selectively increase exposure in segments with higher risk-return**

2



### Drive Efficiency Through Technology

Provide **capabilities that will enable** delivery of the **brand promise** to the customer **cost effectively**

3



### Beyond Service Excellence

Deliver an **omni channel experience** with an **"all under one roof"** product & service suite for our chosen segments

4



### Solidify the Capital Base

Set up the bank to be able to accommodate accelerated investment and returns in the selected segments by having a **healthy capital base (Tier I & II)**

5

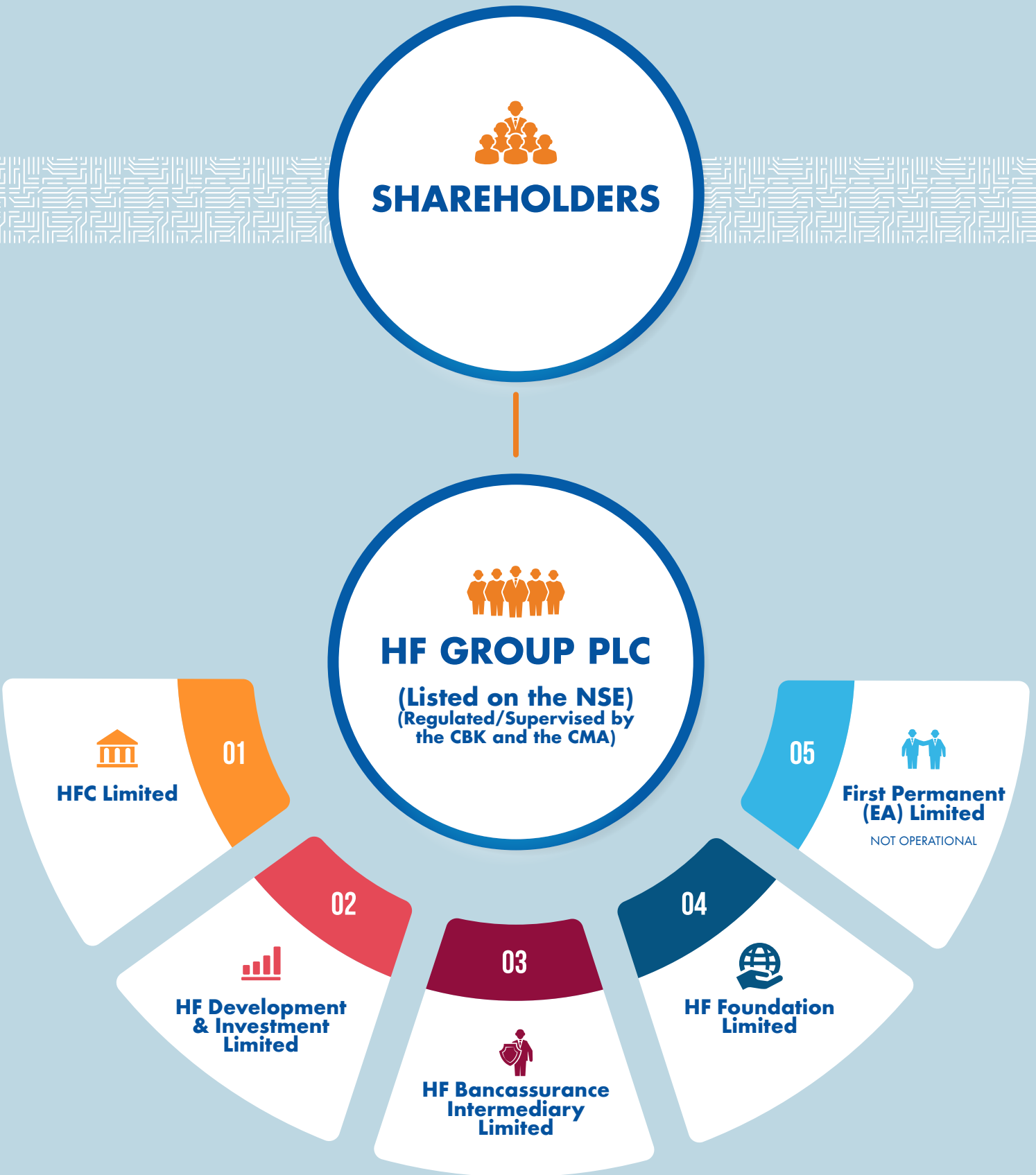


### Culture and Capabilities

Create a **Performance Culture** with a superior EVP (**Bias for Execution**) by investing in the people capabilities required to ensure sustained performance

6

# Group Structure



# CHAIRPERSON'S REPORT



**Prof. Olive M. Mugenda,**  
PhD, EBS, CBS, MGH  
Group Chairperson

# CHAIRPERSON'S REPORT

## Dear Shareholders,

I am honored to welcome you to the 59th Annual General Meeting (AGM) of your company, HF Group Plc. This past year has been one of both challenges and opportunities, marked by global uncertainty and rapid transformation across industries. Locally, the country witnessed protests against the 2024 Finance Bill and the new taxes associated with it. Through it all, our company has remained steadfast in its mission, resilient in its operations and focused on delivering long-term value for our shareholders.

In 2024, the Group posted a net profit of Kes 525 Million, a 35 percent improvement from the performance in the previous year. All our operating subsidiaries recorded stellar performance, hence collectively contributed to the growth in profitability. This performance reflects not only the effectiveness of our strategy but also the dedication and commitment of our board, management team and employees.

Together, we have navigated complex market dynamics, embraced innovation and continued to build a foundation for sustainable growth.

## Solidifying the capital base

In 2024, one of the key strategic objectives was shoring up our capital base. In this regard the company received both regulatory and shareholder approval to carry out a Rights Issue. The Rights Issue was a critical initiative intended to power and accelerate the Group's growth, and to ensure that we are well positioned to capitalize on the opportunities ahead.

The Rights Issue, priced at Kes 4.00 per share, was structured to offer shareholders two (2) new ordinary shares for every one (1) existing ordinary share held, with the shareholders having the option to apply for additional shares. In addition, it had a green shoe option of up to 30% (equivalent to 384,614,168 shares) to accommodate any potential oversubscription.

I am delighted to report that the capital raising was a great success, registering a 38.32% oversubscription. Through the Rights Issue, we raised KES 5,999,981,020 and the new shares were listed on the Nairobi Securities Exchange ("NSE") in December 2024.

This success puts us in full compliance with statutory requirements and gives us the leverage we need to accelerate our growth and deliver value to all our stakeholders.

Further, following the success of our Rights Issue, our company was added to the prestigious Morgan Stanley Capital International (MSCI) Frontier Markets Small Cap Index, which serves as a key performance indicator for investors tracking emerging markets. This addition affirms our commitment to strengthening our market position, driving sustainable growth and creating long-term value for our shareholders.

## Repositioning the Brand

During the period, the Group received shareholder approval for a name change, subject to clearance by all authorities, including the Central Bank of Kenya. This strategic initiative will see the business consolidate its brand equity under one repositioned brand identity and is key to the success of our Group as it will propel us towards shared purpose and unified narrative with all stakeholders. The initiative is currently pending regulatory approval.

## Corporate Governance

The Board of Directors remains steadfast in its commitment to transparency, sound governance and responsible leadership as we fulfill our oversight mandate. In line with this, both Group and subsidiary Board members participated in a Board Continuous Training Programme facilitated by Strathmore Business School.

This comprehensive training covered critical areas including: CMA - CG Code Sensitization, Environmental Social Governance, ICT Security, Organizational Culture, Digital Transformation, Risk and Financial Oversight.

Our ongoing efforts to strengthen the Group's governance structures were further validated by the Leadership rating attained in the Capital Markets Authority (CMA)'s annual comprehensive assessment, reflecting our commitment to best practice and regulatory excellence.

## Looking ahead

We have a very ambitious vision to become *a top-ten banking group, by being the most dependable and loved financial services provider*. We are determined to achieve this vision and continue to build a company that is true to our **brand's Purpose; Enriching Lives**. As we look ahead to the coming year, I am filled with optimism about the opportunities that lie ahead. Your Board of Directors are ready and committed to ensuring that our company delivers shared value.

I want to specially applaud the management team and employees, for their tireless efforts and dedication in delivering on our strategy. Their commitment to excellence has been instrumental to the profound milestones the Group achieved during the period.

To my fellow Board of the Directors at Group and subsidiary levels, I express my deepest gratitude for your dedication and tireless efforts.

Last but not least, I want to extend sincere thanks to all our shareholders for your continued confidence and support. You have proven your commitment to your company and ours is to ensure that we deliver value to you.



**Prof. Olive M. Mugenda, PhD,  
EBS, CBS, MGH**

Group Chairperson  
27<sup>th</sup> March 2025



# Taarifa Kutoka kwa Mwenye Kiti kwa Kipindi cha Mwaka Uliomalizika Desemba 31 2024

## Kwa wanahisa wenzangu,

Nina furaha kuwakaribisha kwenye mkutano wa 59 wa pamoja wa mwaka wa kampuni yenu, HF Group Plc. Kipindi cha mwaka uliomalizika kilikumbwa na changamoto na nafasi kutokana na taharuki za dunia na mabadiliko ya kasi katika sekta zote. Hapa nchini, taifa lilishuhudia maandamano dhidi ya mswada wa sheria ya fedha pamoja na ushuru mpya uliopendekezwa. Licha ya haya yote, kampuni yetu imebaki kuwa imara kuhusiana na dhamira yake yenye uwezo wa kuhimili katika shughuli zake na kuzingatia utoaji wa thamani ya muda mrefu kwa washikadau wetu.

Katika kipindi cha mwaka 2024, Kundi lilipata faida ya jumla ya Kes. milioni 525, hili likiwa ni ongezeko la asilimia 35% kutoka matokeo ya utendaji. Matawi yetu yote tanzu ya uendeshaji yalizalisha faida ambayo kwa pamoja yalichangia ukuaji wa mapato. Matokeo haya hayaashirii tu uwezo wa mkakati wetu bali pia kujitolea na uwajibikaji kutoka kwa timu yetu ya usimamizi na wafanyakazi. Kwa pamoja, tumepitia mikondo iliyo na changamoto za masoko magumu na kukumbatia uvumbuzi na wakati huo kuendelea kujenga msingi wa ukuaji thabiti.

## Kuimarisha msingi wa mtaji

Mnamo mwaka wa 2024, mojawapo wa malengo yetu muhimu ya kimkakati ilikuwa ni kuimarisha msingi wetu wa mtaji. Kwa sababu hiyo, kampuni ilipata idhini kutoka mamlaka na ile ya wanahisa kutekeleza zoezi la utoaji wa haki miliki ambao ni mpango muhimu unaokusudiwa kuimarisha na kuharakisha ukuaji wa Kundi na kuhakikisha kwamba tumejiweka katika nafasi nzuri ya kunufaika na nafasi zilizoko mbele.

Zoezi la haki lililoanzishwa kwa bei ya Kes. 4.00 kwa hisa liliinuiwa kuwapa washikadau hisa mbili (2) mpya za kawaida kwa kila hisa moja (1) ya kawaida iliyoshikiliwa huku washikadau wakiwa na nafasi ya kutuma maombi ya kuongeza hisa za ziada. Aidha, zoezi la utoaji haki miliki lilitoa mwanya wa hadi asilimia 30% (sawa na hisa 384,614,168) ili kukidhi uwezekano wa maombi ya ziada. Toleo hili lilikumbana na mahitaji makubwa. Nina furaha kuripoti kwamba, mtaji uliopatikana ulikuwa ni ufanisi mkubwa. Hii iliashiria asilimia 38.32%. Hisa hizi mpya ziliorodheshwa katika Nairobi Securities Exchange mnamo wa Desemba 2024.

Ufanisi huu pia umetuzesha kufuata kikamilifu matakwa ya kisheria na wakati kutupatia nguvu tunazohitaji kuharakisha ukuaji wetu na kutoa thamani kwa wadau wetu wote.

Zaidi ya hayo, ufanisi wetu kwenye zoezi la utoaji haki miliki kwa kampuni yetu liliongezwa kwenye orodha hadhi ya Morgan Stanley Capital International (MSCI) Frontier Markets Small Cap Index ambayo hutumika kama kigezo muhimu cha wawekezaji wanaoifuatilia masoko ibuka. Ongezeko hili linathibitisha dhamira yetu ya kuimarisha nafasi yetu sokoni, kuendesha ukuaji endelevu na kubuni thamani ya muda mrefu kwa wanahisa wetu.

## Kubadilisha jina

Wakati wa kipindi hicho, Kundi lilipokea idhini ya wanahisa kubadilisha jina hali ambayo itashuhudia biashara ikiunganisha pamoja thamani ya chapa yake chini ya utambulisho mmoja uliohamasishwa. Mpango huu wa kimkakati ambao kwa sasa unasubiri kupata idhini ya kisheria, ni muhimu kwa mafanikio ya Kundi letu kwani utatupelekea kufanikisha malengo yetu na kutuungamisha na washika dau wetu.

## Usimamizi wa Kampuni

Halmashauri ya Wakurugenzi inaendelea kuwa thabiti katika kujitolea kwake kwa njia ya uwazi, usimamizi bora mzuri, na uongozi imara wakati tunatimiza jukumu letu la uangalizi. Kufungamana na hili, wanachama wote wa Bodi na wale wa halmashauri tanzu walishiriki mafunzo endelevu ya bodi yaliyoandaliwa na chuo cha mafunzo ya biashara cha Strathmore.

Mafunzo haya ya kina yaliangazia maeneo muhimu ikiwa ni pamoja na: ufahamu kuhusu kanuni za halmashauri ya masoko ya mtaji (CMA – CG), Usimamizi wa mazingira ya Jamii, Usalama wa teknolojia ya habari na mawasiliano (ICT) na utamaduni wa shirika, mabadiliko ya kidijitali, usimamizi wa hatari na ukaguzi wa kifedha.

Juhudi zetu za kuimarisha miundo ya utawala wa kundi zilithibitishwa zaidi na kiwango cha uongozi kilichopatikana wakati wa tathmini ya kila mwaka na ya kina ya kutoka halmashauri ya masoko ya mtaji (CMA) ikiashiria kujitolea kwetu kwenye matumizi ya kanuni bora na usimamizi mzuri wa sheria.

## Mtazamo wa siku za usoni

Tuna maono makubwa ya kuwa miongoni mwa kundi la benki kumi bora kama mtoaji wa huduma za kifedha anayependwa na kuaminika zaidi. Tumejitolea kuafikia ndoto hii na kuendelea kuimarisha kampuni iliyo na taswira sawa na kusudi la kauli mbiu yetu ya kuimarisha

maisha. Huku tunapoangazia mwaka unaofuata, nina imani kuhusu nafasi zilizoko mbele yetu. Halmashauri ya wakurugenzi iko tayari kujitolea kuhakikisha kwamba kampuni yenu inazalisha thamani.

Ningependa kuipongeza kwa dhati timu ya usimamizi na wafanyakazi kutokana na juhudi zao zisizo na kifani na kwa kujitolea kwao kutekeleza mkakati wetu. Kujitolea kwao kwa ubora ni mchango mkubwa kwa ufanisi ambao kundi lilipata wakati wa kipindi hiki.

Kwa wanachama wenzangu kwenye halmashauri ya usimamizi na vitengo tanzu, natoa shukrani zangu za dhati kwa kujitolea kwenu na kwa kufanya juhudi kubwa kuendesha kampuni hii.

Mwisho, ningependa kutoa shukrani zangu za dhati kwa wanahisa wetu wote kwa kuendelea kuonyesha imani na kwa msaada wenu. Mmeonyesh uwajibikaji wenu kwa kampuni yenu na letu sisi ni kutoa hakikisho la kuzalisha thamani kwenu.

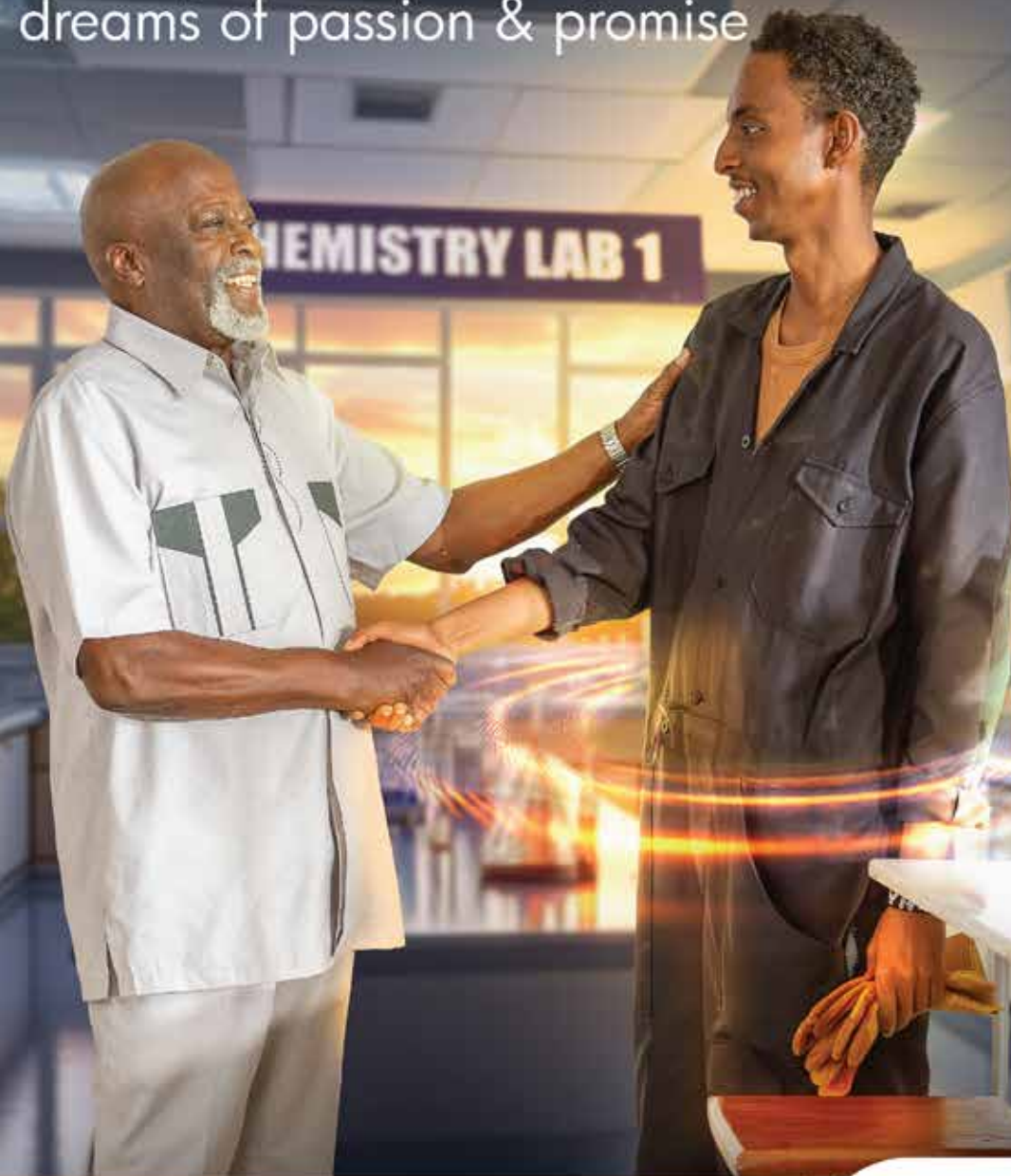


**Prof. Olive M. Mugenda, PhD,  
EBS, CBS, MGH**

Group Chairperson  
27 Machi 2025

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# GROUP CEO'S STATEMENT



**Robert N. Kibaara**  
Group Chief Executive Officer



# GROUP CEO'S STATEMENT

## Dear Esteemed Shareholders,

It is my sincere pleasure to bring to you the performance update for your Company, for the year ending December 31st 2024. During the period, your Company demonstrated resilience and delivered strong performance for the Group and all its subsidiaries. We closed the year on a high note, having achieved outstanding success in the Rights Issue—an accomplishment that has positioned the business for accelerated growth. I am truly grateful to you, as this success is a direct reflection of your steadfast commitment, belief in our vision, and enduring support.

## Operating Environment

In 2024, the global geopolitical environment continued on a volatile and uncertain trajectory. The ongoing conflict in Ukraine has strained relations between Russia and Western nations. In Africa, this has continued to impact food security through disruptions in supply chains, blocked grain exports and high fuel prices.

The heightened conflict in the Middle East, particularly Gaza, Lebanon and Yemen, has threatened infrastructure for oil and gas and resulted in disruptions in supply and volatility in prices.

The European Union (EU) imposed tariffs of up to 45% on Chinese electric vehicles on 4th October leading to significant trade disputes between the two economies. Locally, these tariffs have resulted in a slowdown in the uptake of Electric Vehicles, and hindered efforts to reduce emissions and promote sustainable transportation. However, this presents an opportunity for local manufacturers to enter the space and gain market share. As a business and as part of our environmental sustainability, we have embraced electric vehicles and aim to transition the Company's transportation to this in the short to medium term.

The Rise of Multipolarity and efforts by the BRICS (Brazil, Russia, India, China, and South Africa) nations to challenge the dominance of the U.S. dollar and promote a multipolar world order have faced setbacks. This

multipolarity has increased Africa's weight in international affairs and accelerated strategic engagements between BRICS and Africa. Kenya has been a beneficiary with the Kenya - China Economic Partnership (China's Belt and Road Initiative).

The global regulatory environment around technology, digital and data privacy continues to evolve, with new regulations emerging worldwide, that require businesses such as ours to comply. These include the enactment of the EU Artificial Intelligence Act scheduled for enactment within 2025.

There has been increased awareness around cyber security and the inherent risks. In some markets, Cyber Security bonds have been issued to mitigate the menace. Locally the financial sector, specifically the banking industry has invested heavily in cyber security in order to safeguard investor and depositors' funds.

During the period, the country experienced public unrest as a result of the 2024 Finance Bill. The Gross Domestic Product (GDP) decelerated from 5.67% to 4.7% and the economy generally registered slow growth across sectors. Notwithstanding, all the key macroeconomic indicators saw an improvement which in turn impacted the business environment positively.

The Central Bank of Kenya navigated the inflation and weakening shilling by reducing the Central Bank Rate (CBR) in order to stabilize the economy. In December 2024, CBK reduced the CBR to 11.25%. To support our customers, we continue to reduce our interest rates in line with the changes in CBR and extend facility restructures where required.

## Performance Highlights

Despite the volatile macro-economic environment in 2024, your Company posted a full year net profit growth of 35% from Kes 388 million in FY2023 to Kes 525 million in FY2024. This robust performance is as a result of a sustained business diversification strategy and scaling up of new business streams such as business banking,

land owner wealth management solutions and custodial solutions, which saw all the operating subsidiaries register positive results quarter on quarter. The performance of the Group is highlighted below:

- 23% growth in Total Interest Income to Kes 6.41 billion
- Total Deposits growth of 9% to Kes 47.86 billion
- 14% Total Assets Growth from Kes 61.55 billion to Kes 70.15 billion
- Core Capital Ratio increased to 21.4% in FY2024 (Minimum is 10.5%)
- Liquidity Ratio increased to 41.8% in FY2024 (Minimum is 20%)

## Strategy Update

### Solidifying the capital base

In 2024, our focus was set on bolstering our core capital in order to power business growth. On September 4th 2024, we held a virtual extraordinary General Meeting where we received shareholders' approval to proceed with a Rights Issue, which whilst geared towards capital raising, also gave shareholders the opportunity to increase and protect their stake in the Company. The Rights Issue, was successful, achieving a 38.32% oversubscription.

This successful and significant capital raise is a cornerstone of our five-year strategy, and testament to the commitment and strong belief that you have demonstrated in your Company. Further, this capital has given the business the leverage to enhance technology and business propositions in order to deliver and exceed on customer expectations. 85% of these funds will be invested in scaling up the business that we have created and which is already profitable, while 15% will be invested in technology and digitization of the business to enhance efficiency and customer experience. On December 2024, the new shares were listed and commenced trading on the Nairobi Securities Exchange.

With this successful capital injection, the Group's banking subsidiary, HFC, which closed the year with Kes 8.65 billion of capital is now well ahead of the implementation time table of the recently announced regulatory requirements on capital adequacy. The Bank is also on course to fully comply with the regulatory target of The Business Laws (Amendment) Act, 2024 that will see banks expected to grow their capital base to a minimum of Kes 10 Billion by 31st December 2029.

## Brand Repositioning

Over the years, your Company has transitioned from a single business, single product offering in property, and diversified to financial solutions offering that includes banking, property and insurance solutions. During this period, the Company has undertaken a number of initiatives to create awareness of this diversified offering. The brand repositioning will present the opportunity to scale up this awareness and reinforce the desired brand narrative. Further, the business suffers from a fragmented name with stakeholders referring to the brand with varied names. In addition to reinforcing perception of a diversified offering, the brand repositioning will also deliver a unified brand identity. In this regard, on 4th September 2024, we received shareholders approval to proceed with this strategic thrust, subject to regulatory approval by the Central Bank of Kenya.

## Leveraging Technology to enhance Efficiencies and Customer Experience

As we reposition our brand we continue to leverage technology to enhance efficiencies and customer experience. This is aligned to our brand purpose of enriching lives and our commitment is to deliver on insight-driven solutions that match customer's current and emerging needs.

## Building a Culture that Delivers on Growth

Our ultimate ambition is to deliver on sustainable growth that enriches the lives of all our stakeholders. We are cognizant that our people are our greatest asset and as such we continue to invest in building a culture that delivers on this. In 2024, we introduced a business academy and e-learning program aimed at empowering and upskilling our teams to deliver optimally.

## Future Outlook

We project that the operating environment will remain stable in 2025, and all the key macro-economic indicators will continue to improve. We expect to see increased Diaspora remittances in the medium term and as such will continue to strengthen our proposition around this segment. The Government's program on affordable housing and healthcare will remain key areas of growth in addition to the traditional areas of agriculture and education.

Looking ahead, we are confident in the Group's trajectory, with all subsidiaries projected to maintain profitability growth. Our focus is to deliver on shared value that

enriches the lives of all our stakeholders. We are especially committed to reinstating consistent dividend distributions over the medium term.

## Acknowledgement

I would like to take this opportunity to express my sincere appreciation to our Shareholders and the Board of Directors. Your continued support has been instrumental in propelling the Management team and employees to execute our strategy effectively. I also extend my heartfelt commendation to our employees, whose resilience and dedication have embodied our brand purpose of *Enriching Lives*.



**Robert N. Kibaara**  
Group Chief Executive Officer

27<sup>th</sup> March 2025



# Taarifa Kutoka Kwa Afisa Mkuu Mtendaji kwa Kipindi cha Mwaka uliomalizika Desemba 31 2024

## Kwa wanahisa wapendwa,

Ni furaha yangu kuwaletea vidokezo vya matokeo ya kampuni yenu kwa kipindi cha mwaka uliomalizika Desemba 31, 2024. Wakati wa kipindi hiki, kampuni yenu ilidhihirisha ukamavu na kupata matokeo mazuri kwa kundi na watanzu wake. Tulifunga mwaka kwa mafaniko ya juu baada ya kupata ufanisi mkubwa kwenye toleo la umiliki, zoezi ambalo limeiweka biashara kwenye mkondo wa kasi wa ukuaji. Ninatoa shukrani zangu za dhati. Mafanikio haya ni kielelezo cha kujitolea kwenu kikamilifu, imani yenu kwenye maono yetu na msaada wanu wa kudumu.

## Mazingira ya utekelezaji

Mnamo mwaka 2024, mazingira ya kijiografia ya kimataifa yaliendelea kuwa na mwelekeo usiotabirika na kukosa uhakika. Mgogoro unaoendelea nchini Ukraine umesitisha uhusiano kati ya Urusi na mataifa ya Magharibi. Barani Afrika, hili limeendelea kuathiri uwepo wa kutosha wa chakula kupitia kutatizika kwa mitandao ya usambazaji, kuzuia uagizaji wa nafaka na bei za juu za mafuta.

Kuendelea kwa mgogoro mashariki ya kati na hasa Gaza, Lebanon na Yemen kumehatarisha miundo misingi ya mafuta na gesi na kusababisha madhara katika usambazaji na mtafaruko wa bei.

Umoja wa Ulaya (EU) uliweka ushuru wa hadi 45% kwa magari ya umeme kutoka Uchina mnamo 4 Oktoba na kupelekea kuchipuka kwa mgogoro wa kibiashara baina ya uchumi hizo mbili. Humu nchini, bei hizi zimesababisha kupungua kwa upokeaji wa magari ya umeme na kuzuia juhudi za kupunguza uchafuzi wa hewa na hamasisho la usafiri wa kudumu. Hata hivyo, hii inatoa nafasi kwa wanaviwanda wa humu nchini kuingia kwenye biashara hii na kujipatia nafasi yao. Kama biashara na sehemu ya kudumisha mazingira yetu, tumekubali matumizi ya magari ya umeme na tualenga kubadilisha usafiri wa kampuni yako na kuingia kwenye mfumo huu katika kipindi kifupi hadi cha kati.

Kuongezeka kwa mamlaka ya ulinganifu na juhudi za mataifa ya BRICS (Brazil, Urusi, India, Uchina, na Afrika Kusini) ili kupambana na ukiritimba wa dola ya Marekani na kuhamasisha utaratibu wa matumizi ya sarafu aina mbali mbali ulimwenguni kumekumbana na vikwazo. Ulinganifu huu umeongezea uzito Afrika kwenye masuala ya kimataifa na kuharakisha ushirikiano wa kimkakati kati ya BRICS na Afrika. Taifa la Kenya limefaidika kupitia ushirikiano wa Kiuchumi kati yake na Uchina (China's Belt and Road Initiative).

Mazingira ya kimataifa kuhusu uhibitaji wa teknolojia, dijitali na siri za data yanaendelea kubadilika huku sheria mpya zikichipuka kote duniani na kuhitaji biashara kama

yetu kuzizingatia. Hii inahusu matumizi ya sheria ya Umoja wa Ulaya kuhusu akiliunde (AI) inayotarajiwa kutumika mwaka 2025.

Kumekuwa pia na ongezeko la ufahamu kuhusu usalama wa mitandao na athari zake. Katika baadhi ya masoko, dhamana za usalama wa mtandao zimetolewa ili kukabiliana na tatizo hili. Hapa nchini, sekta ya fedha hasa ile ya benki, imewezeza kwa wingi kwenye usalama wa mitandao kulinda fedha na akiba kutoka kwa wawekezaji.

Wakati wa kipindi hiki, taifa lilishuhudia taharuki kutoka kwa umma kutokana na mswada wa fedha, 2024. Kiwango cha ukuaji wa pato la Taifa (GDP) kilipungua kutoka asilimia 5.67% hadi asilimia 4.7%. Kwa jumla, kiwango cha ukuaji wa uchumi kilisajili punguko la ukuaji katika sekta zote. Licha na hayo, viashiria vyote vikuu vya chumi ndogo vilishuhudia ukuaji ambao kwa upande mwingine viliathiri mazingira ya biashara kwa njia chanya.

Benki Kuu ya Kenya ilikabiliana na mfumuko wa bei na kupunguka kwa thamani ya shilingi na kupunguza kiwango cha Benki Kuu (CBR) kuimarisha uchumi. Mnamo Desemba 2024, CBK ilipunguza CBR hadi asilimia 11.25%. Ili kuwasaidia wateja wetu, tunaendelea kupunguza viwango vyetu vya riba kufungamana na mabadiliko katika CBR na kufanyia marekebisho mifumo pale inapohitajika.

## Vidokezo vya matokeo

Licha ya mazingira tata ya kiuchumi mwaka 2024, kampuni yako ilipata ukuaji wa jumla wa mwaka mzima wa asilimia 35% kutoka shilingi milioni 388 mwaka wa fedha wa 2023 hadi shilingi milioni 525 mwaka wa fedha

wa 2024. Matokeo haya thabiti ni ufanisi wa mkakati wa kudumu wa upanuzi wa biashara na kuongeza mikondo mipya ya kibiashara kama vile fedha za kibiashara, suluhu la matumizi bora ya umiliki ya ardhi na suluhu za ulinzi ambazo zimeyafanya matawi tanzu kusajili matokeo chanya katika kipindi cha miezi mitatu kila mwaka. Vidokezo vya matokeo ya kundi vimeonyeshwa hapa chini:-

- Ukuaji wa asilimia 23% wa jumla wa mapato ya riba hadi Kes. bilioni 6.41
- Ukuaji wa akiba kwa asilimia 9% hadi Kes. bilioni .47.86
- Ukuaji wa Jumla wa mali kwa asilimia 14% kutoka Kes. bilioni.61.55 hadi Kes. bilioni 70.15
- Uwiano wa msingi wa mtaji uliongezeka kwa asilimia 21.4% kipindi cha mwaka wa fedha 2024 (Kiasi cha chini ni asilimia 10.5%)
- Uwiano wa mtaji uliongezeka kufikia asilimia 41.8% katika kipindi cha mwaka wa kifedha wa FY2024 (Chini kabisa ni asilimia 20%)

## Taarifa ya mkakati

### Kuimarisha msingi wa mtaji

Mtazamo wetu mwaka 2024, ulikuwa kuimarisha msingi wa mtaji wetu ili kuhamasisha ukuaji wa biashara. Mnamo Oktoba 4, 2024, tulifanya mkutano wa pamoja wa mwaka ambapo tulipokea idhini kutoka kwa wanahisa kuendelea na zoezi la swala la umiliki ambao bali na kuinua mtaji pia liliwapa fursa kuongeza na kulinda uthibiti wao kwenye kampuni. Hii ilipelekea uwepo wa ongezeko la hisa za ziada kwa asilimia 38.32%.

Kuongezeka kwa mtaji huu mkubwa ni msingi wa mkakati wetu wa miaka mitano, na ushahidi wa kujitolea na imani kubwa ambayo mmedhihirisha kwa kampuni yenu. Zaidi ya hayo, mtaji huu umeipa biashara nguvu ya kupanua teknolojia na matoleo ya biashara ili kutekeleza na kuzidisha matarajio ya wateja. Asilimia 85% ya hazina hii itatumika kuinua biashara tuliyoanzisha ambayo tayari inazalisha faida. Asilimia 15% ya hazina hii itatumika katika teknolojia na biashara ya kidijitali ili kuimarisha utekelezaji na matarajio ya wateja. Mnamo mwezi Desemba 2024, hisa mpya ziliorodheshwa na kuanza biashara kwenye Soko la Hisa la Nairobi.

Kutokana na kufaulu kwa uongezaji wa mtaji, watanzu wa benki ya Kundi, HFC ambayo ilifunga mwaka ikiwa na mtaji wa KSh.bilioni 8.65 sasa iko mbele ya ratiba ya utekelezaji wa mahitaji ya kisheria kuhusu udhibiti yaliyotangazwa hivi karibuni kuhusiana na utoshelezi wa mtaji. Pia, benki iko kwenye mwelekeo wa kutimiza kikamilifu malengo ya udhibiti wa Sheria za biashara (marekebisho) ya mwaka 2024 ambayo itazifanya benki kutarajiwa kuongeza msingi wao wa mtaji kwa angalau shilingi bilioni 10 kabla ya Desemba 31, 2029.

### Kubadilisha sura ya bidhaa

Kwa miaka mingi, kampuni yenu imejisitawisha kutoka biashara ya utoaji wa bidhaa za rasimali moja na kupanuka hadi kutoa suluhu la kifedha linalojumuisha huduma za benki, mali na bima. Wakati wa kipindi hiki, kampuni imechukua hatua kadhaa kutoa ufahamu wa mabadiliko haya ya sura ambayo yatatoa nafasi kupanua ufahamu ili kuimarisha elimu inayohitajika kuhusu bidhaa. Zaidi ya hayo, biashara inakabiliwa na sintofahamu ya jina ambapo wadau wanarejelea chapa hiyo kwa majina tofauti. Madhumuni ya mabadiliko haya ni kubuni jina moja litakalotambulisha bidhaa na pia kuhama kutoka dhana ya toleo la moja. Kutokana na hili, mnamo Septemba 4, 2024, tulipata idhini kutoka kwa wanahisa kuendelea mbele na juhudi za mkakati huu kwa kutegemea kupokea idhini ya kisheria kutoka benki kuu ya Kenya.

### Kutumia vyema Teknolojia ili kuboresha Ufanisi na Uzoefu wa Wateja

Tunapofanya mabadiliko katika biashara yetu, tunaendelea kutumia vyema teknolojia ili kuboresha ufanisi na uzoefu wa wateja. Hii inaenda sambamba na ahadi ya chapa yetu

ambayo ni kuboresha maisha huku kujitolea kwetu kukiwa ni kutoa suluhu kupitia maarifa.

### Kujenga Utamaduni Unaotoa Ufanisi Katika Ukuaji

Lengo letu kuu ni kuleta ukuaji endelevu ambao utaboresha hali ya maisha ya wadau wetu wote. Tunatambua kuwa watu wetu ni rasilimali muhimu na kwa sababu hiyo tutaendelea kuwekeza ili kujenga utamaduni ambao utafanikisha hili. Mwaka 2024, tulianzisha kituo cha mafunzo ya biashara na mpango wa elimu kupitia mtandao ambao lengo lake ni kuboresha na kupanua ufahamu kwa timu zetu ili kutoa huduma bora.

### Mtazamo wa siku za usoni

Tunatarajia kwamba mazingira ya utekelezaji biashara yataendelea kuwa thabiti mwaka 2025 na viashiria vyote muhimu vya chumi ndogo vitazidi kuimarika. Tunatarajia kuona ongezeko la fedha kutoka mataifa ya nje katika kipindi cha kati na kwa hivyo tutaendelea kuimarisha nafasi yetu katika kitengo hiki. Matoleo ya serikali kwenye ujenzi wa nyumba nafuu na huduma za matibabu yatasalia kuwa maeneo muhimu ya ukuaji bali na vitengo vya kawaida vya kilimo na elimu.

Kwa mtazamo wa siku za usoni, tuna imani kwenye mkondo wa kundi huku matawi tanzu yakitarajiwa kudumisha uongezeko wa faida. Mtazamo wetu ni kuzalisha thamani ambayo itaboresha hali ya maisha ya wanahisa wetu. Hasa, tumejitolea kurejesha utoaji wa mgao wa faida katika kipindi cha kati.

### Shukrani

Ningependa kuchukua fursa hii kutoa shukrani zangu za dhati kwa wanahisa wetu na halmashauri ya Wakurugenzi. Msaada wenu unaoendelea umekuwa na umuhimu mkubwa kuisaidia timu ya usimamizi na wafanyakazi kutekeleza mkakati wetu kwa ufanisi. Pia, natoa shukrani zangu za dhati kwa wafanyakazi wetu kutokana na uvumilivu na kujitolea kwao ambazo zimefanikisha ahadi yetu ya chapa ya *kuimarisha hali Maisha*.



**Robert N. Kibaara**

Mkurugenzi Mkuu Mtendaji wa HF Group

27 Machi 2025

## Pictorial of Activities



**1** HF Group Senior Management team led by the Group CEO receive a certificate of Registration for its Umbrella Retirement's Benefits Scheme from Peter Wachira of ICEA Lion Trust Company, the Scheme's Corporate Trustee.

**4** Staff members led by HFC Managing Director Peter Mugeni receive the award for 2nd Place, Excellence in Banking Customer Experience in the 2024 Kenya Bankers Association CX Awards.

**2 & 3** The Group CEO making presentations during various Investor engagements.

**5 & 6** HF Group Board Chairperson Prof. Olive Mugenda is joined by NSE CEO Frank Mwitii, NSE Chairperson Kiprono Kittony, key partners, members of the Group and subsidiary Boards as well as Management team members during the Bell Ringing Ceremony.

## Pictorial of Activities



7



8



9



10



11

**7** The Group CEO congratulates the HF Group basket ball team that won 2nd Runners Up position during the Interbanks Games.

**8** HF Group Staff members pose with the Award for Mortgage Finance Provider of the Year 2024 won during the Annual Kenya Real Estate Awards.

**9** The Director Treasury Business, Joseph Chikove(L), Director Legal and Company Secretary, Regina Anyika (2nd Right), Law Society of Kenya (LSK) President Faith Odhiambo (2nd L) and Vice President Mwaura Kabata (R) during an engagement forum hosted by the Group for its customers in the Legal fraternity.

**10** The Board Chairperson, Group CEO and other Directors during the virtual Shareholders Extra-ordinary General Meeting held on 4th September 2024.

**11** The Group CEO, Robert Kibaara and Madison Managing Director, Githua Ngaruiya during the launch of show houses at VillaKazi Homes, master planned buy and built plots in Athi River.

# Corporate Governance

HF Group Plc is committed to good corporate governance practices to achieve effective and responsible leadership characterised by ethical values of responsibility, accountability, fairness and transparency. The Board and management have ensured compliance with the Central Bank Guidelines on Corporate Governance (CBK/PG/02), The Capital Markets (Public Offers, Listings and Disclosures) Regulations 2023 and internationally accepted principles and best practices in corporate governance. We consistently review these practices to ensure that the best interests of our stakeholders are always acted upon.

The Group board approved a corporate governance policy detailing the key corporate governance practices applicable to the group as well as all main subsidiary companies. The policy sets out the Corporate Governance Framework for guidance to the Board and management by defining key responsibilities as well as ethical standards expected of them.

## 1. The Board of Directors

The board has ultimate accountability and responsibility for the performance and affairs of the group by providing leadership and strategic guidance in order to sustainably safeguard stakeholders' value. The HF Group Plc board has the following responsibilities:

- Approving the group strategy and continually monitoring management's performance and implementation of the strategy;
- Ensuring that adequate financial and capital resources are in place for the group to meet its strategic objectives;
- Ensuring that the group has appropriate risk management systems and policies to effectively control and report on all key risk areas and key performance indicators of the business.

The board operates under a formal charter, that is regularly reviewed, a copy of which can be accessed at [www.hfgroup.co.ke](http://www.hfgroup.co.ke). The Board has a formal schedule of the meetings in which notices and agenda are circulated to all Directors on a timely basis together with the respective documents for discussion.

### Composition of the Board

The Board determines its size and composition, subject to the group's Articles of Association, Board Charter and applicable law. Currently, the Board is composed of the Group Chief Executive Officer and seven non-executive Directors, four of whom are independent including the Chairlady. The Directors have a wide range of skills and experience and each contributes independent judgment and knowledge to the Board's discussions.

On appointment, each Director is taken through a comprehensive and tailored induction process covering the Group's business and operations and is provided with information relating to their legal and regulatory obligations.

Non Executive Directors are required to submit themselves for re-election in accordance with the Company's Articles of Association.

### Conflict of Interest

Directors are prohibited from using their positions, or confidential and price-sensitive information, for their own personal or related third-party benefits. Directors are required to disclose to the board of any or potential conflicts of interests that they may have in relation to particular items of business. Registers of individual directors' interests in and outside the company are maintained and updated with details noted by the board on regular basis.

## 1. The Board of Directors (Continued)

### Procedure for Nomination of Directors

The Group Nomination and Governance committee is responsible for proposing to the Board qualified candidates that meet the criteria to serve as directors and members of board committees. The committee uses a board skill matrix to determine the knowledge, capabilities, expertise and experience required for any vacancy. In case of directors representing a major shareholder, the shareholders nominate individuals to be elected as directors while the board verifies their qualifications.

The Group Nomination and Governance committee scrutinises the qualifications of each candidate and proposes the selected candidate for nomination to the board for consideration. Following the board's endorsement of the nominated candidate a letter of no objection is sought from Central Bank of Kenya before proposing nomination by shareholders

Board Member	Date of Appointment	Expertise	Gender	Non Executive/ Executive	Independence
Prof. Olive M. Mugenda	21 <sup>st</sup> October 2021	Academic research, public administration, leadership and governance	F	Non Executive	Independent
Dr. Benson I. Wairegi	1 <sup>st</sup> April 2008	Financial services, insurance, business strategy, leadership and corporate governance	M	Non Executive	Non Independent
Dr. Peter K. Munga	1 <sup>st</sup> July 2008	Financial services, entrepreneurship, human resources and financial management, leadership	M	Non Executive	Non Independent
Dr. Anthony O. Omerikwa	18 <sup>th</sup> January 2022	Public administration, Information technology, human resources, administration, procurement, leadership	M	Non Executive	Independent
Ms. Felister W. Kembi	26 <sup>th</sup> September 2016	Financial advisory and management, audit, entrepreneurship,	F	Non Executive	Independent
Mr. Tom M. Gitogo	1 <sup>st</sup> August 2023	Financial services, insurance, corporate governance, human resources, commercial and business strategy	M	Non Executive	Non Independent
Dr. Anne W. Kimari	24 <sup>th</sup> June 2022	Financial services and management, tax, audit, risk, business strategy, corporate governance.	F	Non Executive	Independent
Mr. Robert N. Kibaara	1 <sup>st</sup> March 2019	Financial services and management, retail banking, business strategy, change management	M	Executive	Non Independent

## 2. Board Committees

The HF Group Plc board constituted three committees to assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed periodically. The committees include the Group Nomination and Governance, Audit & Risk and Strategy. As part of the corporate governance policy, HF Group has a co-option policy to ensure proper representation of the subsidiary Boards in the Group Committees.

A summary of the role of the current committees, current members and key activities undertaken during the year 2024 is reproduced below:-

Board Committee	Key Activities
<p><b>Group Board Audit &amp; Risk Committee (BARC)</b></p> <p>The principal roles of the committee are to:</p> <ul style="list-style-type: none"> <li>• Ensure that accounts are prepared in a timely and accurate manner to facilitate prompt publication of annual accounts;</li> <li>• Review the internal controls, including the scope of the internal audit programme, the internal audit findings and recommend actions to be taken by management.</li> <li>• To review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed.</li> <li>• Monitor compliance with applicable law, statutory and regulatory requirements.</li> <li>• Nominate an external auditor for appointment by the shareholders.</li> <li>• Review of any related party transactions that may arise within the group.</li> <li>• Monitor the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements.</li> </ul>	<p>In line with this mandate, the Committee reviewed the unaudited financial statements for the full year 2024 and ensured that the same were approved by the Board. The Committee further reviewed the internal audit reports presented by the Internal Auditor for audits undertaken during the year as per the approved audit plan.</p> <p>The Committee held sessions with PwC, the external auditor, to receive independent report and assurance on the financial statements.</p> <p>During the year, the Committee approved various Policies. The Committee also reviewed and considered the Enterprise Risk Management Report ensuring all business risks were identified and considered the mitigations, including the adequacy of capital to cover identified risks.</p> <p>Members Three Independent and Non Executive members.</p> <ul style="list-style-type: none"> <li>• Ms. Felister W. Kembi - Chairperson</li> <li>• Dr. Anthony O. Omerikwa, MBS</li> <li>• Dr. Anne W. Kimari, PhD</li> </ul> <p>The Chair of the Committee is an Independent and Non Executive Director, who is also a member of the Institute of Certified Public Accountants of Kenya (ICPSK).</p>

## 2. Board Committees (Continued)

Board Committee	Key Activities
<p><b>Group Nomination and Governance Committee</b></p> <p>The Committee's responsibilities include:</p> <ul style="list-style-type: none"> <li>• Reviewing the structure, size and composition of the Board to ensure the optimum balance of skills, knowledge and experience taking into account the opportunities and challenges which face the Group;</li> <li>• Identifying and nominating for the approval of the Board a suitable candidate for any Board vacancy which may arise;</li> <li>• Monitoring the development of succession plans for the Group relating to senior executive management;</li> <li>• Reviewing the emoluments of both Executive and Non Executive Directors, and Senior Management. This Committee carries out a peer and self-evaluation of the Board and its committees to assess their contribution and also to ensure that there is the requisite mix of skills and experience available to effectively discharge their duties.</li> </ul>	<p>In line with its mandate, the Committee reviewed the Senior Management performance for the year.</p> <p>The Committee continued with the Board and Committee re-organization and welcomed a new Director with HR Competencies.</p> <p>The Committee reviewed the Board Evaluation report, the Governance audit implementation tracker and the legal and compliance audit report and considered the areas to invest in recommended therein.</p> <p>Members</p> <ul style="list-style-type: none"> <li>• Prof Olive Mugenda, PhD, EBS, CBS, MGH (Chairperson)</li> <li>• Dr. Peter Munga, EGH, CBS</li> <li>• Mr. Tom Gitogo</li> <li>• Mr. John Mwendwa - Co-opted HFC Limited</li> <li>• Mr. Robert Kibaara - Group Chief Executive Officer</li> </ul> <p>Majority of the committee members are Non Executive Directors with the chair being an Independent Non Executive Director.</p>
<p><b>Group Board Strategy Committee</b></p> <p>The principal roles of the committee are to:</p> <ul style="list-style-type: none"> <li>• Oversee the implementation of the Group's strategy;</li> <li>• Approve and participate in the annual strategy review process;</li> <li>• Approve all key strategic initiatives including but not limited to; appointment of consultants, capital &amp; revenue expenditure and investments.</li> </ul>	<p>The Committee reviewed the performance of the Group against the set key performance indicators and the budget.</p> <p>The Committee further reviewed the proposed 2024 strategic initiatives and budget proposed by management.</p> <p>Members</p> <p>This committee is composed of five Non Executive Directors and the Group Chief Executive Officer:</p> <ul style="list-style-type: none"> <li>• Dr. Benson Wairegi, EBS – (Chairman)</li> <li>• Dr. Peter Munga, EGH, CBS</li> <li>• Dr. Dorcas Muthoni – Co-opted HFC</li> <li>• Mr. Tom Gitogo</li> <li>• Mr. John Mwendwa - Co-opted HFC</li> <li>• Mr. Robert Kibaara - Group Chief Executive Officer</li> </ul>

### 3. Attendance of Individual Directors

The following table shows the number of full Board meetings held during the year and the attendance of individual Directors:

Board meetings attendance for the year ended 31 December 2024

Board meetings attendance for the year ended 31 December 2024										
Date	08.03.24	03.04.24	27.05.24	12.08.24	13.09.24	14.10.24	11.11.24	14.11.24	18.12.24	Total
Prof. Olive M. Mugenda	✓	✓	✓	✓	✓	✓	✓	✓	x	8/9
Dr. Benson I. Wairegi	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Ms. Felister W. Kembu	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Mr. Tom M. Gitogo	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Dr. Anthony O. Omerikwa	✓	✓	x	✓	✓	x	✓	✓	✓	7/9
Dr. Anne W. Kimari	✓	x	✓	✓	✓	✓	✓	✓	✓	8/9
Dr. Peter K. Munga	x	x	✓	x	✓	✓	✓	✓	✓	6/9
Mr. Robert N. Kibaara	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9

A number of Management committees have been established by the Board to oversee operations in some critical areas. These include Executive committee (EXCO), Asset and Liabilities committee (ALCO), Risk Management committee (RMC), Management Lending committee (MLC), IT and Change Council, Service and Marketing Council. The Board appoints other committees as and when necessary.

### 4. Board Effectiveness

The Board conducts a rigorous performance evaluation each year to assess the performance of the Board, its committees, individual Directors, the Chief Executive Officer and the Company Secretary, in compliance with the CMA code and best practice. The process is led by the Chairperson and supported by the Company Secretary. In February 2025, the Directors completed the annual evaluation that covered a self-evaluation, evaluation of the Chairperson and the overall Board. The conclusion of the evaluation was that the Board operated effectively. The results of the evaluation were submitted to the Central Bank of Kenya in March 2025.

### 5. Internal Audit Function

HF Group has designed an internal control system to ensure the integrity and reliability of financial statements and non-financial reporting as well as compliance with laws and internal standards and policies.

The Group has a fully operational internal audit function headed by a qualified senior staff member with functional reporting line to the Group Board Audit & Risk Committee. The function forms the third line of defence within the group enterprise risk management framework. The purpose of the audit function is to provide independent and objective assurance to the board that the governance processes and systems of internal control are adequate and effective. The audit function operates under annual risk based audit plan taking into consideration specific regulatory requirements and approved by the Board Audit Committee.

### 6. Risk Management

The ultimate responsibility of the Group's risk management rests with the Group Board of Directors. The Board is assisted by the Board Audit & Risk Committee with an independent Risk Management and Compliance function, which reviews the adequacy of the risk management systems and reports independently to the committee.

The Group has instituted an enterprise risk management framework designed to identify, evaluate and manage significant risks associated with the achievement of the group's objectives.

## 7. Whistle Blowing Policy

HF Group has a whistleblowing policy that has multiple reporting lines including through an independent and credible external party. HF Group staff, customers and general public are encouraged to make reports on unethical and fraudulent behaviours without fear of retaliation from the suspected individuals.

All reported cases are promptly and comprehensively investigated with meritable actions being taken against identified culprits. A summary report is presented to the Board Audit Committee on a quarterly basis.

## 8. Communication with Shareholders

The Group is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about its performance; and
- Compliance with regulations and obligations applicable to the Nairobi Securities Exchange and the Capital Markets Authority.

Information is disseminated to the shareholders through an annual report and press notices following the release of quarterly, half yearly and annual results. Press releases on significant developments are also reported.

## 9. Directors Benefits and Loans

All the non-executive Directors have continued to receive Directors' fees. The aggregate amount of Directors' fees is disclosed in Note 36 to the financial statements.

## 10. Governance Auditor's Report

### OUR CORPORATE GOVERNANCE STATEMENT

HF Group Plc ("the Company"), through its Board of Directors is committed to implementing and adhering to good corporate governance and best practice. The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing and maintaining governance structures through policy formulation, which is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising member's rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the CMA Code"), as well as the Companies Act, 2015 ("the Act") are adhered to. The Company continues to endeavor to comply with the provisions of the CMA Code.

## 10. Governance Auditor's Report (continued)

### STATEMENT OF RESPONSIBILITIES

The Companies Act, 2015 requires Directors to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company. The Board of Directors of the Company is committed to the highest standards of Corporate Governance and strives for continuous improvement by identifying gaps in the Company's governance structures and processes.

### GOVERNANCE AUDIT

The CMA Code provides that issuers of securities to the public are required to undertake periodic governance audits. The CMA advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach. Over and above the annual self-assessment that the Company is expected to complete on its level of compliance of the Code, the Company undertook a governance audit which was conducted by Walker Kontos Advocates who have issued an unqualified report. The Governance Audit Report is under consideration by the Board of Directors. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. The Board and various Committees continue to implement the recommendations from the Governance audit. The next governance audit will be undertaken for the financial year 2023/2024.

## 11. Legal and Compliance Audit

Legal Audits are generally carried out to ensure compliance with and enforcement of all relevant provisions of applicable legislations and regulations, policies and procedural manuals, and to ascertain the extent of compliance and enforcement. These laws include the Constitution of Kenya, 2010, various legislations, rules and regulations pronounced under the Capital Markets Authority (CMA) and the Central Bank of Kenya (CBK)

The CG Code under guideline number 2.10 makes it mandatory for all issuers of Securities to the Public to conduct an independent Legal and Compliance Audit every two years. Code 2.10(3) (b) places the above-mentioned mandate on the Board to ensure that a comprehensive independent Legal & Compliance Audit is carried out at least once every two (2) years by a legal professional in good standing with the Law Society of Kenya. The Code further provides that any the findings from the audits should be acted upon and any non-compliance issues arising corrected as necessary. This is to ensure that the company complies with the Constitution of Kenya, all applicable laws and regulations, national and international standards and its own internal policies.

The legal and compliance Audit for the period January 2022 up to and including December 2023 was undertaken by the law firm of Walker Kontos Advocates. The Legal and Compliance Auditors rendered an unqualified opinion confirming that the Board has put in place a satisfactory framework to ensure compliance with the laws, regulations and standards.

## 12. Continuous Professional Development (CPD) Training

The Board members for the Group and Subsidiaries undertook a Board Continuous Development Training facilitated by Strathmore Business School. Through this partnership, all the Board members attained at least twelve hours of continuous professional development in compliance with the Capital Markets guidelines in this regard.

### 13. Major Shareholders as at 31 December 2024

		No. of shares held	Percentage shareholding
	<b>Name of Shareholder</b>		
1	EQUITY NOMINEES LIMITED A/C 00104	323,276,566	17.15
2	BRITAM LIFE ASSURANCE COMPANY (KENYA) LTD	272,789,475	14.47
3	BRITAM LIFE ASSURANCE COMPANY (KENYA) LTD	205,282,730	10.89
4	KENYA COMMERCIAL BANK NOMINEES LTD A/C 915 B	107,552,803	5.70
5	TODDY CIVIL ENGINEERING COMPANY LTD	81,670,618	4.33
6	WIZPRO ENTERPRISES LTD	79,533,165	4.22
7	ACINI INVEST AS LIMITED	79,533,165	4.22
8	EFFORT MERCHANTS LIMITED	79,422,462	4.21
9	JANTON INVESTMENT LIMITED	78,745,975	4.18
10	BRITAM HOLDINGS PLC	74,666,146	3.96
11	OTHERS	503,014,911	26.68
	<b>TOTAL</b>	<b>1,885,488,016</b>	<b>100%</b>

### 14. Distribution of Shareholders as at 31 December 2024

			No. of shares held	Percentage shareholding
	<b>Range</b>	<b>No. of Shareholders</b>		
	1 - 500	8,128	1,538,514	0.0816
	501 - 1,000	4,510	3,047,868	0.1616
	1,001 - 5,000	11,285	23,874,013	1.2662
	5,001 - 10,000	2,140	14,793,468	0.7846
	10,001 - 50,000	1,789	35,930,477	1.9056
	50,001 - 500,000	362	44,746,057	2.3732
	500,001 - 1,000,000	27	20,512,494	1.0879
	1,000,001 - 999,999,999,999	60	1,741,045,125	92.3392
	<b>TOTAL</b>	<b>28,301</b>	<b>1,885,488,016</b>	<b>100%</b>

### 15. Shareholding by Directors

		No. of shares held	Percentage shareholding
	<b>Name of Shareholder</b>		
1	BENSON IRUNGU WAIREGI	7,000,000	0.371257
2	ROBERT NGUGI KIBAARA	2,866,500	0.15203
3	OLIVE MWIHAKI MUGENDA	747,200	0.0396
4	PETER KAHARA MUNGA	112,400	0.0060
5	ANNE NGANGA WAIRIMU	12,000	0.0006
6	FELISTER WANGARI KEMBI	0	0.0000
7	ANTONY OPARE OMERIKWA	0	0.0000
8	TOM GITOGO	0	0.0000

# SUSTAINABILITY

# REPORT



2024 marked a pivotal year in our Group's ESG journey as multiple enabling milestones were achieved at our organization, at the same time, the industry also identified a unifying financial reporting metric, IFRS S1 & S2.

Our Group's growth trajectory was buoyed by the third straight year of profitability and our successful Rights Issue that was subscribed at 138%. These two milestones were pivotal to not only boosting our capabilities and impact as we strive to effectively engender sustainability into our business operations, but critically, as we revamp the HF Foundation which had been inactive for several years.

Another major milestone for the year was the approval by our shareholders to Reposition our Brand. Our ESG and sustainability agenda is greatly anchored on not only our Group's purpose of **Enriching Lives**, but critically on what our renewed Brand Promise means, to and for all our stakeholders.

2024 also saw developments in the regulatory frameworks that impacted our Group, of which one was the development of the IFRS S1 and S2 Disclosures Reporting Template for Banks, in an initiative that seeks to standardize sustainability and climate-related risk reporting across Kenya's banking sector. The International Sustainability Standards Board (ISSB) drove the development of a common reporting standard, helping to reduce the disjointed global sustainability reporting landscape. We acknowledge and laud the efforts of Kenya Bankers Association (KBA), in partnership with the Institute of Certified Public Accountants of Kenya (ICPAK), WWF-Kenya and FSD Kenya in refining this template for Kenya.

This will enable our organization align with global benchmarks, enhance decision-making and unlock opportunities in the transition to a low-carbon and socially-inclusive economy. It will strengthen our capability to integrate mechanisms into decision-making processes to effectively manage and mitigate climate and sustainability-related risks in both the short and long term.

In light of this and against the backdrop of our emboldened strategy, we have been engaging stakeholders to assess where our Group can have greatest impact, as we review and refine the gaps to identify and classify our material issues.

The growth of the e-mobility transportation model presents an opportunity for our Group as we deliver on our growth strategy. As a business and as part of our environmental sustainability, we have embraced electric vehicles and aim to transition the Company's transportation to this in the short to medium term.



“ As we pursue embedding sustainability into our business, we are particularly delighted to relaunch our HF Foundation in 2025 ”

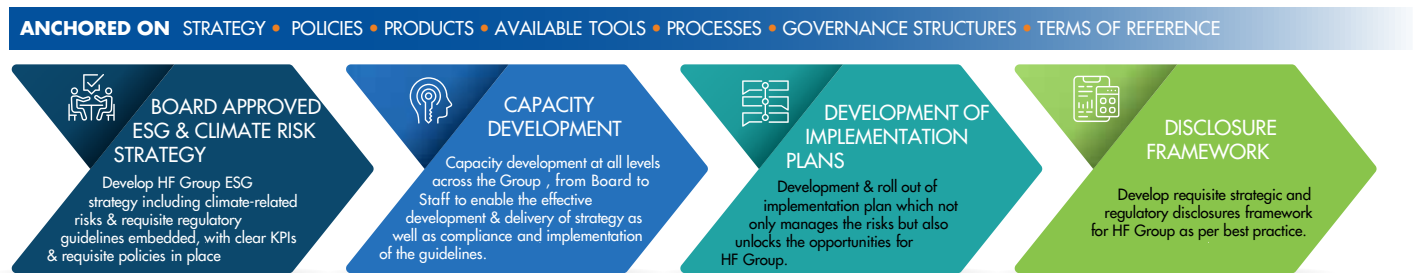
It is on the back of these milestones, anchors and regulatory frameworks and opportunities that we will be launching our ESG Strategy and relaunch our HF Foundation in 2025.

This report outlines our efforts with regards to embedding sustainability into our business in 2024.

**Robert N. Kibaara**  
Group Chief Executive Officer

# Our ESG Road Map

In light of the milestones achieved in 2024, we have embarked on various initiatives as outlined in our Road Map below geared at embedding sustainability into our business operations and relaunching our HF Foundation.



## Embedding Sustainability Into Our Business Operations & Relaunching our HF Foundation

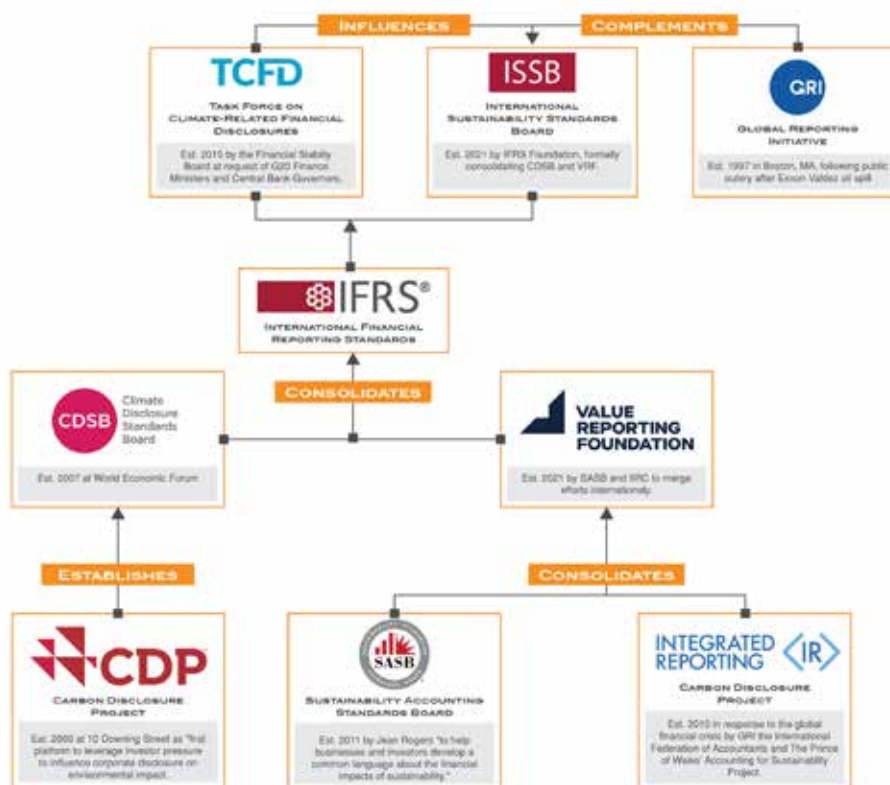
# Our Reporting Framework

Our Group and its subsidiaries has multiple regulators who adopted various Global Sustainability Reporting Frameworks. NSE and CMA utilized GRI whilst CBK adopted TCFD.

From the influence and complementary elements of the TCFD standard and the GRI standard respectively, the International Sustainability Standards Board (ISSB) worked towards providing a global baseline for sustainability reporting. In June 2023, the ISSB introduced IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). The illustration below outlines the journey to the two new standards.

The Banking industry umbrella body, Kenya Bankers Association (KBA), in partnership with the Institute of Certified Public Accountants of Kenya (ICPAK), WWF-Kenya, and FSD Kenya, has launched the IFRS S1 and S2 Disclosures Reporting Template for Banks, in an initiative that seeks to standardize sustainability and climate-related risk reporting across Kenya’s banking sector.

This is the framework that our Group will be adopting and will integrate other emerging regulatory frameworks such as Kenya Green Finance Taxonomy (KGFT).



Source: KBA IFRS Template

# Stakeholder Management

## Our stakeholders

In 2024, these were the stakeholders that our activities, products, services & performance impacted.



## Stakeholder Engagement Approach



## MATERIAL ISSUES

On the back of the various milestones, anchors and regulatory frameworks and opportunities that we have the benefit of enjoying at the outset of our ESG journey, the Draft Gap Analysis has been developed and is under review to enable us identify our material issues. This will also inform the requisite and documented engagement plan for each stakeholder going forward.

That said, even in our nascent stage, we are cognizant of the criticality of all our stakeholders and the impact of our activities, products, services and performance on them. Below are some of the material issues and related enterprise risks at our organization.

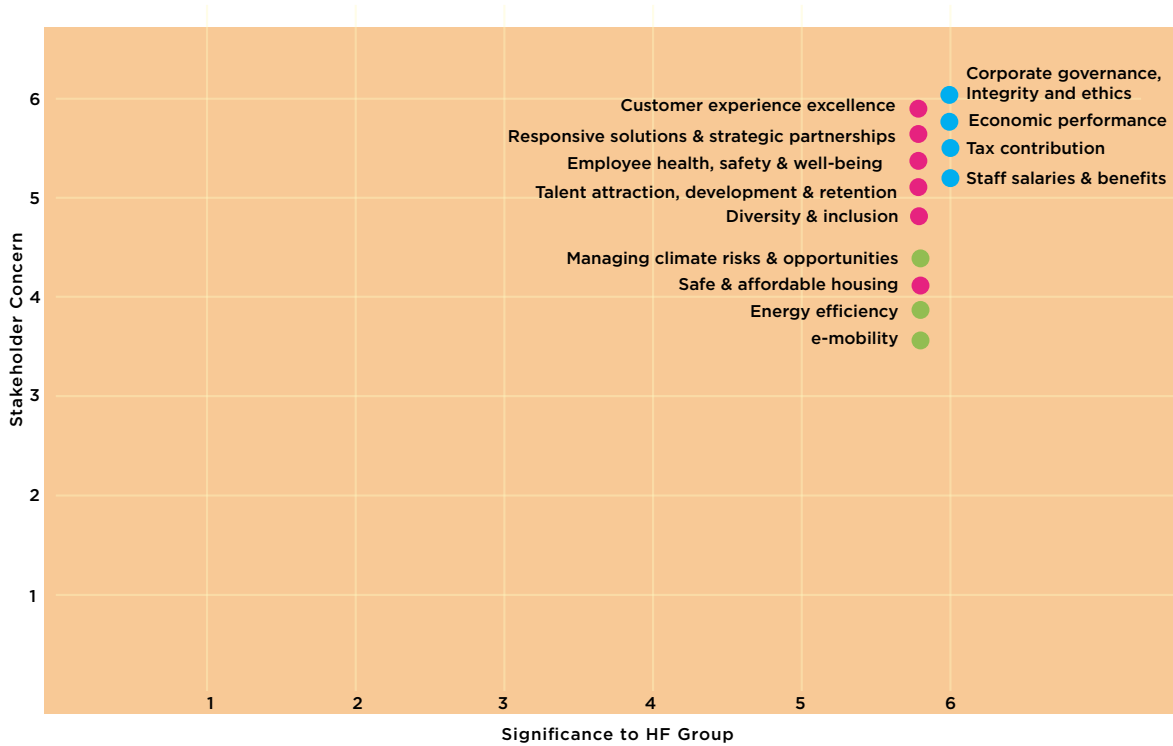
## 2024 Material Issues & Related Enterprise Risks

HF GROUP MATERIAL ISSUES	RELATED ENTERPRISE RISKS
<b>Environmental</b>	
<b>1.</b> Managing climate-related risks & opportunities	<ul style="list-style-type: none"> <li>· Inability to identify and mitigate climate-related physical and transition risks</li> <li>· Inability to incorporate climate-related risk management into our overall strategies including overall Group strategy and risk management strategy</li> <li>· Inability to develop scenario analysis and stress testing frameworks</li> <li>· Inability to invest in resources to deliver on the climate-related risks and opportunities</li> <li>· Non-compliance with regulatory requirements</li> </ul>
<b>2&amp;3.</b> Energy efficiency and e-mobility	<ul style="list-style-type: none"> <li>· Financial investments in renewable energy that may not be cost-effective or sustainable</li> <li>· Technological risks associated with the deployment and use of new renewable energy technologies</li> <li>· Supply chain risks related to sourcing renewable energy materials</li> <li>· Investment in electric mobility</li> </ul>
<b>Social</b>	
<b>4.</b> Talent attraction, development and retention	<ul style="list-style-type: none"> <li>· Shortage of skilled workers or the inability to attract top talent</li> <li>· Succession planning risks</li> <li>· Reputational &amp; talent flight risks if employees feel undervalued or under-compensated</li> <li>· Skills scarcity and the talent war concerning technology and data skills</li> <li>· Inability to effectively respond to emerging workplace and generational trends</li> </ul>
<b>5.</b> Diversity and inclusion	<ul style="list-style-type: none"> <li>· Negative impact on company reputation</li> <li>· Legal and compliance risks related to discrimination or failure to promote diversity and inclusion</li> <li>· Potential loss of market share due to lack of diversity and inclusion</li> </ul>
<b>6.</b> Employee health, safety and well-being	<ul style="list-style-type: none"> <li>· Employee absenteeism</li> <li>· Lost productivity</li> <li>· Reputational risks related to the spread of disease</li> <li>· Compliance risks associated with health and safety regulations</li> </ul>
<b>7.</b> Safe and affordable housing	<ul style="list-style-type: none"> <li>· Compliance with health and safety regulations</li> <li>· Risks related to affordability</li> <li>· Regulatory risks associated with property development and construction</li> <li>· Climate change-related risks associated with property development and construction</li> </ul>
<b>8&amp;9.</b> Responsive solutions and strategic partnerships as well as customer experience excellence	<ul style="list-style-type: none"> <li>· Unresponsive solutions to the market that leads to loss of time, money and resources for the organization</li> <li>· Ineffective solutions that do not meet the diverse and dynamic needs of the market</li> <li>· Loss of opportunities, innovations and growth arising from collaborations and strategic partnerships</li> </ul>
<b>Governance</b>	
<b>10.</b> Economic performance	<ul style="list-style-type: none"> <li>· Macroeconomic conditions</li> <li>· Market fluctuations</li> <li>· Interest rate risks</li> <li>· Forex risks</li> </ul>
<b>11-13</b> Corporate governance, integrity & ethics, tax contributions as well as staff salaries and benefits	<ul style="list-style-type: none"> <li>· Fraud, corruption, and unethical behaviour</li> <li>· Regulatory and legal risks related to non-compliance with corporate governance standards</li> <li>· Reputational risks</li> <li>· Failure to comply with or meet tax obligations</li> </ul>

# Materiality Matrix

The matrix below reflects our understanding of the importance of these risks to our stakeholders and business. We group these material topics into **environmental**, **social** and **governance**, that drive the content, structure and scope of our reporting. They are grouped based on our strategy and our current ability to realize the initiative.

Stakeholder Concern Vs Significance to HF Group



## Material Topics

### Environment

1. Managing climate-related risks & opportunities
2. Energy efficiency
3. e-mobility

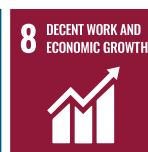
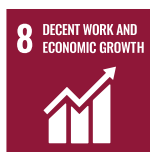
### Social

4. Talent attraction, development & retention
5. Diversity & inclusion
6. Employee health, safety & well-being
7. Safe & affordable housing
8. Responsive solutions & strategic partnerships
9. Customer experience excellence

### Governance

10. Corporate governance, integrity & ethics
11. Financial performance
12. Tax contribution
13. Staff salaries & benefits

## Impacted SDGs





## ENVIRONMENTAL

### 1. MANAGING CLIMATE-RELATED RISKS & OPPORTUNITIES

Managing climate risks and opportunities aligns with **SDG 13: Climate Action** and refers to the proactive approach of identifying and mitigating those risks associated with climate change while capitalising on the opportunities that arise from the transition to a low-carbon economy. This goal aims to take urgent action to combat climate change and its impact.

In preparation for preparedness and adoption of IFRS S1 and IFRS S2 requirements our organization has undertaken the following initiatives with regards to managing climate-related risks and opportunities.

**Climate-Related Risks Gap Analysis:** Our Group commenced the gap analysis of our ESG and climate-related risks & opportunities management preparedness that will inform the road map with reference to strategies, policies, products, available tools, processes as well as governance structures and terms of reference. The Draft Gap Analysis has been developed and is under review.

**Launch of our Green Mortgages Solution:** As part of our Group's commitment to developing solutions in the green financing arena, we have enhanced our heritage mortgage product, by offering mortgage solutions for green certified building projects.

Our Green Mortgages will fund green certified buildings that support the efficiencies outlined below:



Our Group commits to developing solutions that meet the evolving needs of our clients and drive positive sustainability and environmental impact. Our Green Mortgage is benchmarked on partnering with local, regional and international building certifications to ensure eligibility.

Our Green Mortgage Solution is set to be launched in Q3 of 2025.

**Assessing The Extent of Our Green Loan Book:** Our Team is in the process of assessing the veracity and size of our loan book that currently funds green initiatives, with the aim to take a target towards increasingly greening our Loan Book.

## 7 AFFORDABLE AND CLEAN ENERGY



## 2. ENERGY EFFICIENCY

Energy efficiency aligns with **SDG 7: Affordable and Clean Energy**. Energy efficiency speaks to using less to perform the same task or achieve similar output and involves adopting technologies and practices that reduce energy consumption, minimise waste and enhance energy productivity. This goal aims to ensure access to affordable, reliable, sustainable and modern energy for all.

As our commitment to responsible energy consumption, we have made the following commitments:

- i. Implementation of energy-saving fitting systems to reduce the negative environmental impact of inefficient energy consumption in our business activities and operations;
- ii. Review of our motor vehicles policy to adopt use of electric vehicles across the Group over time.
- iii. Digitizing our processes in furtherance of our journey to reduce paper use;
- iv. By adopting IFRS S1 and IFRS S2, we will be able to use the available tools to eventually scope our energy consumption and opportunities and adopt appropriate interventions.
- v. Going forward, as our inaugural ESG Strategy comes alive, giving preference to suppliers and contractors with environmentally friendly practices

From 2021, we set out to reduce energy consumption from non-renewable energy sources. We switched to lower energy consumption bulbs such as LED lighting as well as installations which resulted in a saving of **Kes. 4 Million** in 2022 and a further saving of **Kes. 5.55 Million in 2023. 2024** achieved **Kes 2.6 Million**.

In, 2023 - 2024 total energy consumption at our Head Office at Rehani House was **121,774 KWH** of Solar Power was utilized amounting to **Kes. 2,578,072** versus **501,859 KWH** utilized from KPLC totalling to Kshs **14,484,849** and hence solar energy consumption for the year 2023 - 2024 represented **20%** of the total kilowatt consumption.

Our headquarters at Rehani House delivered 100% Plant Uptime in 2024, with the cost of total electrical power consumed estimated at **Kes. 12,268,275.29** and the grid cost with solar estimated at: **Kes. 10,287,143.41** and the saving at **Kes. 1,981,131.88**. This resulted in an Environmental Impact of **71,076.89 kgs** of CO<sub>2</sub> of emission avoided that year. This avoidance is equivalent to **1832 trees** planted and the avoided CO<sub>2</sub> emission is equivalent to **473,849 km** driven.

We will continue on this trajectory by adopting other renewable and efficient energy sources, acquiring more intelligent office equipment that use lower power consumption and ensuring that our motor vehicle fleet is well maintained and consuming less petrol or diesel. Targets in this regard will be identified once an effective baseline is established.

### 3. E-MOBILITY

In 2024, we acquired 3 electric vehicles which promote **SDG 7: Affordable and Clean Energy** & **SDG 13: Climate Action** pursuits.

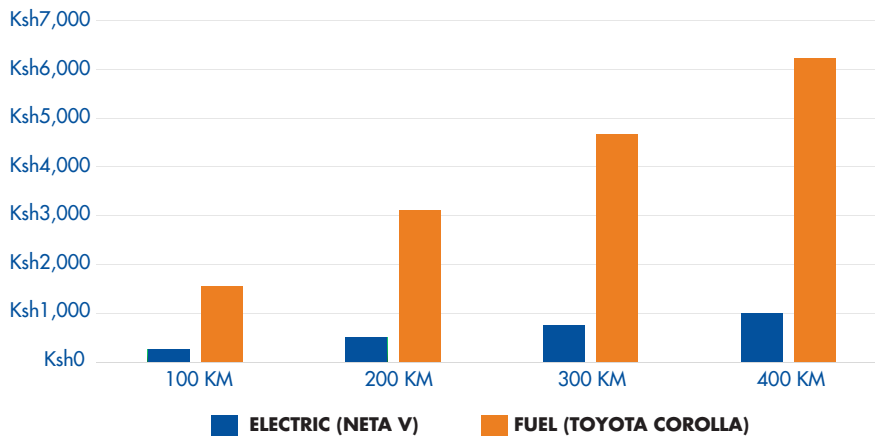
The benefits of acquisition of our Electric Vehicles promotes and enjoy the following benefits:

- **Environmental Protection and Emissions Reduction:** Significantly reduce tailpipe emissions
- **Lower Operating Costs:** Electricity is cheaper and more stable than gasoline.
- **Convenient Charging:** Portable chargers allow our Team to charge anywhere; Home chargers allow our staff who have this facility installed to charge at their convenience. A large network of commercial chargers has already been established in Kenya.

#### 2024 Operational Breakdown for Electric Mobility

	KM	FUEL IN LITRES	PRICE PER LITRE	100KMS COST	400KMS COST
<b>Fuel (Toyota Corolla)</b>	400	8.2	189.94	1,556.68	6,226.75
	KM	CHARGE	PRICE PER UNIT	UNITS	400KMS COST
<b>Electric (Neta V)</b>	400	100%	26.4	38	1,003.58

#### FINANCIAL BENEFITS OF ELECTRIC MOBILITY



In 2024, we acquired 4 Electric Vehicles which are in use across our Group. We intend to eventually replace all our corporate vehicles across the network with Electric Vehicles, in the short and medium term.





8 DECENT WORK AND ECONOMIC GROWTH



## SOCIAL

### 4. TALENT ATTRACTION, DEVELOPMENT & RETENTION

Talent attraction, development and retention align with **SDG 8: Decent Work and Economic Growth**, which promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work. Developing a skilled workforce contributes to promotion of the advancement of the socio-economic agenda of our country.

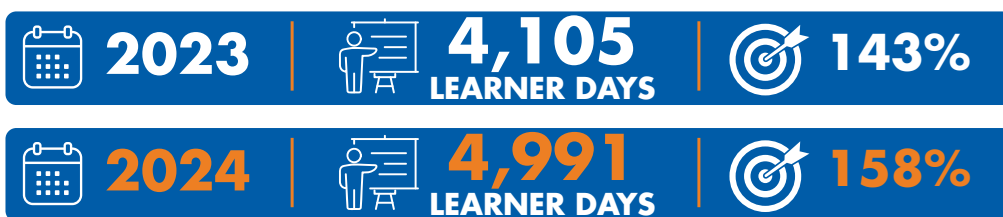
At HF Group, we are anchored on our purpose of **Enriching Lives** and cognizant of the fact that our people are our most valuable asset. We provide avenues to improve productivity, morale and nurture talent.

We recognise that different age groups are at various personal and professional development stages and therefore, have different needs and motivations.

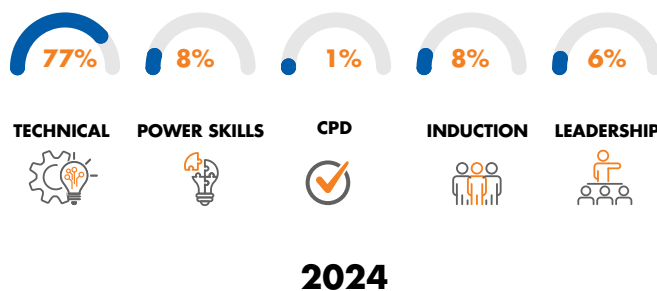
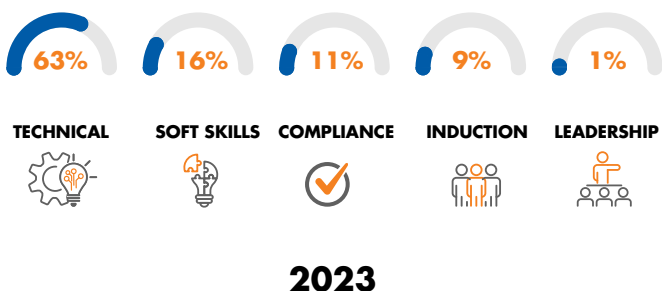
In pursuit of a compelling **Employee Value Proposition (EVP) The Draft Gap Analysis has been developed and is under review to enable us identify our material issues.** This will also inform the requisite and documented engagement plan for our Team going forward.

**Below and overleaf are some of the statistics in this regard.**

- In 2024, we achieved **4,991 Learner Days** across the organisation, which is **158%** of our annual target.

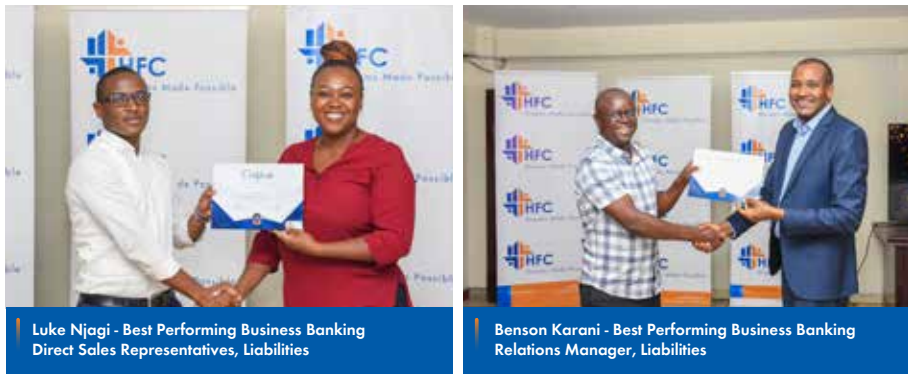


- The main areas of learning included:



We also believe in the power of reward and recognition and undertake frequent award ceremonies for our top performing teams and team members. For instance, every month we reward our top performers in the Retail Team.

**Our Group CEO, Bank MD and Head of Personal Banking, Manager award our various monthly top performers from across our branch network. Further below, our Teams enjoy a masquerade themed awards ceremony at the end of the year.**

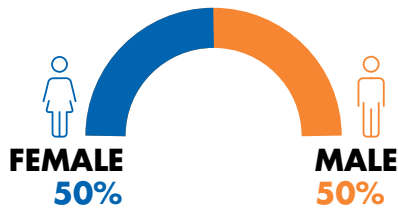


**Our Team delights in an end year Awards Event that promoted Team Spirit and our Happy Bank Thrust.**

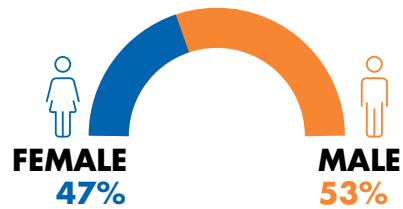


## 5. DIVERSITY & INCLUSION

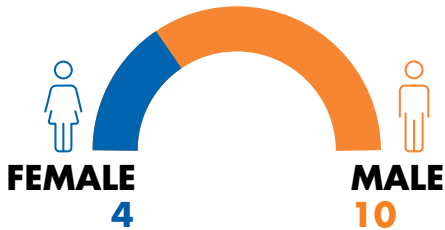
HF Group Board of Directors by Gender 2023



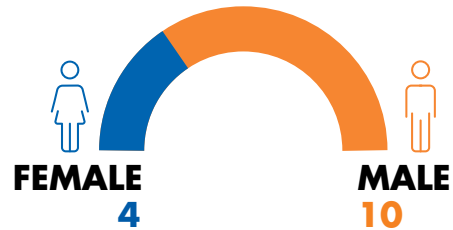
HF Group Board of Directors by Gender 2024



Senior Leadership Team by Gender 2023

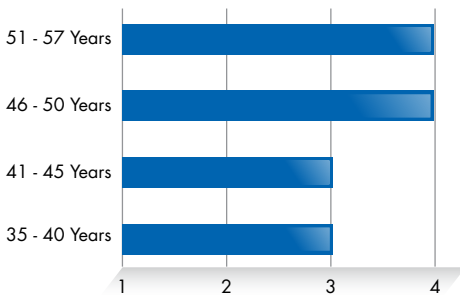


Senior Leadership Team by Gender 2024

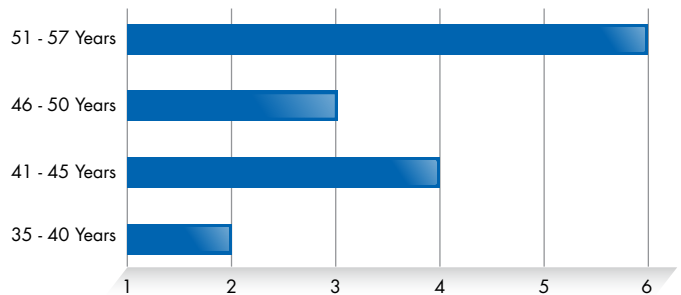


### Age Demographics Senior Management

Age Demographics - Senior Management Previous Year (2024)

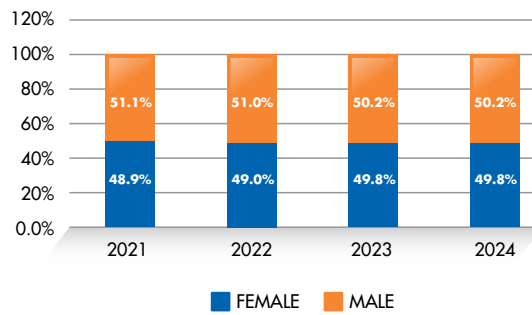


Age Demographics - Senior Management Current Year (2025)

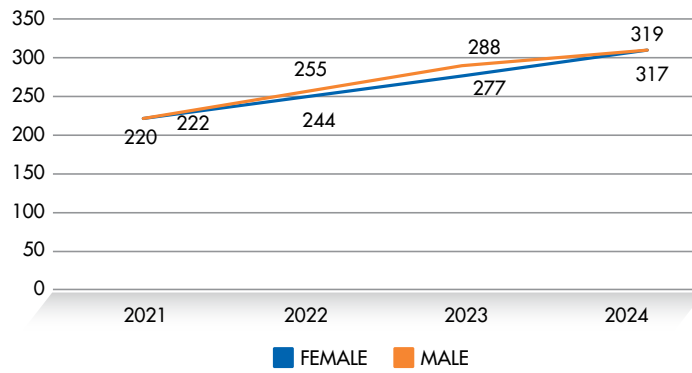


Average age of Senior Management is 47.9 years in 2025

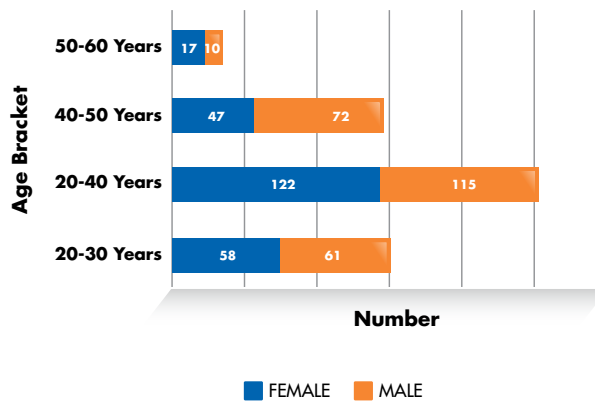
### Overall Population Trend 2023



### Male & Female Employees YoY

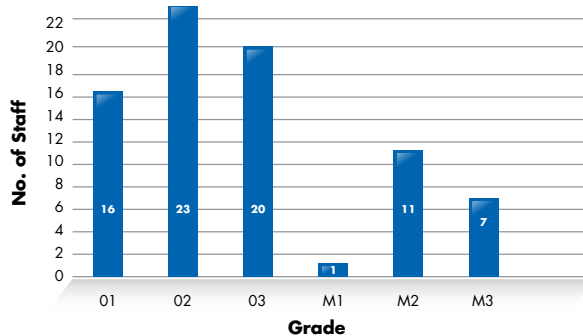


### Age Distribution by Gender: 2024



### 78 Promotions 2024

81 Promotions in 2023



3 GOOD HEALTH AND WELL-BEING



## 6. EMPLOYEE HEALTH, SAFETY & WELL-BEING

**SDG 3** aligns with **Good Health and Well-being**. It refers to one being physically, mentally and socially healthy, living a fulfilling life and contributing positively to society. It seeks to ensure healthy lives and well-being for all ages.

Health and well-being are essential tenets for the financial services sector to create a productive and engaged workforce, capable of delivering on the innovative solutions the sector needs to deliver on, in order to drive the economy.

### Occupational Health & Safety



As we seek to promote employee health, mental health and positive workplace culture and as a responsible employer, we are guided by the law under the **Occupational Health and Safety (OHS) and Occupational Health and Safety Administration (OSHA) Act**.

Our OSHA committee has designated first aiders and fire marshals accountable for executing the approach, based on established risk management practices.

In 2023, the OSHA committee, first aiders, and fire marshals underwent training from certified organisations. The training comprised an examination, and those who passed received certifications. In 2024, we added 50 more first aiders.

The OSHA committee holds periodic meetings, while the first aiders and marshals receive annual refresher training. We are committed to adhering to the OSHA guidelines to guarantee OHS compliance.

We certified the following staff, facilitated by Red Cross:

	2023	2024
 <b>First Aiders</b>	<b>34</b>	<b>+50</b>
 <b>Fire Marshals</b>	<b>34</b>	<b>-</b>



## Workplace Well-being

Currently, we have programs to provide insights and education on good health and wellness via programmes spanning counselling, nutrition, physical and mental health. From the financial wellness front, we offer personal financial planning seminars as well as loans and mortgages, however we ensure that employees only borrow within a limit they can comfortably repay.

As we endeavor to deliver on our purpose of **Enriching Lives**, we also engage our staff in multiple and various activities to enhance our positive work environment and organizational energy. Below are some highlights from the year.



International Womens Day Celebrations 2024.



Our Group CEO celebrates our Basketball Team that emerged 2nd Runners Up at the Interbanks Games at an event hosted in honour of all our colleagues who participated or cheered on our Teams at the Interbank Games 2024.

## In pursuit of one of our Magic 6 Strategic Outcomes - HAPPY BANK!

We undertake various activities within and outside our premises regularly to promote Team spirit and camaraderie. Below are highlights from the activities across the network in 2024. These span Interbank Games, Internal Game Nights, Theme Days based on various dress codes and so on.







8 DECENT WORK AND ECONOMIC GROWTH



## 7. RESPONSIVE SOLUTIONS & STRATEGIC PARTNERSHIPS

### Target Save Solution

Responsive product solutions align with **SDG 8: Decent Work and Economic Growth**. 2023 and 2024 were years that witnessed multiple tumultuous events in the economy resulting from the macro environment in addition to new legislation. As a result, the wallet sizes of residents in the country were impacted. That said, there was still an opportunity for one to save for a rainy day – even under adverse circumstances. Our HFC Whizz App accords individuals around the country the opportunity to save and achieve their financial goals in a targeted manner, suited to one's prevailing or upcoming financial circumstances. Better yet, you don't have to walk into a banking hall to do so, our solution offers fast and simple digital saving at the speed of your lifestyle!

We run a campaign to enlighten our target audience that our digital HFC Whizz App **Target Save Solution** allowed one to save and invest towards their financial goals at their desired pace. The behaviour change we sought to drive was that one can STILL achieve one's financial goals if you develop a consistent and disciplined personal savings and investments culture.

**Download the HFC Whizz App & open the Target Save Account NOW! (Available on iOS & Playstore)**

#### The benefits include:

- Competitive rate of return of up to 10% (Tiered – the more one deposits the better the rate)
- Interest is paid out at the end of your targeted savings period – short or long term
- Withdraw funds at any time to M-Pesa or your HFC Account
- Conveniently open the account on our award-winning HFC Whizz App

#### The solution is suited to those:

- With disposable income
- Predominantly between the ages of 25 and 45 who value growth, stability and a better future for themselves and their families
- In the early stages of wealth creation and have a lot of competing financial needs e.g. growth of their side hustles / businesses
- Are in chamas/investment groups, saccos, all of which serve as a bridge to their aspirations of wealth creation

#### IMPACT AS AT DECEMBER 31<sup>ST</sup> 2024

- Current Number of Accounts **1,160**
- Current Funding **Kes 16.347 Million**
- **70,443** Apps Engagement Sessions

**TIE THE KNOT WITH HFC TARGET SAVE!**  
 Save pole pole towards your wedding goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

**GLAM IT UP WITH HFC TARGET SAVE!**  
 Save pole pole towards your home upgrade goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

**LET THEM SCORE BIG WITH HFC TARGET SAVE!**  
 Save pole pole towards your child's goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

**HATCH A PLAN WITH HFC TARGET SAVE!**  
 Save pole pole towards your hustle goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

**IT'S A PIECE OF CAKE WITH HFC TARGET SAVE!**  
 Save pole pole towards your party goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

**GLAM IT UP WITH HFC TARGET SAVE!**  
 Save pole pole towards your home upgrade goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

**ADVENTURE AWAY WITH HFC TARGET SAVE!**  
 Save pole pole towards your vacay goals.



Download the HFC Whizz App today! or text 'Target' to 21938



HFC is regulated by Central Bank of Kenya

## Diaspora Solutions

Our Diaspora Team has enriched the lives of our existing and potential customers abroad by offering banking, property and insurance solutions.

We partnered with various stakeholders to engage customers in Kenya and in the diaspora. Below are some highlights from our engagements.



**HF GROUP**  
Dreams Made Possible

**Peter Mugeni**  
Managing Director

**Abojani**

**WEBINAR**

**INVESTING BACK HOME:  
A REVIEW OF HF GROUP**

WEDNESDAY, OCTOBER 23, 2024

08:00 PM EASTERN TIME (US AND CANADA)

**PETER MUGENI**  
MD, HFC (HF GROUP)  
BANKING SUBSIDIARY

ZOOM JOINING LINK: [HTTPS://BIT.LY/HFGROUPKE](https://bit.ly/HFGROUPKE)  
PASSCODE: HFGROUP



**FREEDOM TO INVEST BACK HOME**

Are you in DC, MD or VA?  
Did you know you can get **Property Financing** from HFC to purchase a plot/building or a construction loan for your properties **back home**?

JOIN US AND FIND OUT MORE!

16 NOV 2024 2:00pm - 7:00pm

FOUNDING FARMERS  
METRO PLAZA  
REDFORD  
VA 22090

RSVP: **Janetina Karamba**  
+324 700 274 734  
**Grace N. Mwangi**  
+1 (703) 953-7156

**HFC**  
Dreams Made Possible

**Enriching lives...**



**...through strategic  
partnerships**



## We aim to finance Kes 4 Billion over the next few years to finance players in the affordable housing ecosystem via HFC's Ujenzi na Makao

HF Group, through its banking subsidiary – HFC, entered into a partnership with the **Jua Kali Contractors Federation of Kenya (JKCFK)** that sees the lender support the federation and its members with access to credit and opportunities for enhanced participation in Kenya's real estate value chain. The two parties are creating synergies in the real estate market by supporting Jua Kali artisans with value addition for their products and services for increased revenue generation. The Jua Kali sector has been allocated preferential contracting of doors, windows and other ringfenced items for all affordable housing works by the Government of Kenya, but lack of financing to service the contracts has hindered uptake of this opportunity.

As we focus on the development of the SME sector, we are committed to strategic partnerships with the sector which plays a critical role in empowering lives, poverty eradication and the economic development of our country. Our partnership with the Jua Kali Contractors Federation dubbed **HFC Ujenzi na Makao** provides tailor-made financing solutions to its members and clusters, within HFC's lending policy and is a testament to our commitment to living up to our Group's purpose; **Enriching Lives**.

Through the partnership, HFC provides the artisans with working capital in addition to training and capacity building opportunities, including idea conceptualization to procurement of products and services, financing, joint market research and exposure to strategic partners. These trainings will leverage on a partnership that HF Group has with **Strathmore University's Small Business Development Centers**, which will facilitate the training programs at a subsidized rate of 10% off.

Our Bank provides a bouquet of financial solutions structured to suit the needs of all players in the affordable housing ecosystem. This includes financing for contracts in excavation, masonry, joinery, steel works, plumbing and finishings.

The State Department for Housing and Urban Development welcomed HFC's support of this vision through the provision of mortgage financing, training and working capital to the Jua Kali sector to bolster their capacity to deliver in the supply chain. The State Department has provided access to the market for the Jua Kali sector by ring-fencing doors, windows and other key inputs in the affordable housing supply chain. This provides a growth opportunity for the Jua Kali sector to corporatise and be the developers of tomorrow. Further, the intention is for every Jua Kali artisan to have the chance to be a home owner by providing affordable home financing solutions.

Through the **HFC Ujenzi na Makao** programme, the Federation members have access to working capital to facilitate works contracted for under the Government of Kenya's affordable housing project. **The Federation members have been allocated 10 percent of all the Government of Kenya affordable housing units** but members have faced challenges accessing financing in order to realize this benefit. Our Bank will bridge this gap by providing mortgage financing to enable individual members own decent housing hence giving them dignity and enriching their lives.

**Impact:** Access to **Kes 4 billion** of financing over the next few years to finance players in the affordable housing ecosystem.

Via our funding, we enable **federation members to own homes** that would previously have been inaccessible to them. The Contractors secured 2 contracts in Ruiru for Kes **140 Million** and Kibera for Kes 720 Million. So far we have disbursed 8 loans for the Ruiru development worth **Kes 33 Million**.



## Powering Emerging Entrepreneurs Via Capacity Building & Tailor-Made Financing Solutions With Skill Up Mentorship Programme

Our Banking Subsidiary HFC has partnered with Skill Up Mentorship Programme, an organization whose main goal is to offer practical skills to individuals in society and solve the problem of unemployment. The key objective of the partnership is to Skill up mentorship programme and HFC to drive inclusive economic empowerment through vocational training, entrepreneurship support, and financial inclusion. This financial empowerment prioritizes participation of women, youth, and marginalized groups.

Our partnership will initially focus on training and capacity building in the MSME sector to empower emerging entrepreneurs through capacity building and enhanced access to business financing so as to enable them unlock new opportunities that grow their ventures and enrich their lives. Our Bank provides tailor-made preferential financing

solutions, linkages to strategic partners as well as motivational and leadership engagements where our Teams and other inspirational leaders can rouse our entrepreneurs to convert their cottage industries into thriving and sustainable businesses.

- Tailored financial education on budgeting, savings, and micro-investing.
- Introduction of simplified savings accounts for programme beneficiaries.
- Access to starter microloans and financing facilities for small-scale entrepreneurs.

### The entrepreneurs and benefactors will enjoy:

- Access to financial literacy training on budgeting, savings, and micro-investing



Regina King'ori, Founder of Skill Up Mentorship Programme, The Deputy Governor of Kiambu County H.E. Rosemary Kirika and our HFC Retail & Business Banking Director, Patrick Njunge delight at signing the MoU between Skill Up and HFC



- Mentorship opportunities from our Group Access to our banking products such as savings accounts, youth enterprise loans, or mobile banking.
- Tailor-made financing solutions for SKILL UP MENTORSHIP PROGRAMME within HFC's lending policy.
- Customized Insurance Solutions for members and their businesses within our Insurance subsidiary's policies to help them mitigate the insurable risks.
- Via Data Sharing (with Consent), share relevant anonymized or consented data on trainees' profiles and progress to support impact assessment and potential credit scoring for increased access to funding
- Joint Events to host outreach events, entrepreneurship fairs, or financial wellness sessions.
- Report Impact via regular reports to our Group on program outcomes, especially related to financial inclusion, business startups, or employment.
- Provide Feedback Loop from trainees on HFC products/ services and relay insights for continuous improvement.
- Undertake joint industry research and marketing activities- Jointly participate in industry research, marketing activities and develop a consistent Value proposition for Skill up members.
- Facilitation of community trade exhibitions.
- Showcasing of beneficiary products via HFC's SME networks and events.



Various emerging entrepreneurs showcase their products with delegates at the event.



## Partnering with Strathmore University Business School to Boost MSMEs Growth via Empowerment Programmes

HF Group and Strathmore University Business School entered into a strategic partnership to collaborate on empowerment programmes for micro, small and medium enterprises (MSMEs) within the sectors of manufacturing, real estate, healthcare, education and agriculture value-chain.

The initiative sees MSMEs within our ecosystem benefit from training, capacity building initiatives and tailor-made financing solutions geared towards business growth.

MSMEs are at the heart of Kenya's social, economic and industrial development. With this partnership, the Group and Strathmore will leverage each other's expertise to create a supportive ecosystem specifically designed to propel MSMEs to the next frontier of growth and economic contribution."

The collaboration aims to leverage the respective strengths and areas of expertise of both partners to deliver relevant insights through annual trainings on entrepreneurship, financial literacy, e-commerce, business mentorship and coaching.

MSMEs constitute 98 percent of all businesses in Kenya, responsible for 30 percent of jobs created annually and three percent of the GDP. This sector is critical to the country's economic vitality and we firmly believe that supporting this will expand trade and employment opportunities.

A 2018 Kenya National Bureau of Statistics report showed approximately 400,000 micro small and medium enterprises do not celebrate their second birthday and very few SMEs reach their fifth birthday. 46% of Kenya's SMEs reportedly close within a year of founding. With this partnership, we seek to be at the forefront of turning the tides for MSMEs towards sustainability.



**Our HFC Retail & Business Banking Director, Patrick Njunge, addresses the 12th Annual SME Conference & Expo by Strathmore Business School. Our Group has been a key sponsor at this annual event.**

### Impact:

- Enabling MSMEs sustained growth via financial and academic empowerment via pro bono trainings.
- Over **500 SMEs** engaged through the partnership. In 2024, the focus was on women-led SMEs & healthcare sector.
- At the Annual SME Conference, we reached over **670 participants** & issued loans worth **Kes 24M** from the women's event and **Kes 14M** from the healthcare dinner.



**Our Director - HR & Administration provides insights as an entrepreneur in her own capacity on the Funding & Investment Opportunities for Women Entrepreneurs Panel.**

## 8. CUSTOMER EXPERIENCE EXCELLENCE

One of our core values is **Customer Centricity** and as such our customers are at the heart of everything we do. Accordingly, we strive to deliver a seamless and personalized experience that meets their needs and exceeds their expectations. Our customer-centric approach cuts across all aspects of our business, from product development to customer servicing.

Our goal is to understand the needs and wants of our customers and deliver a tailor-made experience that meets their unique and diverse needs.

We prioritize customer satisfaction and understand that it is a critical pillar of our business as we strive to provide a positive experience for every client interaction. We have established clear procedures for responding to client issues, including a dedicated 24/7 customer service team to handle inquiries and resolve concerns. We can be reached via multiple contact points including face-to-face at our branches, or via call, social media, webchat, WhatsApp and SMS.

We train our team to respond professionally, empathetically, and promptly. We also have a complaints management system to log, track and systematically resolve complaints. We believe in open and transparent communication with our clients and regularly seek feedback on our services and performance via surveys and in-person engagements.

### Award-Winning Solutions



**Winner of the Best Bank in Mortgage Finance for 2024 at the Think Business Banking Awards**



**2<sup>nd</sup> Runners Up in 2023 and 1<sup>st</sup> Runners Up in 2024 at the Kenya Bankers Association 2024 Customer Satisfaction Awards.**



**Winner of the Best Turnaround Strategy at the Abojani Economic Empowerment Awards.**



**Winner of the Mortgage Finance Provider of the Year 2024 by Kenya Professional Realtors Association**

## Nation-wide Client Engagements

In pursuit of our purpose - Enriching Lives and our core value - Customer Centricity, we spent a significant amount of time engaging with Clients across the Country. At these forums, our Leadership Team anchored by local teams shared industry trends and insights along with solutions that would enable them to be financially empowered for themselves or their businesses. These included but are not limited to:

Meru: **Customer Appreciation & Lawyers**

Nairobi: **Doctors, Agrovets & Lawyers**

Nanyuki: **Business Community & Customers**

Machakos: **School Owners, Land Owners, Customers & Doctors**

Nyeri: **Doctors**

Naivasha: **School Owners**

Rongai: **School Owners**





11 SUSTAINABLE CITIES AND COMMUNITIES



## 9. SAFE & AFFORDABLE HOUSING

Safe and affordable housing aligns with **SDG 11, Sustainable Cities and Communities**, which aims to make cities and human settlements inclusive, safe, resilient and sustainable. Safe and affordable housing means having access to decent housing that is secure, affordable and meets basic standards of sanitation, privacy and structural integrity.

As a banking, property and insurance value chain player, we perform a critical role in promoting safe and affordable housing. We provide financing and advisory services for affordable housing projects and have partnered with government and industry bodies to curate financial products and services that cater to the needs of those seeking safe and affordable housing.

Further, HF Group, anchored on our rich heritage of over 110 years in the property value chain, offer wealth and project management, advisory, sales & marketing along with other products and services for various clients and partners. Critically, we offer financing and insurance solutions to make the dream of owning or investing in a home possible - true to our Brand Promise - **Dreams Made Possible**.

Another approach that HF Group is taking is providing education and resources on property financing. Many people experience challenges in understanding the financial aspects of buying or renting a home, which can be a significant barrier to safe and affordable housing. We are working to provide information and resources to help people understand the property finance and conveyancing process in order to and make informed decisions.

HFC Kenya  
Published by Endless Otela  
April 4 · 48

Looking to own a home in Kenya? Our Head of Mortgage, Stella Mutai, breaks down the mortgage process and shares valuable insights on home ownership



**Stella Mutai, our Head of Mortgages demystifies Mortgages in a series to our digital audiences on our social media platforms.**



**Our Group CEO engages the audience and fellow panelists at the 2024 Affordable Housing & Urbanization week as part of Mashujaa Day celebrations in Kwale.**

Furthermore, we continue to invest in technology to improve access to property financing. Our award-winning mobile banking platform **HFC Whizz** allows customers to access various services, including saving for their homes via our **HFC Nyumba Yangu Account** and **includes a 15% off tax incentive**. Further, as members of the Kenya Mortgage Refinance Company we are able to offer home loans that are incentivised at **less than 10% interest** for first time home owners of affordable housing properties (less than Kes 10M purchase price).

Our online property market place accessible via **www.hfmarketplace.hfgroup.co.ke** allows potential buyers to view available properties across our value chain, on the portal. This platform has made it easier for people to access information and financing options, thereby improving access to safe and affordable housing. By partnering with stakeholders in the sector, providing education and resources on related financing and investing in technology, the company is making significant strides towards providing safe and affordable housing for all Kenyans.

**In 2024, we partnered to deliver the following developments across different price points to the market with financing available for the eligible parties, including the incentivized KMRC option.**



**BUY AND BUILD YOUR DREAM HOME  
SERVICED PLOTS**  
Off Thika Superhighway, Exit 16  
Along Bob Harris Road

FROM KSHS **2.75M**

**FEATURES**

- Master-planned and controlled gated community
- House typologies to choose from
- Power & water on site
- All-weather roads
- Early childhood educational facility and children’s play area
- Perimeter wall with an access gate



**NGONG  
HILLS**

**INVEST IN A PRIME PROPERTY  
IN NGONG TOWN**

EIGHTH ACRE & ABOVE STARTING FROM KSHS **7M**

**FEATURES**

- Multi-dwelling residential plots in a high rental yield area
- Power & water on site
- Sewer on site
- All weather roads



**MASTER PLANNED SERVICED PLOTS**  
40X80 & 30X80 PLOTS IN ATHI RIVER  
With 2 choices of pre-designed house types

FROM KSHS **2.75M**

**FEATURES**

- Murram all-weather road
- Provision of convenience stores, gym and educational facilities
- Perimeter wall with access gate
- Power and water on site
- Borehole backup water supply



**BUY AND BUILD YOUR DREAM**  
¼ ACRE SERVICED PLOTS  
At Sagana Getaway, right off the newly dualized Nairobi – Sagana Highway.

FROM KSHS **2.5M**

**FEATURES**

- Controlled gated community
- Optional house typologies to choose from
- Power & water on site
- All-weather roads





## GOVERNANCE

### 10. CORPORATE GOVERNANCE, INTEGRITY AND ETHICS

Corporate governance, integrity and ethics align with **SDG 16 Peace, Justice & Strong Institutions**. They refer to the principles and values that guide how companies conduct their business, make decisions and interact with stakeholders. It ensures transparency, accountability, fairness and responsible behaviour in the organization's operations.

Our Board of Directors and Senior Management are charged with our organization's corporate governance and their profiles can be viewed on pages 8-17 of this report and are also available on our website.

**Please see pages 40-47 for our Corporate Governance Statement that precedes this Sustainability Report.**





8 DECENT WORK AND ECONOMIC GROWTH



## 11. ECONOMIC PERFORMANCE

Economic performance aligns with **SDG 8, Decent Work & Economic Growth**, which promotes sustained, inclusive and sustainable economic growth, full and productive employment, and decent work.

This annual report and financial statements contain all the information pertaining to our financial performance in 2024 and our contribution to the economy via staff salaries and taxes, over and above getting a view of our assets and liabilities.

Read on to get a glimpse of how our turnaround strategy continues to gain momentum despite the tumultuous year that was 2024, within the macro environment. Indeed, as the theme of our report reads, we remained true to our **Purpose of Enriching Lives** as we built resilience to deliver a profit for another consecutive year in 2024.

HF Group Plc undertook a **successful Rights Issue in Q4 2024 that was oversubscribed by 38.32%**. As a show of confidence in the Group’s growth trajectory, in February 2025, HF Group Plc, was added to the prestigious **Morgan Stanley Frontier Markets Small Cap Index (MSCI)**, a key benchmark for institutional investors such as asset managers and pension funds, to guide investment decisions for those seeking opportunities in high-growth markets.

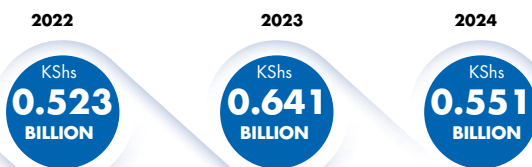


	Dec-23	Dec-24	Movement
Profit After Tax	Ksh. 388 M	Ksh. 525 M	35% ✓
Total Interest Income	Ksh. 5.20 B	Ksh. 6.41 B	23% ✓
Non Funded Income	Ksh. 1.24 B	Ksh. 1.51 B	21% ✓
Interest on Government Securities	Ksh. 1.15 B	Ksh. 1.50 B	30% ✓
Total Operating Income	Ksh. 3.79 B	Ksh. 4.17 B	10% ✓
Total Deposits	Ksh. 43.85 B	Ksh. 47.86 B	9% ✓
Total Assets	Ksh. 61.55 B	Ksh. 70.15 B	14% ✓
Core Capital Ratio	5.3%	21.4%	4.0 Times ✓
Liquidity Ratio	24.5%	41.8%	1.7 Times ✓

Registered by the Central Bank of Kenya

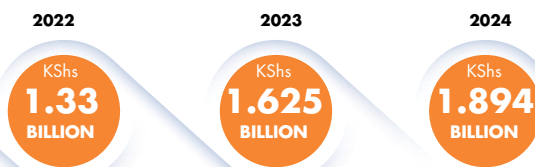
Our audited financial statements can be reviewed from pages 79 - 204

## 12. TAX CONTRIBUTION



Excludes funds collected as agents on behalf of KRA

## 13. STAFF SALARIES & BENEFITS



# FINANCIAL STATEMENTS

## 2024



## Report of the Directors

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

### Incorporation

The Group is domiciled in Kenya where it is incorporated as a private group limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 1.

### Directorate

The directors who held office during the year and to date of this report are set out on page 1.

### Principal activities

HF Group Plc was registered as a non-operating holding company (under the Banking Act Cap.488), regulated by the Central Bank of Kenya (CBK) in August 2015. The holding company oversees the operations of the Group subsidiaries, which include HFC Limited, HF Bancassurance Intermediary Agency, HF Development and Investment Limited (HFDI), First Permanent East Africa Limited (FPEAL) and the HF Foundation. The Group structure was set up to enhance corporate governance, provide oversight in management of the subsidiaries and ensure optimal growth at both Group and subsidiary levels.

The Group is listed on the Nairobi Securities Exchange (NSE), and has four operational subsidiaries;

- HFC Limited – licensed to carry out the business of mortgage finance as well as banking services under the Banking Act.
- HF Development and Investment Limited – (formerly known as Kenya Building Society Limited) undertakes real estate development.
- HF Bancassurance Intermediary (formerly HF Insurance Agency Limited) – Bancassurance solutions.
- HF Foundation Limited - The Group's social investment arm.

The subsidiaries' principal activities are to encourage and promote the flow of both private and public savings into financing home ownership, corporate and retail banking solutions, development and selling of residential houses, insurance agency business, and social investment.

### Business review

In 2024, the Group demonstrated strong financial and operational resilience despite economic headwinds. Profit before tax grew by 37.4% year-on-year to Shs 459.7 million, while total assets increased to Shs 70.1 billion. Customer deposits increased by 9%, reflecting growing customer confidence and the continued adoption of digital banking solutions.

The bank generated Shs 3.6 billion in total revenue, with net interest income reaching Shs 2.7 billion, supported by a 3% year-on-year growth in the loan portfolio, which now stands at Shs 43.8 billion. Additionally, the group increased its investments in government securities to Shs 16.97 billion, accounting for 75% growth year and year, in line with its strategy to balance risk and optimize returns. Operational efficiency improved, with the cost-to-income ratio declining to 89%, driven by disciplined expense management and higher non-interest income.

The group mobilized capital through a rights issue which achieved an over subscription, with a total subscription performance rate of 138.32%. HF Group's stock demonstrated strong performance in the equity market, closing the year at its highest level for the year with a year to date gain exceeding 31%. The surge was largely fueled by positive investor sentiment following the successful and oversubscribed rights issue, which increased liquidity and demand for the stock. The rally also reflected broader market optimism and improved confidence in the company's strategic direction.

This significant capital raise is a cornerstone of HF Group's five-year strategy, aimed at evolving into a full-service banking institution and a fully diversified financial entity. This capital will enable the group expand its product offering, strengthen its technology platforms and position itself for future growth. HF Group Plc is on its third straight year of profitability.

## Report of the Directors (Continued)

### Business review (continued)

#### *Banking subsidiary*

Kenya's banking sector demonstrated resilience. Sector liquidity remained strong at 56% as of November 2024, ensuring stability despite rising interest rates. Private sector credit contracted by 1.1% year-on-year over the same period, reflecting cautious lending. However, sector-wide profitability improved, with profit before tax rising by 15% year-on-year as of November 2024. Notably, HFC outperformed the market, recording an impressive 32% year-on-year growth in profit before tax for the period ending December 2024. This highlights the institution's strong financial trajectory and growing market confidence in its renewed strategic direction.

The bank has firmly established its profitability, marking three consecutive years of sustained growth. This consistent upward trajectory is a testament to the effectiveness of the strategies implemented during its transition phase. The key strategies that have driven this success include;

- Launching new business segments including SME Banking, Financial Institutions, Custody Business, Institutional Banking and Treasury as a business (they are now all profitable) to supplement its earlier single segment (Personal Banking)
- Recalibrating its assets-liabilities mix and structure to optimize the net interest margin and reduce structural liquidity fragilities.
- Separating the "Good Bank" and the "Bad Bank" (Special Assets), assigning the 2 banks different management teams with different skill sets. This has allowed HFC to continue with the NPL resolution efforts while at the same time developing a new loan portfolio much healthier than the Kenyan banking sector loan portfolio. This Good Bank portfolio closed FY 2024 contributing slightly more than 75% of the total HFC loans and with an impressive NPL ratio of 8.14% against the prevailing Kenyan banking sector NPL ratio of 16.5% in November 2024.
- Revenue diversification: The new business segments have helped the bank to reduce its over reliance on interest income by creating new streams on non-funded income.

#### *Property subsidiary*

The group's property subsidiary has undergone significant changes in its business structure. The subsidiary has changed its traditional core business mandate of property development and is now focusing on landowner solutions and other property management consultancy.

Over the last two years, this has proven to be profitable, sustainable, and less capital intensive. The subsidiary posted an enviable profit before tax growth rate of 52%.

#### *Bancassurance subsidiary*

The subsidiary has throughout the years been profitable and posted year on year profit before tax growth of 15%. The gross written premiums grew by 6% to Shs 672 million.

## Results and recommended dividend

The group profit for the year of Shs 524,685,000 (2023 Shs 388,156,000) has been deducted from accumulated losses. No interim dividend was paid during the year (2023 Nil). The directors do not recommend payment of a final dividend (2023: Nil).

## Report of the Directors (Continued)

### Principal risks and uncertainties

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

### Environmental, social and employee matters

Our environmental and social risk policy guides our commitments to environmental protection across all group subsidiaries. The Group views environmental sustainability from two perspectives:

1. We conduct business in a manner that protects our employees, the communities where we operate and the environment; and
2. We offer products and services that deliver efficiency contributing to an overall reduction in the usage of natural resources.

The environmental and social risk policy has been incorporated into our lending process and is aligned with recognised international performance standards. Our loan applications therefore include, among other issues, an environmental assessment and are in compliance with regulatory requirements.

#### Statement as to disclosure to the group's auditor

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

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

#### Terms of appointment of the auditor

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 721 of the Companies Act, 2015.

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

#### Events after the reporting year

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

#### By order of the Board



**Regina Anyika**

**Company secretary**

**27<sup>th</sup> March 2025**

## Directors' Remuneration Report

### Information subject to audit

The directors' remuneration report has been prepared in compliance with the Group's remuneration policy, Capital Markets Authority Code of Corporate Governance Guidelines on Directors' remuneration and the Companies Act, 2015. The remuneration is reviewed regularly to ensure that it is within the existing market rates. This is done to ensure that individual directors are effective and continue to pursue the business strategy. Performance of each director is evaluated annually and communicated appropriately. All directors are expected to observe attendance of the board meetings and make valuable contributions depending on each member's area of speciality. The remuneration is disclosed through the periodic publications made by the Group.

There has been no change to the rate of remuneration for the non-executive directors during the year.

Directors' remuneration paid during the year was as per the table below.

### Non- executive directors

	Year ended 31 December 2024			Year ended 31 December 2023		
	Fees	Sitting allowance	Total	Fees	Sitting allowance	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Prof. Olive Mugenda	4,875	-	4,875	4,875	-	4,875
Dr. Benson Wairegi, EBS	488	2,456	2,944	488	2,597	3,085
Dr. Peter K Munga	488	1,052	1,540	488	1,193	1,681
Anthony Opare Omerikwa	488	1,123	1,611	488	1,264	1,752
Charles Kimani Njuguna. *	-	-	-	488	211	699
Anne Nganga Kimari	488	1,332	1,820	488	983	1,471
Felister Kembu	488	1,404	1,892	488	1,334	1,822
Mr. Tom Gitogo **	488	1,334	1,822	244	351	595
	7,803	8,701	16,504	8,047	7,933	15,980

\* Retired on 1<sup>st</sup> August 2023

\*\* Appointed 1<sup>st</sup> August 2023

### Executive director

	2024 Shs'000	2023 Shs'000
Robert Kibaara		
Salary	58,910	58,286
Gratuity	12,115	13,627
	71,025	71,913
<b>Total</b>		

## Directors' Remuneration Report (Continued)

### Information not subject to audit

The basic pay and gratuity of the executive director is as per the negotiated employment contract. Other non-cash benefits include club subscription, security and medical cover. Travel and other reasonable expenses (including any associated taxes) incurred in the course of performing HF Group official duties are reimbursed. This is meant to ensure that the package is competitive.

### Non-executive Directors' remuneration policy and framework

Non-executive directors are engaged on the basis of a letter of appointment. It is the policy of the Board of directors that non-executive directors are paid directors' fees and sitting allowances but are not eligible to participate in any of the Group's bonus, share option or pension schemes.

Details of the policy on fees paid to our non-executive directors are set out in the table below:

Directors fees and sitting allowances	Policy framework
To attract and retain non-executive directors of the highest calibre and having the necessary skills and expertise to exercise independent judgement on issues that promote the Group's objectives.	The director's fees and sitting allowances paid to non-executive directors are determined by the Board of Directors, with recommendations from the Group Nomination and Governance Committee.
	Members of the various committees are also eligible to receive an additional sitting allowance.
	The fees payable are reviewed periodically by the Group Nomination and Governance Committee to ensure that the fees remain competitive and in line with remuneration of other non-executive directors in the industry. Time commitment and responsibility are also taken into account when reviewing fees.
	Travel and expenses for non-executive Directors for Group related assignments are all met by the Group.

### Approval of the directors' remuneration report

The directors confirm that this report has been prepared in accordance with the Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure requirements under IFRS.

### By order of the Board



**Regina Anyika**  
**Company secretary**  
**27<sup>th</sup> March 2025**

## Statement of Directors' Responsibilities

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

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

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

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to any events or conditions that may cast doubt upon the Group's and Company's ability to continue as 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 27<sup>th</sup> March 2025 and signed on its behalf by:



**Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH**  
Chairperson



**Robert N. Kibaara**  
Chief Executive Officer



**Benson I. Wairegi, EBS**  
Director



**Regina Anyika**  
Company Secretary



# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC

## Report on the financial statements

### ***Our opinion***

We have audited the accompanying financial statements of HF Group Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 90 to 204, which comprise the consolidated statement of financial position at 31 December 2024 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the company statement of financial position at 31 December 2024, and the company statement of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

### ***Basis for opinion***

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

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

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

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

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC (Continued)

## Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Expected credit losses on loans and advances to customers</b></p> <p>Loans and advances to customers comprise a significant portion of the Group's total assets. The estimation of expected credit losses (ECL) on loans and advances to customers requires management's judgment in the assumptions that are applied in the models used to calculate ECL.</p> <p>The policies for estimating ECL are explained in notes 2 (j) and 4 (a) of the financial statements.</p> <p>The economic impact of increased interest rates has resulted in heightened risk of credit default and potential for significant increases in credit risk, increasing the uncertainty around the management judgements and estimation process.</p> <p>The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:</p> <ul style="list-style-type: none"> <li>the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments;</li> <li>the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This determines whether a 12-month or lifetime PD is used;</li> <li>the relevance of the forward-looking information assumptions used in the models; and</li> <li>the reasonableness of the timing and amount of the present value of expected future cash flows on loans and advances to customers, which is the key driver for LGD for stage 3 loans.</li> </ul> <p>Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.</p>	<p>We evaluated the appropriateness of the methodology applied by management in the estimation of expected credit losses for consistency with IFRS 9.</p> <p>We evaluated the appropriateness of segmentation of the loan portfolio.</p> <p>We validated management's basis for staging of loans and advances.</p> <p>We tested, on a sample basis, the accuracy of the computation of PDs, and the completeness and accuracy of the underlying historical data applied in the computation.</p> <p>We reviewed the suitability of forward-looking data used in estimating PDs together with the accuracy of its application in the PD computation process.</p> <p>For forward-looking information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios.</p> <p>We tested, on a sample basis the computation of EAD for both on and off-balance sheet items.</p> <p>We tested, on a sample basis, the reasonableness of the present values of expected future cashflows of loans and advances used in the estimation of LGD.</p> <p>We recomputed, on a sample basis, expected credit losses for loans and advances to customers.</p> <p>We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.</p>

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC (Continued)

## **Other information**

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

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

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

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

## **Responsibilities of the directors for the financial statements**

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

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

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC (Continued)**

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence.

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

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

### **Report of the directors**

In our opinion the information given in the Directors' report on pages 80 to 82 is consistent with the financial statements.

### **Directors' remuneration report**

In our opinion the auditable part of the directors' remuneration report on pages 83 to 84 has been properly prepared in accordance with the Companies Act, 2015.



**FCPA Kang'e Saiti, Practicing Certificate number 1652**

**Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP**

**Certified Public Accountants**

**Nairobi**

**27<sup>th</sup> March 2025**

## Consolidated statement of profit or loss and other comprehensive income

	Note	2024 Shs'000	2023 Shs'000
Interest income	6(a)	6,555,348	5,347,608
Interest expense	6(b)	(3,744,072)	(2,654,825)
<b>Net interest income</b>		2,811,276	2,692,783
Allowance for expected credit losses	22	(364,460)	(309,299)
<b>Net interest income after credit impairment losses</b>		2,446,816	2,383,484
Fee and commission income	7(a)	542,323	414,469
Fees and commission expense	7(b)	(68,776)	(73,688)
<b>Net fees and commission income</b>		473,547	340,781
Trading income	8	227,197	174,407
Other income	9	568,500	542,677
<b>Net operating income</b>		3,716,060	3,441,349
Employee benefits	11	(1,894,275)	(1,625,812)
Depreciation and amortization	12	(238,518)	(364,829)
Other operating expenses	10	(1,166,517)	(1,184,170)
Share of profit/(loss) in joint ventures	21	23,243	31,946
Investment property fair valuation gain	29	20,000	36,000
<b>Profit before income tax</b>		459,993	334,484
Income tax credit	13	64,692	53,672
<b>Profit for the year</b>		524,685	388,156
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Fair value loss on investments in financial instruments measured at fair value through other comprehensive income (FVOCI)	31	687,796	(378,578)
Deferred income tax	26	(206,339)	113,573
		481,457	(265,005)
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation surplus on property and equipment	31	-	20,000
Deferred income tax	26	-	(3,000)
		-	17,000
<b>Total comprehensive profit for the year</b>		1,006,142	140,151
Basic and diluted earnings per share – Shs	14	0.90	1.01

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

	Note	2024 Shs'000	2023 Shs'000
Other income	9	109,961	98,600
Employee benefits	11	(94,436)	(73,640)
Depreciation and amortisation	12	(242)	(273)
Other operating expenses	10	(89,076)	(20,808)
<b>(Loss)/profit before income tax</b>		<b>(73,793)</b>	<b>3,879</b>
Income tax credit/(expense)	13	18,438	(463)
<b>(Loss)/profit for the year</b>		<b>(55,355)</b>	<b>3,416</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(55,355)</b>	<b>3,416</b>

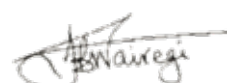
## Consolidated statement of financial position

<b>Assets</b>	<b>Note</b>	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Cash and balances with banks	16	2,578,697	2,145,150
Placements with other banks	17	1,066,290	607,391
Investment in government securities	18	16,970,061	9,682,141
Loans and advances to customers	22	38,861,015	38,787,793
Other assets	23	2,687,452	2,495,449
Inventories	25	482,338	525,819
Property and equipment	19	872,546	792,635
Right-of-use asset	35	147,929	194,104
Intangible assets	20	316,318	277,897
Investment property	29	1,905,000	1,885,000
Investment in property fund	24	548,771	380,207
Investment in joint ventures	21(b)	1,668,363	1,645,120
Derivative asset	34	15,797	-
Current income tax	13	372,751	367,255
Deferred income tax	26	1,654,454	1,764,469
<b>Total assets</b>		<b>70,147,782</b>	<b>61,550,430</b>
<b>Liabilities</b>			
Balances from Central Bank	27	-	1,500,000
Deposits from customers	27	47,470,795	43,847,644
Deposits from banks	27	388,106	3,193
Other liabilities	28	3,669,426	3,277,155
Derivative liabilities	37	-	1,570
Dividends payable	15	246	246
Deferred income tax	26	903	487
Borrowings	30	2,690,960	3,740,432
Government of Kenya income notes	32	52,860	52,860
Lease liabilities	35	192,819	261,513
<b>Total liabilities</b>		<b>54,466,115</b>	<b>52,685,100</b>
<b>Shareholders' equity</b>			
Share capital	31	9,427,440	1,923,071
Share premium	31	2,649,338	4,343,512
Regulatory reserve	31	4,808,520	4,854,473
Revaluation reserves	31	1,312,129	1,312,129
Fair value reserves	31	176,079	(305,378)
Accumulated losses		(2,691,839)	(3,262,477)
<b>Total equity</b>		<b>15,681,667</b>	<b>8,865,330</b>
<b>Total liabilities and shareholders' equity</b>		<b>70,147,782</b>	<b>61,550,430</b>

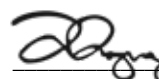
The financial statements on pages 90 to 204 were approved for issue by the Board of directors 27<sup>th</sup> March 2025 and signed on its behalf by:



**Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH**  
Chairperson



**Benson I. Wairegi, EBS**  
Director



**Robert N. Kibaara**  
Chief Executive Officer



**Regina Anyika**  
Company Secretary

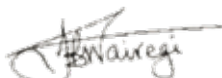
## Company statement of financial position

	Note	2024 Shs'000	2023 Shs'000
<b>Assets</b>			
Cash and balances with banks	16	250,736	1,107
Other assets	23	552	3,033
Property and equipment	19	685	727
Investment in subsidiaries	21(a)	15,587,594	9,857,594
Current income tax	13	59,657	57,486
Deferred income tax	26	67,815	49,377
<b>Total assets</b>		<b>15,967,039</b>	<b>9,969,324</b>
<b>Liabilities</b>			
Other liabilities	28	590,314	347,439
Dividends payable	15	246	246
<b>Total liabilities</b>		<b>590,560</b>	<b>347,685</b>
<b>Shareholders' equity</b>			
Share capital	31	9,427,440	1,923,071
Share premium	31	2,649,338	4,343,512
Retained earnings		3,299,701	3,355,056
		15,376,479	9,621,639
<b>Total liabilities and shareholders' equity</b>		<b>15,967,039</b>	<b>9,969,324</b>

The financial statements on pages 90 to 204 were approved for issue by the Board of directors on 27<sup>th</sup> March 2025 and signed on its behalf by:



**Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH**  
Chairperson



**Benson I. Wairegi, EBS**  
Director



**Robert N. Kibaara**  
Chief Executive Officer



**Regina Anyika**  
Company Secretary

## Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Revaluation reserves	Statutory credit risk reserve	Accumulated losses	Fair value reserves	Total
		Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
<b>Year ended 31 December 2023</b>								
At start of year		1,923,071	4,343,512	1,295,129	3,696,575	(2,492,735)	(40,373)	8,725,179
Profit for the year		-	-	-	-	388,156	-	388,156
Other comprehensive income for the year								
Transfer from statutory credit risk reserve		-	-	-	1,157,898	(1,157,898)	-	-
At fair value through other comprehensive income	31	-	-	-	-	-	(265,005)	(265,005)
Revaluation surplus on property and equipment		-	-	17,000	-	-	-	17,000
At end of year		1,923,071	4,343,512	1,312,129	4,854,473	(3,262,477)	(305,378)	8,865,330
<b>Year ended 31 December 2024</b>								
At start of year		1,923,071	4,343,512	1,312,129	4,854,473	(3,262,477)	(305,378)	8,865,330
Profit for the year		-	-	-	-	524,685	-	524,685
Other comprehensive income for the year								
Transfer from statutory credit risk reserve		-	-	-	(45,953)	45,953	-	-
At fair value through other comprehensive income	31	-	-	-	-	-	687,796	687,796
Deferred income tax on change in fair value		-	-	-	-	-	(206,339)	(206,339)
Transaction with owners								
Additional share capital through rights issue		7,499,975	-	-	-	-	-	7,499,975
Additional share capital through ESOP Shares		4,394	-	-	-	-	-	4,394
Discount shares fully paid through share premium		-	(1,499,995)	-	-	-	-	(1,499,995)
Total transaction cost, recorded directly in equity		-	(194,179)	-	-	-	-	(194,179)
At end of year		9,427,440	2,649,338	1,312,129	4,808,520	(2,691,839)	176,079	15,681,667

## Company statement of changes in equity

	Share capital Shs' 000	Share premium Shs' 000	Retained earnings Shs' 000	Total Shs' 000
<b>Year ended 31 December 2023</b>				
At start of year	1,923,071	4,343,512	3,351,640	9,618,223
Profit and total comprehensive income for the year	-	-	3,416	3,416
At end of year	1,923,071	4,343,512	3,355,056	9,621,639
<b>Year ended 31 December 2024</b>				
At start of year	1,923,071	4,343,512	3,355,056	9,621,639
Profit and total comprehensive income for the year	-	-	(55,355)	(55,355)
<b>Transaction with owners</b>				
Additional share capital	7,504,369	-	-	7,504,369
Total transaction cost, recorded directly in equity	-	(1,694,174)	-	(1,694,174)
At end of year	9,427,440	2,649,338	3,299,701	15,376,479

## Consolidated statement of cash flows

	Note	2024 Shs'000	2023 Shs'000
<b>Net cash flows from operating activities</b>	33	(3,256,758)	1,333,292
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	19	(166,896)	(85,183)
Investment in property fund	24	(168,564)	-
Purchase of intangible assets	20	(115,864)	(158,411)
Proceeds from disposal of repurchased properties		-	35,700
Proceeds from disposal of property, plant and equipment		-	3,577
<b>Net cash flows used in investing activities</b>		(451,324)	(204,317)
<b>FINANCING ACTIVITIES</b>			
Additional capital (rights issue)	31	7,499,975	-
Additional capital (ESOP shares)	31	4,394	-
Bonus shares fully paid through share premium	31	(1,499,995)	-
Transactions cost recorded directly in equity	31	(194,179)	-
Principle repayments of borrowings	30	(1,049,472)	(577,325)
Interest lease payments	35	(23,611)	(30,422)
Principal lease payments	35	(82,934)	(92,798)
<b>Net cash flows used in financing activities</b>		4,654,178	(700,545)
<b>Net increase/(decrease) in cash and cash equivalents</b>		946,096	428,430
Cash and cash equivalents at start of year		1,277,121	848,691
<b>Cash and cash equivalents at end of year</b>	33	2,223,217	1,277,121

## Company statement of cash flows

	Note	2024 Shs' 000	2023 Shs' 000
<b>Net cash flows (used in) / generated from operating activities</b>	33	169,634	(14,280)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	19	(200)	-
<b>Net cash flows (used in) / generated from investing activities</b>		169,434	-
<b>FINANCING ACTIVITIES</b>			
Additional capital (rights issue)	31	7,499,975	-
Additional capital (ESOP shares)	31	4,394	-
Bonus shares fully paid through share premium		(1,499,995)	-
Transactions cost recorded directly in equity		(194,179)	-
Investments in subsidiaries-HFC	21	(5,730,000)	-
<b>Net cash flows used in financing activities</b>		80,195	-
<b>Net increase in cash and cash equivalents</b>		249,629	-
Cash and cash equivalents at start of year		1,107	15,387
<b>Cash and cash equivalents at end of year</b>	16	250,736	1,107

# Notes

## 1 General information

HF Group Plc is incorporated as a limited company in Kenya under the Kenyan Companies Act, 2015, and is domiciled in Kenya. The address of the Company's registered office is shown on Page 1. The consolidated financial statements comprise of the Company and its subsidiaries (together, the "Group" or "Consolidated" and individually referred to as "Group entities").

The Group is primarily involved in mortgage lending, provision of banking solutions, property development, bancassurance services, and social investment.

## 2 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented on these financial statements, unless otherwise stated.

### (a) Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

#### (i) New and amended standards adopted by the Group

A few 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 amendments have not had an effect on the Group's financial statements. The amendments are as follows:

## Notes (continued)

### 2 Material accounting policies (continued)

#### (a) Basis of preparation(continued)

(i) New and amended standards adopted by the Group (continued)

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and do not have a material impact in the current year.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (a) Basis of preparation(continued)

(i) New and amended standards adopted by the Group (continued)

Title	Effective date	Key requirements
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025  (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026  (Published May 2024)	These amendments: <ul style="list-style-type: none"> <li>clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</li> <li>clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</li> <li>make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</li> </ul>
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027  (Published May 2024)	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements.  IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (a) Basis of preparation(continued)

(i) New and amended standards adopted by the Group (continued)

Title	Effective date	Key requirements
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027  (Published April 2024)	<p>The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.</p> <p>IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.</p> <p>Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.</p>

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (c) Revenue recognition

##### Net interest income

Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss which are included under trading income and:

- purchased or originated credit impaired (POCI) for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset; and
- financial assets that are not POCI that have subsequently become impaired for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of expected credit losses) in subsequent reporting periods.

Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial assets or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position are capitalised to the carrying number of financial instruments that are not at fair value through profit or loss, and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

##### Non – interest revenue

###### i. Net fee and commission revenue

Fee and commission revenue, including transaction fees, account servicing fees, custodial fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

###### ii. Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, including foreign exchange gains and losses from monetary assets and liabilities.

###### iii. Other revenue

Other revenue includes rental income, gains and losses from disposal of investment properties and property and equipment and other revenue realised as commissions.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (d) Property and equipment

##### *(i) Recognition and measurement*

Items of property and equipment other than land and buildings are initially recognised at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs directly attributable to bringing the asset to a working condition for its intended use and the present value of the estimated costs of dismantling and removing the items and restoring the site on which they are located. After initial recognition, property and equipment is measured at cost less accumulated depreciation.

Land and Buildings held at fair value are subsequently carried at a revalued amount based on valuations, Buildings are then carries at revalued amounts less any accumulated depreciation and impairment losses. Increases in the carrying amount arising on revaluation are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced item is derecognised. The cost of day-to-day servicing of property and equipment is recognised in profit and loss.

##### *(ii) Depreciation*

Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount to their residual values over their estimated useful lives as follows:

Computers	20%
Motor vehicles	20%
Office equipment, fixtures and fittings	5% - 20%

Buildings on leasehold land are depreciated over the shorter of 50 years and the remaining period of the lease. Buildings on freehold land are depreciated over fifty years. The assets' residual values, useful lives and methods of depreciation are reassessed at each financial year-end and adjusted prospectively, as a change in an estimate, if appropriate.

##### *(iii) Disposal of property and equipment*

Gains and losses on disposal of property and equipment are determined by reference to the carrying amount and are recognised in profit or loss in the period in which they arise.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (e) Intangible assets

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

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

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

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

The intangible assets with finite lives are amortised over the estimated useful life, currently estimated at five (5) to (8) years, on a straight-line basis from the date the software is available for use. 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.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (f) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, the Group has used the CBR rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (f) Leases (continued)

##### *(i) Group acting as a lessee*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets separately while lease liabilities are presented in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### *(ii) Group acting as a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (g) Employee benefits

##### ***(i) Employee retirement benefits plan***

The Group operates a defined contribution scheme based on a percentage of pensionable earnings whose funds are held in a separate trustee administered and guaranteed scheme managed by an approved insurance company. The pension plan is funded by contributions from the employees and the Group. The Group's contributions are charged to profit or loss in the year to which they relate.

The employees and the Group also contribute to the National Social Security Fund. Contributions are determined by the local statute and the Group's contributions are charged to profit or loss in the period to which they relate.

##### ***(ii) Accrued leave***

Accrual for annual leave is made as employees earn it and reduced when taken.

##### ***(iii) Termination benefits***

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (g) Employee benefits (continued)

##### *(iv) Short-term benefits*

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

##### *(h) Income tax*

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

##### *(i) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *(ii) Deferred income tax*

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

##### *(ii) Deferred income tax*

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits held at call, unrestricted balances held with the central bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### (j) Financial instruments

##### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date which the Group and Company commits to purchase or sell the asset.

At initial recognition, the Group and Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through the profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such fees and commissions. Transaction costs of financial assets and financial liabilities are carried at fair value through profit or loss are expensed in profit or loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for the financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

##### **Financial assets**

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

The Group and Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

## Notes (continued)

### 2 Material accounting policies (continued)

#### (i) Financial instruments (continued)

##### Financial assets (continued)

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

##### Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on:

- (i) the Group and Company's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset

Based on these factors, the Group and Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance. Interest income from financial assets is included in "interest and similar income" using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net investment income" using the effective interest rate method.
- Fair value through the profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within "Net trading income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Net investment income". Interest income from these financial assets is included in "interest income" using the effective interest rate method

**Business model:** The business model reflects how the Group and Company manages the assets in order to generate cash flows. That is, whether the Group and Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group and Company in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (i) Financial instruments (continued)

##### Financial assets (continued)

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

For example, the liquidity portfolio of assets is held by the Group and Company as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and Company assesses whether the financial instruments' cash flows represents solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group and Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group and Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

##### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group and Company subsequently measures all equity investments at fair value through profit or loss, except where the entity's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group and Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group and Company's right to receive payment is established.

Gains and losses on equity investments at FVPL are included in the "Net trading income" line in the statement of profit or loss

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial instruments (continued)

##### Financial assets (continued)

##### (ii) Impairment of financial assets (continued)

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate. The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk (SICR) at the reporting date, which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL is set out below. ECL is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

##### Stages

##### Stage 1

A 12-month ECL is calculated for financial assets which are neither credit impaired on origination nor for which there has been a SICR.

##### Stage 2

A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed an SICR since origination and are not considered low credit risk.

##### Stage 3 (Credit impaired assets)

A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:

- Default (as defined below)
- Significant financial difficulty of borrower and/or modification
- Probability of bankruptcy or financial reorganisation
- Disappearance of an active market due to financial difficulties

The key components of the impairment methodology are described as follows:

##### Significant increase in credit risk

At each reporting date, the Group and Company assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset.

##### Low credit risk

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial instruments (continued)

##### Financial assets (continued)

##### (ii) Impairment of financial assets (continued)

##### Default

The Group and Company's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- Significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- A breach of contract, such as default or delinquency in interest and/or principal payments
- Disappearance of active market due to financial difficulties
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- Where the Group and Company, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group and Company would not otherwise consider
- Exposures which are overdue for more than 90 days are also considered to be in default

##### Forward-looking information

Forward-looking information is incorporated into the Group and Company's impairment methodology calculations and in the Group and Company's assessment of SICR. The Group and Company includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.

##### Write-off

Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

##### Financial assets measured at amortised cost (including loan commitments)

Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.

##### Off-balance sheet exposures (excluding loan commitments)

Recognised as a provision within other liabilities.

##### Financial assets measured at fair value through OCI

Recognised in the fair value reserve within equity. The carrying amount of the financial asset is recognised in the statement of financial position at fair value.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial instruments (continued)

##### Financial assets (continued)

#### (iii) Modification of loans

The Group and Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and Company assesses whether the new terms are substantially different to the original terms. The Group and Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in interest rate
- Change in the currency of the loan
- Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group and Company derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for determining whether a significant increase in credit risk has occurred.

However, the Group and Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate of credit-adjusted effective interest rate for POCI financial assets.

#### (iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group and Company transfers substantially all the risks and rewards of ownership, or (ii) the Group and Company neither transfers nor retains substantially all the risks and rewards of ownership and the Group and Company has not retained control.

The Group and Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as “pass through” transfers that result in derecognition if the Bank:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial instruments (continued)

##### Financial assets (continued)

(iv) Derecognition other than on a modification (continued)

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from assets without material delays

Collateral (shares and bonds) furnished by the Group and Company under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Group and Company retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group and Company retains a subordinated residual interest.

##### Financial liabilities

(i) Classification and subsequent measurement

In both the current period and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g., short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability);
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group and Company recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and Company and its original lenders of debt instruments with substantially different terms, as well as substantial modification of the terms of the existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange of modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (j) Financial instruments (continued)

##### Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group and Company (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit

or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

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

Non-financial assets are tested annually for impairment and additionally whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss 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 of disposal and value in use. Fair value less costs ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (CGUs). Impairment test can also be performed on a single asset when the fair value less costs of development or the value in use can be determined reliably. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (l) Dividends

Dividends are recognised as a liability in the period in which they are declared.

#### (m) Deposits from customers

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

## Notes (continued)

### 2 Material accounting policies (continued)

#### (n) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

#### (o) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and direct overheads wherever appropriate on a weighted average basis, incurred in acquiring inventories or to bring them to the existing location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of the realisation and, where appropriate, the cost of conversion from its existing state to a realisable condition. Allowance is made for obsolete, slow moving and defective inventories.

#### (p) Contingent liabilities

Significant litigations and claims against the Group and Company, letters of credit, acceptances, guarantees and performance bonds are accounted for and disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is recognised in profit or loss.

#### (q) Fiduciary activities

The Group and Company commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the Group and Company. However, fee income earned and fee expenses incurred by the Group and Company relating to the Group and Company's responsibilities from fiduciary activities are recognised in profit or loss.

#### (r) Derivative financial assets and liabilities

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

The Group and Company uses the following derivative instruments:

Currency forwards

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

## Notes (continued)

### 2 Material accounting policies (continued)

#### (s) Earnings per share

Earnings per share is calculated based on the profit or loss attributable to shareholders divided by the weighted number of ordinary shares. Diluted earnings per share is the same as the basic earnings per share. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the period. During the year, there were no outstanding shares with dilutive potential.

#### (t) Investment property

Investment property comprises land, buildings and equipment (such as lifts and air-conditioning) that is considered an integral part of the building. Investment properties are held to earn rental income and for capital appreciation.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. The gain or loss on disposal of investment property is recognised in profit or loss. The fair value of investment property is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Gains and losses on disposal of investment properties are determined by reference to the carrying amount and are recognised in profit or loss in the period in which they arise.

#### (u) Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group and Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in provision due to passage of time is recognised as an expense.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. A provision for restructuring is recognised when the Group and Company has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group and Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group and Company recognises any impairment loss on the assets associated with that contract.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (u) Provisions, contingent assets and contingent liabilities (continued)

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Group and Company, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group and Company's control.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit.

Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote

#### (v) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred including acquisition cost, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

#### (w) Consolidation

##### *i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

## Notes (continued)

### 2 Material accounting policies (continued)

#### (w) Consolidation (continued)

##### *i) Subsidiaries (continued)*

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

##### *ii) Changes in ownership interests*

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

##### *(iii) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured 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.

## Notes (continued)

### 2 Material accounting policies (continued)

#### (x) Operating segments

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed and for which discrete financial information is available.

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

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

Operating segments defined at HF Group Plc are organised in four main reporting segments. The segmentation is based on the Group's management and internal reporting structure.

The following summary describes the operations of each of the Group's reportable segment;

- Retail banking: This segment is mainly responsible for sourcing residential mortgages for individual owner occupiers, micro loans, personal loans and it forms the major proportion of the Group's loan book. The segment is also responsible for the sourcing of deposits from retail customers which are then used to finance the Group's loan products.
- Corporate banking: This segment is responsible for sourcing for deposits from corporate organizations. It is also in charge of projects, providing lending to property developers for construction. This includes construction of residential houses for sale, construction of office blocks, schools, hospitals and other related infrastructure.
- Property Development: This function is undertaken by one of the Group's subsidiaries, HF Development and Investment Limited and its core business is the development of housing projects and the sale of houses thereof.
- Bancassurance: The bancassurance function is based at the HF Insurance Agency Limited and the business is procuring insurance business and earning commissions thereof.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each.

#### (y) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

##### Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. The Group does not have joint operations arrangements.

##### Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position. The Group's joint venture arrangements have been disclosed under Note 20.

## Notes (continued)

### 3 Critical accounting estimates and judgements

#### Use of estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The directors also need to exercise judgment in applying the Group and Company's accounting policies.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis and are based on experience and other factors, including expectations with regard to future events.

This note provides an overview of the areas that involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

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

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

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are considered which include but not limited to future business prospects for the customer, realizable value of securities, the Group and Company's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.

The Group and Company reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

#### Judgements

The following represent critical judgements adopted

- Ascertaining what constitutes significant increase in credit risk
- Criteria used in determination of which exposures should be individually assessed;
- Definition of default and/or credit impaired;

## Notes (continued)

### 3 Critical accounting estimates and judgements

#### Use of estimates and judgements (continued)

(a) Measurement of the expected credit loss allowance (continued)

Estimates

The following approach was adopted to determine estimates

- Selecting and calibrating the PD, LGD and EAD models which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions
- Selecting model inputs including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected losses
- Determining balances to write off

The Group and Company has revised its estimated expected credit losses, in response to uncertainties, elevated credit risks and weakening global market conditions due to the pandemic. The financial impact of the downturn in the economy on the Group and Company's financial instruments was reassessed with changes made to the Probability of Default (PD) rates and Loss Given Default (LGD). Where applicable, the probability weightings assigned to possible loss scenarios were also revised. In determining what was considered to be appropriate levels for these critical inputs. Some judgement was also applied, based on credit experience with the Group and Company's borrowing clients. Under Note 4 we have set out assumptions used in determining ECL and provides an indication of the sensitivity of the different weightings and changes to PD being applied in different scenarios.

## Notes (continued)

### 4 Financial risk management (continued)

The Group has exposure to the following risks from its use of financial instruments:

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

The directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

#### (a) Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Group or if an obligor otherwise fails to perform as agreed.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally, are not updated except when a loan is individually assessed as impaired. Collateral is not held over placements with banks and investment in government securities as these are considered to be low credit risk.

## Notes (continued)

### 4 Financial risk management (continued) *Management of credit risk*

The Board of directors has delegated responsibility for the management of credit risk to the Group's management through the Group Chief Executive Officer. Management has delegated this responsibility to head office and branch credit committees. The Group's credit committee, reporting to the Group Chief Executive Officer, is responsible for oversight of the credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees.
- Reviewing and assessing credit risk. The Group Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties and industries for loans and advances.
- Reviewing compliance with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Group's Credit department on the credit quality of different portfolios and appropriate corrective action is taken.

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

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

##### Management of credit risk (continued)

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

	Note	2024 Shs' 000	2023 Shs' 000
<b>Credit exposures</b>			
<b>On – balance sheet items</b>			
Balances and deposits due from financial institutions*	16	2,966,629	2,385,053
Investment securities	18	16,970,061	9,682,141
Loans and advances to customers	22	38,861,015	38,787,793
Other assets**	23	1,430,790	1,297,735
		60,228,495	52,152,722
<b>Off-balance sheet items</b>			
Guarantees		607,593	2,428,566
Letters of credit, acceptances and other credits		174,150	80,452
		781,743	2,509,018
		61,010,238	54,661,740

\*Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 16 as this does not pose a credit risk.

The credit risk on balances and deposits due from financial institutions and investment securities is limited as the counterparties are all recognised financial institutions with high credit rating.

\*\*Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. Prepayments and foreclosed assets have been excluded from other assets balances as they do not bear any credit risk. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest bearing and impairment of Shs 26,957,000 (2023: Shs 61,834,000) has been recognised against them at 31 December 2024.

None of the other assets and balances due from related parties are past due or impaired. Management has established a related entity risk management framework including mandatory credit checks with counter parties.

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

##### Management of credit risk (continued)

	Exposure to credit risk (loans and advances)			
	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Shs' 000	Shs' 000	Shs' 000	Shs' 000	
<i>Amortised cost</i>				
<b>Individually and collectively impaired</b>				
Grade 3: Substandard	-	-	1,571,423	1,571,423
Grade 4: Doubtful	-	-	9,976,276	9,976,276
Grade 5: Loss	-	-	416,776	416,776
<b>Gross amount</b>	-	-	11,964,475	11,964,475
Provision for impairment losses	-	-	(3,695,809)	(3,695,809)
<b>Carrying amount</b>	-	-	8,268,666	8,268,666
Grade 1: Normal	27,612,434	-	-	27,612,434
Grade 2: Watch	-	3,270,559	-	3,270,559
<b>Gross amount</b>	27,612,434	3,270,559	-	30,882,993
Provision for impairment losses	(136,208)	(154,436)	-	(290,644)
<b>Carrying amount</b>	27,476,226	3,116,123	-	30,592,349
<b>Total carrying amount</b>	27,476,226	3,116,123	8,268,666	38,861,015

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

##### Management of credit risk (continued)

	Exposure to credit risk (loans and advances)			
	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Shs' 000	Shs' 000	Shs' 000	Shs' 000	
<i>Amortized cost</i>				
<b>Individually and collectively impaired</b>				
Grade 3: Substandard	-	-	497,956	497,956
Grade 4: Doubtful	-	-	10,321,758	10,321,758
Grade 5: Loss	-	-	-	-
<b>Gross amount</b>	-	-	10,819,714	10,819,714
Provision for impairment losses	-	-	(3,383,399)	(3,383,399)
<b>Carrying amount</b>	-	-	7,436,315	7,436,315
Grade 1: Normal	27,817,660	-	-	27,817,660
Grade 2: Watch	-	3,790,128	-	3,790,128
<b>Gross amount</b>	27,817,660	3,790,128	-	31,607,788
Provision for impairment losses	(124,595)	(131,715)	-	(256,310)
<b>Carrying amount</b>	27,693,065	3,658,413	-	31,351,478
<b>Total carrying amount</b>	27,693,065	3,658,413	7,436,315	38,787,793

Doubtful account includes loans and advances whose days past due is over 180 days. Loss account represents those accounts which are considered uncollectible by the Bank.

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

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

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

##### Impaired loans

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

##### Past due but not impaired loans

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

##### Allowances for impairment

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

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing
- significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

##### Write-off policy

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

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

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

###### *Collateral on loans and advances*

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, the business holding approved collateral must ensure that they are legally perfected devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice. The principal collateral types held by the Group for loans and advances are Mortgages over residential properties and commercial properties.

The Group has a panel of valuers who undertake valuation of property and other assets to be used as collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. The valuation is performed on origination, periodically in line with the Group policy and in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable, and that the impairment allowance remains appropriate given the current valuation.

The Group has considered all relevant factors, including local market conditions and practices, before any collateral is realized. The collateral held by the Group against loans and advances is

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Property	67,966,949	52,282,892
Cash	4,252,624	547,145
	<b>72,219,573</b>	<b>52,830,037</b>

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

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
<i>Concentration by segment (Gross)</i>		
Mortgage	24,432,556	24,045,835
Projects	7,473,777	8,328,934
Commercial	6,513,033	7,016,914
Unsecured	3,911,428	2,973,689
IPF	67,686	62,117
Micro	448,988	13
	<b>42,847,468</b>	<b>42,427,502</b>

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

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

##### **Impairment assessment**

The Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

All Stage 3 assets, regardless of the class of financial assets:

- The treasury, trading and interbank relationships (such as due from Banks, cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost/FVOCI)
- Exposures that have been classified as POCI when the original loan was derecognised, and a new loan was recognised as a result of a credit driven debt restructuring

Asset classes where the Group calculates ECL on a collective basis include:

- The smaller and more homogenous balances of the Group's loan portfolio
- Stage 1 and 2 retail mortgages, consumer lending and construction projects
- POCI exposures managed on a collective basis

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. On the basis of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities, other organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

Measurement uncertainty and sensitivity analysis of ECL estimates

The ECL calculation is sensitive to changes in probability of default (PD) as explained below.

#### Probability of Default (PD)

The credit allowance estimate is also sensitive to changes in PD. An increase in PDs by 10bps would result to an increase in expected credit losses by Shs 32,017,000 (2023: Shs 37,964,000)

#### Sensitivity Analysis: Change in PDs assigned

The case below considers alternative PDs to reflect change in ECL

Case: PDs deteriorate by 10% for each credit rating incrementally for base and worst case scenarios.

2024	Base case	Case	Change in ECL allowance.	
	Shs'000	('PDs worse by 10%) Shs'000	Shs'000	Increase %
Stage 1	136,208	151,537	(15,329)	(11)
Stage 2	154,436	171,124	(16,688)	(10)
Stage 3	3,695,809	-	-	-
	3,986,453	322,661	(32,017)	

2023	Base case	Case	Change in ECL allowance.	
	Shs'000	('PDs worse by 10%) Shs'000	Shs'000	Increase %
Stage 1	124,595	135,446	(10,851)	(9)
Stage 2	131,715	158,828	(27,113)	(21)
Stage 3	3,383,399	-	-	-
	3,639,709	294,274	(37,964)	

The focus of the simulations is on ECL allowance requirements on performing exposures in Stage 1 and Stage 2. The simulations are run on a stand-alone basis and are independent of each other. The potential ECL impacts reflect the simulated impact as at 31 December 2024.

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

Scenario impacts on SICR are considered when evaluating the ECL movements of Stage 1 and Stage 2. In all scenarios the total exposure and exposure by stage were the same. Stage 3 provisions are not subject to the same level of measurement uncertainty - default is an observed event as at the balance sheet date. Stage 3 provisions therefore have not been considered in this analysis.

#### Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities. LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Group estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and purchased or originated credit impaired (POCI) IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

##### Measurement of ECL (continued)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the obligor's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2, Stage 3 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

##### *Significant increase in credit risk*

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that some events are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. For stage 1 loans and advances, a qualitative assessment is performed to determine whether there has been a significant increase in credit.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

##### *Contingent liabilities and commitments*

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

## Notes (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

##### Measurement of ECL (continued)

The nominal values of such commitments are listed below: -

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Undrawn overdrafts	79,215	40,978
Letters of credit	94,935	39,474
Guarantees	607,593	2,428,566
	781,743	2,509,018
Allowance for impairment losses	(7,749)	(23,730)
	773,994	2,485,288

The loss allowance on outstanding commitments and financial guarantees is carried in other liabilities and therefore no impact on the carrying amounts.

##### **Impairment losses for loans and advances**

The reconciliation from the opening to the closing balance of the loss allowance for loans and advances has been disclosed under Note 21.

An estimate of the fair values of collateral held against loans and advances to customers is shown below:

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Against impaired accounts	21,857,992	9,964,325
Against accounts not impaired	50,361,581	42,865,712
	72,219,573	52,830,037

## Notes (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk (continued)

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

#### Management of liquidity risk

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

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

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

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

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

#### *Exposure to liquidity risk*

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from financial institutions and commitments maturing within the next 91 days.

## Notes (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk (continued)

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

	<b>2024</b>	<b>2023</b>
At 31 December	41.90%	24.25%
Average for the year	27.71%	23.27%
Maximum for the year	41.90%	27.00%
Minimum for the year	24.30%	20.40%
Minimum statutory requirement	20.00%	20.00%

## Notes (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk (continued)

#### Contractual maturity analysis of financial assets and liabilities

The table below analyses the liquidity position of the Group's financial assets and liabilities:

Year ended 31 December 2024	Less than 3 months Shs'000	3 - 6 months Shs'000	6 months - 1 year Shs'000	1 - 5 years Shs'000	More than 5 years Shs'000	Total Shs'000
<i>Financial assets</i>						
Balances and deposits due from financial institutions	2,578,697	-	-	-	-	2,578,697
Government securities	965,628	1,500,670	1,524,318	4,766,725	10,414,424	19,171,765
Loans and advances to banks	919,837	165,967	-	-	-	1,085,804
Loans and advances	3,388,502	329,252	3,866,443	8,855,981	28,240,382	44,680,560
Derivative financial assets	9,353	5,812	632	-	-	15,797
Other assets	-	-	1,353,143	1,353,143	-	2,706,286
<b>Total financial assets</b>	<b>7,862,017</b>	<b>2,001,701</b>	<b>6,744,536</b>	<b>14,975,849</b>	<b>38,654,806</b>	<b>70,238,909</b>
<i>Financial liabilities</i>						
Deposits from banks	388,105	-	-	-	-	388,105
Customer deposits	14,482,013	11,853,669	6,739,601	18,184,863	432,662	51,692,808
Borrowings	2,173,429	26,850	78,579	563,166	199,500	3,041,524
Other liabilities	1,833,172	-	1,833,172	-	-	3,666,344
Lease liabilities	-	-	75,684	139,714	17,056	232,454
<b>Total financial liabilities</b>	<b>18,876,719</b>	<b>11,880,519</b>	<b>8,727,036</b>	<b>18,887,743</b>	<b>649,218</b>	<b>59,021,235</b>
<b>Net liquidity gap</b>	<b>(11,014,702)</b>	<b>(9,878,818)</b>	<b>(1,982,500)</b>	<b>(3,911,894)</b>	<b>38,005,588</b>	<b>11,217,674</b>

## Notes (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk (continued)

#### Contractual maturity analysis of financial assets and liabilities

The table below analyses the liquidity position of the Group's financial assets and liabilities:

Year ended 31 December 2023	Less than 3 months Shs'000	3 - 6 months Shs'000	6 months - 1 year Shs'000	1 - 5 years Shs'000	More than 5 years Shs'000	Total Shs'000
<i>Financial assets</i>						
Balances and deposits due from financial institutions	2,752,541	-	-	-	-	2,752,541
Government securities	677,323	1,067,672	251,936	3,450,630	5,433,132	10,880,693
Loans and advances	5,364,254	333,171	1,287,764	11,149,737	28,427,371	46,562,297
Other assets	195,405	-	2,008,828	1,951,670	-	4,155,903
<b>Total financial assets</b>	<b>8,989,523</b>	<b>1,400,843</b>	<b>3,548,528</b>	<b>16,552,037</b>	<b>33,860,503</b>	<b>64,351,434</b>
<i>Financial liabilities</i>						
Deposits from banks	3,193	-	-	-	-	3,193
Customer deposits	22,560,175	5,141,393	5,274,781	12,424,366	2,404,870	47,805,585
Derivative financial liabilities	1,570	-	-	-	-	1,570
Balances from Central Bank	1,500,000	-	-	-	-	1,500,000
Borrowings	3,050,329	84,518	107,822	626,697	291,709	4,161,075
Other liabilities	3,138,535	-	1,516,621	-	-	4,655,156
Lease liabilities	-	-	107,988	174,680	3,002	285,670
<b>Total financial liabilities</b>	<b>30,253,802</b>	<b>5,225,911</b>	<b>7,007,212</b>	<b>13,225,743</b>	<b>2,699,581</b>	<b>58,412,249</b>
<b>Net liquidity gap</b>	<b>(21,264,279)</b>	<b>(3,825,068)</b>	<b>(3,458,684)</b>	<b>3,326,294</b>	<b>31,160,922</b>	<b>5,939,185</b>

## Notes (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk (continued)

Year ended 31 December 2024	Less than 3 months Shs'000	3 - 6 months Shs'000	6 months - 1 year Shs'000	1 - 5 years Shs'000	More than 5 years Shs'000	Total Shs'000
<i>Off balance sheet exposures</i>						
Letters of credit	34,029	60,906	-	-	-	94,935
Guarantees	270,506	119,736	171,880	45,471	-	607,593
Forward derivatives	511,346	202,825	275,100	-	-	989,271
Unrecognised loan commitments	42,266	4,133	32,816	-	-	79,215
<b>Total commitments and guarantees</b>	<b>858,147</b>	<b>387,600</b>	<b>479,796</b>	<b>45,471</b>	<b>-</b>	<b>1,771,014</b>
<b>Year ended 31 December 2023</b>						
Letters of credit	-	37,668	1,806	-	-	39,474
Guarantees	259,550	1,256,785	843,957	68,273	-	2,428,565
Forward derivatives	289,511	-	-	-	-	289,511
Unrecognised loan commitments	17,381	-	23,597	-	-	40,978
<b>Total commitments and guarantees</b>	<b>566,442</b>	<b>1,294,453</b>	<b>869,360</b>	<b>68,273</b>	<b>-</b>	<b>2,798,528</b>

## Notes (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk (continued)

##### *Liquidity reserves*

The following table sets out the components of the Group's liquidity reserves.

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Liquidity reserves</b>		
Cash at hand	678,473	367,508
Balances with commercial banks	478,339	302,222
Balances with Central Bank of Kenya:	1,421,885	1,475,340
Placements with other banks	1,066,290	607,391
Government securities	16,970,061	9,682,141
<b>Total liquidity reserves</b>	<b>20,615,048</b>	<b>12,434,602</b>

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

##### **Management of market risks**

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

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

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

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

## Notes (continued)

### 4 Financial risk management (continued)

#### (c) Market risk (continued)

##### (i) Foreign exchange risk

Foreign exchange risk arises from recognised assets and liabilities. The Group's exposure to foreign currency risk arose from assets denominated in US Dollars, EUR and GBP was as follows:

<b>31 December 2024</b>	<b>US\$ Shs' 000</b>	<b>GBP Shs' 000</b>	<b>Euro Shs' 000</b>	<b>Total Shs' 000</b>
<i>Assets</i>				
Cash and cash equivalents	(44,847)	40,062	98,102	93,317
Loans and advances to customers	1,428,412	30,805	1	1,459,218
Investment in government securities	1,945,701	-	-	1,945,701
Other assets	30,749	139	434	31,322
<b>Total assets</b>	<b>3,360,015</b>	<b>71,006</b>	<b>98,537</b>	<b>3,529,558</b>
<i>Liabilities</i>				
Customer deposits	2,131,124	13,612	5,793	2,150,529
Borrowed funds	892,287	-	-	892,287
Other liabilities	393,552	56,697	91,687	541,936
<b>Total liabilities</b>	<b>3,416,963</b>	<b>70,309</b>	<b>97,480</b>	<b>3,584,752</b>
<b>Net financial position</b>	<b>(56,948)</b>	<b>697</b>	<b>1,057</b>	<b>(55,194)</b>
<b>31 December 2023</b>				
<i>Assets</i>				
Cash and cash equivalents	282,596	38,911	37,512	359,019
Loans and advances to customers	2,917,495	42,168	2	2,959,665
Investment in government securities	1,772,823	-	-	1,772,823
Other assets	94,545	1,543	814	96,902
<b>Total assets</b>	<b>5,067,459</b>	<b>82,622</b>	<b>38,328</b>	<b>5,188,409</b>
<i>Liabilities</i>				
Customer deposits	3,199,189	11,361	22,411	3,232,961
Borrowed funds	1,800,086	-	-	1,800,086
Other liabilities	-	119,511	14,152	133,663
<b>Total liabilities</b>	<b>4,999,275</b>	<b>130,872</b>	<b>36,563</b>	<b>5,166,710</b>
<b>Net financial position</b>	<b>68,183</b>	<b>(48,249)</b>	<b>1,764</b>	<b>21,698</b>

## Notes (continued)

### 4 Financial risk management (continued)

#### (c) Market risk (continued)

The following significant exchange rates applied during the period:

	Average rates 2024	Closing rates 2024	Average rates 2023	Closing rates 2023
US Dollar	134.70	129.25	140.06	157
EUR	145.83	134.68	151.49	173.85
GBP	172.18	162.45	174.33	200.08

#### Sensitivity analysis on exchange rates

The analysis below calculates the effect of a reasonably possible movement of the foreign currency rates against the Kenya Shilling (all other variables being constant) on the Bank's profit or loss and equity. A 10% strengthening or weakening of the currencies below will result into an increase/decrease in the Bank's profit or loss and equity as shown below:

	2024			2023		
	Change in currency	Effect on profit before income tax Shs' 000	Effect on equity Shs' 000	Change in currency	Effect on profit before income tax Shs' 000	Effect on equity Shs' 000
US\$	10%	(5,694)	(3,986)	10%	6,818	4,773
GBP	10%	70	49	10%	(4,825)	(3,377)
EURO	10%	106	74	10%	176	123

#### (ii) Sensitivity analysis to interest rate risk

The following table sets out the components of the Group's financial instruments subject to interest rate risk:

Assets	Interest rate	2024 Shs'000	2023 Shs'000
Loans and advances	12.11%	38,861,015	38,787,793
Government securities	13.23%	16,970,061	9,682,141
Placements with banks	13.52%	1,066,290	607,000
<b>Total liquidity reserves</b>		<b>56,897,366</b>	<b>49,076,934</b>
<b>Liabilities</b>			
Deposits	6.32%	47,470,795	43,851,506
Balances with CBK	-	-	1,500,000
Deposits from local Banks	5.00%	388,106	-
Borrowings and income notes	10.85%	2,743,820	3,793,300
<b>Total liquidity reserves</b>		<b>50,602,721</b>	<b>49,144,806</b>
<b>Interest rate sensitivity gap</b>		<b>6,294,645</b>	<b>(67,872)</b>

At 31 December 2024, if interest rates at that date had been 50 basis points higher for assets and 100 basis points higher for liabilities with all other variables held constant, pre-tax loss for the year would have been Shs 330,156,000 (2023: Shs 444,561,000) lower arising mainly as a result of lower interest income and other components of equity would have been Shs 330,156,000 (2023: Shs 444,561,000) lower arising mainly as a result of lower interest income loans and advances.

## Notes (continued)

### 4 Financial risk management (continued)

#### (c) Market risk (continued)

##### (iii) Other price risk

*The Group does not hold any financial instruments subject to price risk.*

#### (d) Operational risk

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The responsibility is supported by the development of overall Group standards for the management of operational risks. Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit committee and senior management of the Group.

#### Risk measurement and control

Interest rate, credit, liquidity, operational risk and other risks are actively managed by the Group's independent risk control to ensure compliance with the Group's risk limits. The Group's risk limits are assessed regularly to ensure their appropriateness given the Group's objectives and strategies and current market conditions.

#### (e) Capital management

The responsibility of capital management lies with the assets and liabilities management committee which ensures that all strategies conform to the Group's risk appetite and levels of exposure. The committee is also responsible for recommending to the Board of directors, prudent capital management policies and procedures that will enable the Group to achieve its objectives and goals while operating in full compliance with all capital requirements.

The Central Bank of Kenya sets and monitors capital requirements for banks and other non-bank financial institutions. In implementing the current capital requirements Central Bank of Kenya requires the Group to maintain a prescribed ratio of total risk weighted assets. This requirement is calculated for market risk in the banking portfolio of HFC Limited.

#### The regulatory capital is analysed in two tiers:

- Tier 1 capital includes ordinary share capital, share premium, perpetual bonds, retained earnings, translation reserve and non-controlling interest after deduction of goodwill and intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserves relating to unrealized gains on equity instruments classified as available for sale.

## Notes (continued)

### 4 Financial risk management (continued)

#### (e) Capital management (continued)

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year except for core and total capital ratio. The regulatory capital position for HFC Limited, the Group's banking subsidiary, as at 31 December 2024 was as follows:

<b>Tier 1 capital</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Ordinary share capital	10,820,000	5,090,000
Share premium	3,513,662	3,513,662
Retained earnings	(5,115,436)	(5,442,592)
Deferred income tax asset	(550,957)	(1,078,922)
<b>Total tier 1 capital</b>	<b>8,667,269</b>	<b>2,082,148</b>
<b>Tier 2 capital</b>		
Revaluation Reserve (25%)	105,000	105,000
Subordinated debt	667,417	867,417
Regulatory reserves	506,338	491,756
<b>Total tier 2 capital</b>	<b>1,278,755</b>	<b>1,464,173</b>
<b>Total regulatory capital</b>	<b>9,946,024</b>	<b>3,546,321</b>
<b>Risk weighted assets</b>	<b>40,507,073</b>	<b>39,340,511</b>
<b>Capital ratios</b>	<b>2024</b>	<b>2023</b>
Total regulatory capital expressed as a percentage of total risk-weighted assets	24.5%	9.01%
CBK minimum requirement	14.50%	14.50%
Total tier 1 capital expressed as a percentage of risk-weighted assets	21.3%	5.3%
CBK minimum requirement	10.50%	10.50%

## Notes (continued)

### 4 Financial risk management (continued)

#### (e) Capital management (continued)

Central Bank of Kenya required the Group to maintain a minimum core capital of Shs 1 billion as at 31 December 2024. The Group is compliant with this requirement. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may limit the amount of dividends paid to shareholders.

#### (f) Fair value measurement

The fair value of financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of cash and cash equivalents, loans and advances, customer deposits and borrowed funds are evaluated by the Group based on parameters such as interest rates, specific country factors and individual creditworthiness of the customer. The valuation is performed on a discounted cash flow basis. Based on this evaluation, allowances are taken to account for the expected losses of the receivables.

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowings and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair values of remaining FVOCI financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2024 (2023: Nil).

## Notes (continued)

### 4 Financial risk management (continued)

#### (f) Fair value measurement (continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities, their amortised cost and fair values including accrued interest:

31 December 2024	FVTPL Shs'000	FVOCI Shs'000	At amortised cost Shs'000	Total carrying amount Shs'000
<b>Financial assets</b>				
Cash and cash equivalents	-	-	2,578,697	2,578,697
Placements with banks	-	-	1,066,290	1,066,290
Investment in Government securities	-	13,741,761	3,228,300	16,970,061
Loan and advances to customers	-	-	38,861,015	38,861,015
Derivatives	15,797	-	-	15,797
Investment properties	1,905,000	-	-	1,905,000
	1,920,797	13,741,761	45,734,302	61,396,860
<b>Financial liabilities</b>				
Deposits from Banks	-	-	388,106	388,106
Customer deposits	-	-	43,847,644	43,847,644
Government of Kenya income notes	-	-	52,860	52,860
Borrowings	-	-	2,690,960	2,690,960
Derivatives	-	-	-	-
	-	-	46,979,570	46,979,570

## Notes (continued)

### 4 Financial risk management (continued)

#### (f) Fair value measurement (continued)

31 December 2023	FVTPL Shs'000	FVOCI Shs'000	At amortised cost Shs'000	Total Shs'000
<b>Financial assets</b>				
Cash and cash equivalents	-	-	2,145,150	2,145,150
Placements with banks	-	-	607,391	607,391
Investment in government securities	-	5,645,273	4,036,868	9,682,141
Loan and advances to customers	-	-	38,787,793	38,787,793
Investment properties	1,885,000	-	-	1,885,000
	1,885,000	5,645,273	45,577,202	53,107,475
<b>Financial liabilities</b>				
Deposits from Banks	-	-	1,500,000	1,500,000
Customer deposits	-	-	43,868,948	43,868,948
Government of Kenya income notes	-	-	52,860	52,860
Borrowings	-	-	3,740,432	3,740,432
Derivatives	1,570	-	-	1,570
	1,570	-	49,162,240	49,163,810

Loans and advances to customers are net of provisions for impairment. A substantial proportion of loans and advances is subject to price adjustments and hence the fair value approximates their carrying amounts.

#### Valuation hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates.	Valuation models using significant unobservable market data
Types of financial assets:	Actively traded government and other securities.	Corporate and other government bonds and loans	Corporate bonds in illiquid markets
Types of financial liabilities:	Actively traded corporate bonds in liquid markets.	Leases whose valuation model references directly or indirectly market observable inputs.	Actively traded corporate bonds in illiquid markets.

## Notes (continued)

### 4 Financial risk management (continued)

#### (f) Fair value measurement (continued)

##### Valuation hierarchy (continued)

The table below shows the classification of assets held at fair value by the level in the fair value hierarchy as at 31 December 2024:

<b>31 December 2024</b>	<b>Level 1 Shs'000</b>	<b>Level 2 Shs'000</b>	<b>Level 3 Shs'000</b>	<b>Total Shs'000</b>
<i>Financial assets</i>				
Cash and balances with banks	-	2,578,697	-	2,578,697
Placements with other banks	-	1,066,290	-	1,066,290
Loans and advances	-	38,861,015	-	38,861,015
Investment in government securities	-	13,741,761	-	13,741,761
<i>Non-financial assets</i>				
Investment properties	-	1,905,000	-	1,905,000
Derivative Assets	-	15,797	-	15,797
	-	58,168,560	-	58,168,560
<i>Financial liabilities</i>				
Deposits from customers	-	47,470,735	-	47,470,735
Deposits from banks	-	388,106	-	388,106
Derivative liabilities	-	-	-	-
	-	47,858,841	-	47,858,841

## Notes (continued)

### 4 Financial risk management (continued)

#### (f) Fair value measurement (continued)

##### Valuation hierarchy (continued)

31 December 2023	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
<i>Financial assets</i>				
Cash and balances with banks	-	2,145,150	-	2,145,150
Placements with other banks	-	607,391	-	607,391
Loans and advances	-	38,787,793	-	38,787,793
Investment in government securities	5,645,273	-	-	5,645,273
<i>Non-financial assets</i>				
Investment properties	-	1,885,000	-	1,885,000
	5,645,273	43,425,334	-	49,070,607
<i>Financial liabilities</i>				
Deposits from customers	-	43,847,644	-	43,847,644
Deposits from banks	-	3,193	-	3,193
Derivative liabilities	-	1,570	-	1,570
	-	43,852,407	-	43,852,407

The income approach is used in valuing investment property. The market value of such property is mainly based on the property's anticipated income (rent) from the perspective of a prudent investor. The rate is obtained by analysing actual and prudent property sales and rental incomes. This has also been closely compared with the recent trends in the market where such rental spaces are sold as small office suites.

## Notes (continued)

### 5 Operating segments

The Group offers its services through various business segments, each business unit (entity) is reviewed separately for decision making.

- The HF Bancassurance Intermediary (formerly HF Insurance Agency Limited) – offers insurance solutions to both HF customer base and currently reaching out to the general public and partnering with underwriters on different bancassurance solutions including general and life insurance.
- HF Development and Investment Limited – (formerly known as Kenya Building Society Limited) was previously a property development company. The current entity strategy is providing wealth management solutions, affordable housing partnership and property advisory and sales services.
- Retail Banking- This segment encompasses branch-based Business tailored for individual customers and small businesses.
- Corporate Banking- This comprises of Treasury, Custodial and Financial institutions business, serving the financial needs of larger corporate clients, institutions, and government entities.

## Notes (continued)

### 5 Operating segments (continued)

	2024					Others Shs'000	Totals Shs'000
	Retail Banking Shs'000	Corporate Banking Shs'000	Property Development Shs'000	Bancassurance Shs'000			
Interest income	4,907,351	1,640,878	-	6,210	909	6,555,348	
Interest expense	(2,466,279)	(1,277,584)	-	(209)	-	(3,744,072)	
<b>Net interest income</b>	<b>2,441,072</b>	<b>363,294</b>	<b>-</b>	<b>6,001</b>	<b>909</b>	<b>2,811,276</b>	
Non-interest income	165,370	295,361	666,884	123,321	110,326	1,361,262	
Reporting segment profit/(loss) before income tax	83,615	130,782	253,054	65,277	(72,735)	459,993	
Deposits balances	43,362,766	4,108,029	-	-	-	47,470,795	

## Notes (continued)

### 5 Operating segments (continued)

	2024					Totals Shs'000
	Retail Banking Shs'000	Corporate Banking Shs'000	Property Development Shs'000	Bancassurance Shs'000	Others Shs'000	
<b>Other non-cash items</b>						
Impairment losses on mortgage loans	364,460	-	-	-	-	364,460
<b>Reportable segment assets</b>	32,761,559	16,970,061	4,230,395	195,793	15,989,974	70,147,782
<b>Reportable segment liabilities</b>	47,332,100	3,142,426	3,324,708	72,895	593,986	54,466,115

## Notes (continued)

### 5 Operating segments (continued)

	2023					Totals
	Retail Banking Shs'000	Corporate Banking Shs'000	Property Development Shs'000	Bancassurance Shs'000	Others Shs'000	
Interest income	4,169,173	1,173,075	-	4,653	707	5,347,608
Interest expense	(1,816,379)	(838,170)	-	(276)	-	(2,654,825)
<b>Net interest income</b>	<b>2,352,794</b>	<b>334,905</b>	<b>-</b>	<b>4,377</b>	<b>707</b>	<b>2,692,783</b>
Non-interest income	345,544	141,706	434,406	111,297	98,600	1,131,553
Reporting segment profit/(loss) before income tax	65,811	98,244	114,840	52,211	3,378	334,484
Deposits balances	41,303,472	2,544,172	-	-	-	43,847,644

## Notes (continued)

### 5 Operating segments (continued)

	2023					Totals
	Retail Banking Shs'000	Corporate Banking Shs'000	Property Development Shs'000	Bancassurance Shs'000	Others Shs'000	
<b>Other non-cash items</b>						
Impairment losses on mortgage loans	309,299	-	-	-	-	309,299
Capital expenditure	-	-	-	-	-	-
<b>Reportable segment assets</b>	37,922,221	9,682,141	3,806,430	159,238	9,980,400	61,550,430
<b>Reportable segment liabilities</b>	42,761,509	6,337,464	3,153,796	81,337	350,994	52,685,100

## Notes (continued)

### 5 Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Net interest income</b>		
Total net interest income for reportable segments	2,871,741	2,747,299
Other interest income adjustments	(60,465)	(54,516)
Consolidated net interest income	2,811,276	2,692,783
<b>Non-interest income</b>		
Total non-interest income for reportable segments	1,498,799	1,234,021
Other non-interest income	(117,537)	(102,468)
Consolidated non-interest income	1,381,262	1,131,553
<b>Profit or loss</b>		
Total profit or loss for reportable segments	459,993	334,484
Other profit or loss	-	-
Consolidated profit before income tax	459,993	334,484
<b>Assets</b>		
Total assets for reportable segments	72,378,464	62,416,002
Other assets	(2,230,682)	(865,573)
Consolidated total assets	70,147,782	61,550,429
<b>Liabilities</b>		
Total liabilities for reportable segments	56,757,496	51,251,551
Other liabilities	(2,291,381)	1,431,459
Consolidated total liabilities	54,466,115	52,683,010

## Notes (continued)

### 6 Interest income and expense

#### (a) Interest income

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Loans and advances	4,914,481	4,174,558	-	-
Deposit with banks	57,776	27,413	-	-
Financial assets at amortised cost	388,084	444,330	-	-
Financial assets at FVOCI	1,195,007	701,307	-	-
	6,555,348	5,347,608	-	-

Included within interest income is Shs306 million (2023: Shs282 million) in respect of credit impaired financial assets

#### (b) Interest expense

Deposits from customers	2,937,070	1,814,701	-	-
Deposits from banks	91,384	255,477	-	-
Repurchase agreement with CBK	356,259	199,023	-	-
Borrowings	335,748	355,477	-	-
Lease liabilities	23,611	30,147	-	-
	3,744,072	2,654,825	-	-

### 7 (a) Fee and commission income

Fees and commissions charged for services provided or received by the Group and Company are recognised as the service is performed.

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Service fees and commission /transactional banking**	184,505	199,987	-	-
Custodial services	81,046	19,082	-	-
Other commissions*	276,772	195,400	-	-
	542,323	414,469	-	-

\*Other commissions majorly consist of commission on house and plot sales from HFDI.

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

## Notes (continued)

### 7 (b) Fee and commission expense

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Fees and commission expense	68,776	73,688	-	-
	68,776	73,688	-	-

### 8 Net trading income

Foreign currency exchange gains	211,400	175,977	-	-
Fair value loss on derivatives	15,797	(1,570)	-	-
	227,197	174,407	-	-

### 9 Other income

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Rental income	86,893	85,164	-	-
Sales income	58,518	110,152	-	-
Other income *	349,979	277,176	109,961	98,600
Insurance commission	73,110	70,185	-	-
	568,500	542,677	109,961	98,600

\* Other income includes project management fees and commissions, Bancassurance profit share gain on lease modification as well as gains on disposal of property plant and equipment.

## Notes (continued)

### 10 Other operating expenses

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Occupancy expenses	69,351	65,047	-	-
Deposit Protection Fund	86,985	80,184	-	-
Cost of sales Theta plots	43,482	81,848	-	-
Marketing expenses	148,072	57,762	61,571	1,865
Information technology expenses	355,311	282,387	-	-
Legal expenses	38,754	59,733	-	-
Office expenses	130,862	66,604	5,316	5,998
Auditor remuneration	23,715	17,234	2,029	1,551
General administration expenses	269,985	473,371	20,160	11,394
	1,166,517	1,184,170	89,076	20,808

### 11 Employee benefits

The following items are included in salaries and employee benefits:

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Salaries and other staff costs	1,681,109	1,484,832	50,262	49,310
Remuneration to executive directors	95,627	52,029	42,918	23,584
NSSF contributions	13,889	3,643	49	24
Contributions to the defined contribution retirement scheme	85,106	73,665	507	380
Contributions to Housing Levy	18,544	11,643	700	342
	1,894,275	1,625,812	94,436	73,640
Average number of employees	634	568	2	2

### 12 Depreciation and amortisation

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Depreciation of property and equipment (Note 19)	84,211	77,652	242	273
Amortisation of intangible assets (Note 20)	77,443	213,106	-	-
Amortisation of right-of-use asset (Note 35)	76,864	74,071	-	-
	238,518	364,829	242	273

## Notes (continued)

### 13 Income tax

#### (a) Income tax credit

The tax on the Group's and Company's loss before income tax differs from the theoretical amount using the basic tax rate as follows:

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Profit /(loss) before income tax	459,993	334,484	(73,793)	3,878
Tax at the applicable tax rate of 30% (2023: 30%)	137,998	100,345	-	1,163
Tax effect of non-chargeable income	(246,325)	(202,781)	18,438	(1,626)
Tax effect of non-deductible costs	43,635	48,764		
Income tax credit	(64,692)	(53,672)	18,438	(463)
Current income tax at 30% (2023: 30%)	31,955	29,686	-	-
Deferred tax movement (Note 26)	(96,647)	(87,340)	18,438	(1,624)
Prior year deferred tax over provision (Note 26)	-	3,982	-	-
	(64,692)	(53,672)	18,438	(1,624)

#### (b) Current income tax recoverable

At start of year	367,255	365,267	57,486	52,016
Charge for the year	(31,955)	(29,687)	-	-
Paid during the year	37,451	31,675	2,171	5,470
At end of year	372,751	367,255	59,657	57,486

## Notes (continued)

### 14 Earnings per share

Basic earnings per share is calculated based on the loss attributable to shareholders divided by the number of ordinary shares in issue in each year as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Net profit for the year attributable to shareholders	524,685	388,156
Number of ordinary shares in issue (000's)	1,885,488	384,614
Weighted average number of ordinary shares (000's)	582,429	384,614
Basic earnings per share	0.90	1.01
Diluted earnings per share	0.90	1.01

### 15 Dividends

#### (a) Proposed dividends

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. No final dividend in respect of the year ended 31 December 2024 (2023: Nil) has been proposed. No interim dividend was paid during the year (2023: Nil). Therefore, no dividend has been declared for the year. Issued and fully paid ordinary shares were 1,885,488,016 as at 31 December 2024 (2023: 384,614,168).

#### (b) Reconciliation of dividends payable – Group and Company:

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	246	246
Dividends paid during the year	-	-
At end of year	246	246

### 16 (a) Cash and balances with banks

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Cash at hand	678,473	367,508	-	-
Balances with commercial banks	478,454	302,322	250,753	1,107
Placements with other banks (Note 17)	1,066,290	607,391	-	-
<b>Balances with Central Bank of Kenya:</b>				
- Restricted (Cash Reserve Ratio)	1,421,885	1,475,340	-	-
	<b>3,645,102</b>	<b>2,752,561</b>	<b>250,753</b>	<b>1,107</b>

## Notes (continued)

### 16 (a) Cash and balances with banks (continued)

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
<b>12-month ECL:</b>				
At start of year	80	(3)	-	-
Re-measurement during the year	35	83	17	-
Allowance for impairment losses	115	80	17	-
	3,644,987	2,752,541	250,736	1,107
Cash and balances with banks	2,578,697	2,145,150	250,736	1,107
Placement with other banks	1,066,290	607,391	-	-
	3,644,987	2,752,541	250,736	1,107
Movement in restricted balances:			<b>2024 Shs'000</b>	<b>2023 Shs'000</b>
<b>Group</b>				
At start of year			1,475,340	1,563,593
Movement during the year			(53,455)	(88,253)
At end of year			1,421,885	1,475,340

The Cash Reserve Ratio (CRR) is non-interest earning and is based on the value of deposits as adjusted for the Central Bank of Kenya requirements. At 31 December 2024, the Cash Reserve Ratio was 4.25% (2023: 4.25%) of all deposits.

## Notes (continued)

### 16 (b) Net debt reconciliation

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

<b>Group</b>	<b>2024</b>	<b>2023</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Cash and cash equivalents (Note 16(a))	2,223,102	1,277,201
<i>Liquid investments:</i>		
Investment in government securities (Note 18)	16,970,061	9,682,141
Borrowings - repayable within one year (Note 30)	(2,047,419)	(2,953,956)
Borrowings - repayable after one year (Note 30)	(643,541)	(786,476)
Lease liabilities	(192,819)	(261,513)
Net cash	16,309,384	6,957,397

<b>Group</b>	<b>2024</b>	<b>2023</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Cash and other liquid investments	19,193,163	10,959,342
Gross debt - fixed interest rates	(1,612,252)	(2,405,329)
Gross debt - variable interest rates	(1,271,527)	(1,596,616)
	16,309,384	6,957,397

## Notes (continued)

### 16 (b) Net debt reconciliation

	Liquid assets		Borrowings		Leases	Total
	Cash and cash equivalents	Government securities	Due within 1 year	Due after 1 year	Lease liabilities	
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	
<b>Year ended 31 December 2024</b>						
At start of year	1,277,201	9,682,141	(2,953,956)	(786,476)	(261,513)	6,957,397
Cash flows	945,901	7,287,920	906,537	143,205	106,397	9,389,960
Non-cash movements	-	-	-	-	(37,703)	(37,703)
At end of year	2,223,102	16,970,061	(2,047,419)	(643,271)	(192,819)	16,309,654
<b>Year ended 31 December 2023</b>						
At start of year	633,691	8,540,137	(2,383,520)	(1,934,237)	(432,064)	4,424,007
Cash flows	643,510	1,142,004	(570,436)	1,147,761	122,435	2,485,274
Non-cash movements	-	-	-	-	48,116	48,116
Foreign exchange	-	-	-	-	-	-
At end of year	1,277,201	9,682,141	(2,953,956)	(786,476)	(261,513)	6,957,397

### 17 Placements with other banks

	Group	
	2024 Shs'000	2023 Shs'000
Placements with other banks	1,066,655	607,392
Less: Allowance for impairment losses	(365)	(1)
	1,066,290	607,391

The weighted average effective interest rate on placements with other banks was 13.52% (2023: 12.27%).

## Notes (continued)

### 18 Investment in government securities

Held at amortised cost	Group	
	2024 Shs'000	2023 Shs'000
Treasury bills and bonds	3,228,300	4,036,868
<b>FVOCI</b>		
Treasury bonds	13,741,761	5,645,273
	16,970,061	9,682,141

The weighted average effective interest rate on government securities at 31 December was 13.23% (2023: 112.29%).

The table below shows the movement in the investments in the year:

Held at amortised cost	Group	
	2024 Shs'0000	2023 Shs'0000
At start of year	4,044,852	3,779,143
Purchases during the year	20,000	335,709
Sales/Maturities during the year	(829,530)	(70,000)
At end of year	3,235,322	4,044,852
<b>Fair value through other comprehensive income (FVOCI)</b>		
At start of year	5,645,273	4,760,994
Purchases during the year	30,426,413	16,553,746
Sales/maturities during the year	(22,988,047)	(15,290,889)
(Gain/(loss) on fair valuation (Note 31))	687,796	(378,578)
At end of year	13,771,435	5,645,273
<b>Total government securities</b>	17,006,757	9,690,125
<b>Less 12 months ECL</b>		
At start of year	(7,984)	(129)
Re-measurement during the year	(28,712)	(7,855)
At end of year	(36,696)	(7,984)
<b>Total government securities net ECL</b>	16,970,061	9,682,141

## Notes (continued)

### 18 Investment in government securities

Maturity analysis for the investments in government securities	Group	
	2024 Shs'000	2023 Shs'000
Maturing within 90 days	830,000	590,000
Maturing after 90 days	16,140,061	9,092,141
	16,970,061	9,682,141

### 19 Property and equipment

(a) Group	Freehold land	Leasehold land	Buildings	Furniture, fixtures, equipment & motor vehicles	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 31 December 2024</b>					
<b>Cost or valuation</b>					
At start of year	62,000	180,000	380,000	1,380,309	2,002,309
Additions	-	-	-	159,936	159,936
Work in progress	-	-	-	6,960	6,960
Disposals	-	-	-	(2,774)	(2,774)
<b>At end of year</b>	<b>62,000</b>	<b>180,000</b>	<b>380,000</b>	<b>1,544,431</b>	<b>2,166,431</b>
<b>Accumulated depreciation</b>					
At start of year	-	6,310	23,775	1,179,589	1,209,674
Charge for the year	-	-	10,233	73,978	84,211
<b>At end of year</b>	<b>-</b>	<b>6,310</b>	<b>34,008</b>	<b>1,253,567</b>	<b>1,293,885</b>
<b>Net book value at end of year</b>	<b>62,000</b>	<b>173,690</b>	<b>345,992</b>	<b>290,864</b>	<b>872,546</b>

## Notes (continued)

### 19 Property and equipment (continued)

(b) Group	Freehold land	Leasehold land	Buildings	Furniture, fixtures, equipment & motor vehicles	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 31 December 2023</b>					
<b>Cost or valuation</b>					
At start of year	62,000	-	360,000	1,295,663	1,717,663
Additions	-	-	-	85,183	85,183
Work in progress	-	-	-	12,336	12,336
Disposals	-	-	-	(12,873)	(12,873)
Valuation gain	-	-	20,000	-	20,000
Transfer from right of use asset	-	180,000	-	-	180,000
<b>At end of year</b>	<b>62,000</b>	<b>180,000</b>	<b>380,000</b>	<b>1,380,309</b>	<b>2,002,309</b>
<b>Accumulated depreciation</b>					
At start of year	-	-	13,716	1,124,532	1,138,248
Charge for the year	-	-	10,059	67,593	77,652
Disposals	-	-	-	(12,536)	(12,536)
Transfers	-	6,310	-	-	6,310
<b>At end of year</b>	<b>-</b>	<b>6,310</b>	<b>23,775</b>	<b>1,179,589</b>	<b>1,209,674</b>
<b>Net book value at end of year</b>	<b>62,000</b>	<b>173,690</b>	<b>356,225</b>	<b>200,720</b>	<b>792,635</b>

## Notes (continued)

### 19 Property and equipment (continued)

The buildings were revalued on 31 December 2024 by Tyson's Limited, a firm of independent professional valuers based on open market value approach. The net book value of properties at their historical cost is as follows:

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Free hold land	52,000	52,000
Buildings	330,000	310,000
	382,000	362,000

#### (b) Company

	<b>Furniture, fixtures, equipment &amp; motor vehicles</b>	
	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
<b>Cost or valuation</b>		
At start of year	1,727	1,727
Additions	200	-
At end of year	1,927	1,727
<b>Accumulated depreciation</b>		
At start of year	1,000	727
Charge for the year	242	273
At end of year	1,242	1000
<b>Net book value at end of year</b>	<b>685</b>	<b>727</b>

## Notes (continued)

### 20 Intangible assets

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Cost:</b>		
At start of year	2,119,324	1,960,913
Additions during the year	89,531	147,222
Work in progress	26,333	11,189
<b>At end of year</b>	<b>2,235,188</b>	<b>2,119,324</b>
<b>Accumulated amortisation</b>		
At start of year	1,841,427	1,628,321
Amortisation during the year	77,443	213,106
<b>At end of year</b>	<b>1,918,870</b>	<b>1,841,427</b>
<b>Net book value at end of year</b>	<b>316,318</b>	<b>277,897</b>

### 21 Investments in subsidiary companies and ventures

#### (a) Subsidiaries

		<b>Company</b>	
		<b>2024</b>	<b>2023</b>
		<b>Shs'000</b>	<b>Shs'000</b>
HFC Limited	100%	14,333,662	8,603,662
HF Development and Investment Limited (HFDI)	100%	1,243,912	1,243,912
First Permanent (East Africa) Limited (FPEAL)	100%	5,020	5,020
HF Insurance Agency Limited (HFIA)	100%	5,000	5,000
		<b>15,587,594</b>	<b>9,857,594</b>

An impairment assessment was conducted on the investments in subsidiaries and no impairment was identified.

## Notes (continued)

### 21 Investments in subsidiary companies (continued)

#### (b) Investment in Joint ventures & associate

		<b>Group</b>	
		<b>2024</b>	<b>2023</b>
		<b>Shs'000</b>	<b>Shs'000</b>
Kahawa Downs Limited	50%	103,155	112,217
Precious Heights Limited	50%	87,815	77,342
Richland Development Limited	50%	101,572	101,410
Claycity Limited	33%	483,144	483,630
Theta Dam Estate Limited	50%	892,677	870,521
<b>At end of year</b>		<b>1,668,363</b>	<b>1,645,120</b>
<b>Group's share of profit in joint ventures</b>			
Kahawa Downs Limited	50%	(97)	(428)
Kahawa Downs Limited prior year adjustment *		-	1,480
Precious Heights Limited	50%	1,509	1,772
Precious Heights Limited prior year adjustment*		-	(7,486)
Richland Development Limited	50%	163	1,177
Claycity Limited	33%	(485)	(2,076)
Theta Dam Estate Limited	50%	22,153	37,507
		<b>23,243</b>	<b>31,946</b>

The Group has classified its interest in these entities as a joint venture, which is equity accounted.

## Notes (continued)

### 21 Investments in subsidiary companies (continued)

#### (b) Joint ventures (continued)

The following are summarized financial information for Kahawa Downs Limited, Precious Heights Limited, Richland Development Limited, Claycity Limited and Theta Dam Estate Limited based on their financial statements prepared in accordance with IFRS Accounting Standards.

Group	Kahawa Development Limited	Precious Heights Limited	Richland Development Limited	Claycity Limited	Theta Dam Estate Lim- ited	Total
Year ended 31 December 2024	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>% Holding</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>33%</b>	<b>50%</b>	
Revenue	20	5,787	470	2,530	251,316	260,123
Operating costs	(213)	(2,771)	(145)	(3,999)	(188,021)	(195,149)
Income tax expense					(18,989)	(18,989)
<b>(Loss)/profit and other comprehensive income</b>	(193)	3,016	325	(1,469)	44,306	45,985
<b>Group share of net (loss)/profit</b>	(97)	1,509	163	(485)	22,153	23,243
Net assets	206,310	175,634	203,140	1,464,074	1,785,354	3,834,512
<b>Groups share of net assets</b>	103,155	87,817	101,570	483,144	892,677	1,668,363
Group's interest in net assets at the beginning of the year	103,252	86,308	101,407	483,629	870,524	1,645,120
Group share of current year total comprehensive income/(loss)	(97)	1,509	163	(485)	22,153	23,243
Carrying amount of interest in investee at end of year	103,155	87,817	101,570	483,144	892,677	1,668,363

## Notes (continued)

### 21 Investments in subsidiary companies (continued)

(b) Joint ventures (continued)

Group	Kahawa Development Limited	Precious Heights Limited	Richland Development Limited	Claycity Limited	Theta Dam Estate Limited	Total
Year ended 31 December 2023	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>% Holding</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>33%</b>	<b>50%</b>	
Revenue	-	8,982	8,083	148	205,683	222,896
Operating costs	(855)	(5,439)	(5,225)	(6,435)	(106,396)	(124,350)
Income tax expense			(504)	(4)	(24,273)	(24,781)
<b>(Loss)/profit and other comprehensive income</b>	<b>(855)</b>	<b>3,543</b>	<b>2,354</b>	<b>(6,291)</b>	<b>75,014</b>	<b>73,765</b>
<b>Group share of net loss</b>	<b>(428)</b>	<b>1,772</b>	<b>1,177</b>	<b>(2,076)</b>	<b>37,507</b>	<b>37,952</b>
Prior year adjustment*	1,480	(7,486)	-	-	-	(6,006)
	1,052	(5,714)	1,177	(2,076)	37,507	31,946
Net assets	206,503	172,615	202,816	1,465,542	1,741,048	3,788,524
Groups share of net assets	103,252	86,308	101,408	483,629	870,524	1,645,120
Group's interest in net assets at the beginning of the year	103,680	84,536	100,230	485,705	833,017	1,607,169
Group share of current year total comprehensive income	(428)	1,772	1,177	(2,076)	37,507	37,952
Carrying amount of interest in investee at end of year	103,252	86,308	101,407	483,629	870,524	1,645,120

\*The prior year adjustment relates to share of profit from 2022 that was not captured as per the joint venture signed financial statements.

## Notes (continued)

### 22 Loans and advances at amortised cost

Group	2024 Shs'000	2023 Shs'000
Gross loans and advances to customers	42,847,468	42,427,502
Less: Provision for expected credit losses	(3,986,453)	(3,639,709)
Net loans and advances to customers	38,861,015	38,787,793
Current	7,601,853	6,188,328
Non-current portion	35,245,615	36,239,174
<b>Gross loans and advances</b>	<b>42,847,468</b>	<b>42,427,502</b>
Stage 1 loans	27,612,434	27,817,660
Stage 2 loans	3,270,559	3,790,128
Stage 3 loans	11,964,475	10,819,714
	42,847,468	42,427,502
Stage 1 impairment	(136,208)	(124,595)
Stage 2 impairment	(154,436)	(131,715)
Stage 3 impairment	(3,695,809)	(3,383,399)
	(3,986,453)	(3,639,709)
<b>Net loans and advances</b>	<b>38,861,015</b>	<b>38,787,793</b>

## Notes (continued)

### 22 Loans and advances (continued)

Provision for expected credit losses on loans and advances

	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL Not credit impaired</b>	<b>Stage 3 Lifetime ECL</b>	<b>Total</b>
<b>Year ended 31 December 2024</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At start of the year	124,595	131,715	3,383,399	3,639,709
<b>Movements during the year:</b>				
Transfer to 12 months ECL	284,787	(84,025)	(200,762)	-
Transfer to lifetime ECL not credit impaired	(663)	269,630	(268,967)	-
Transfer to lifetime ECL credit impaired	(16)	(6,546)	6,562	-
Net remeasurement of loss allowance	(292,743)	(163,125)	1,032,377	576,509
Net financial assets originated	26,022	11,410	-	37,432
Financial assets derecognised	(5,774)	(4,623)	(256,800)	(267,197)
<b>Loss allowance as at 31 December</b>	<b>136,208</b>	<b>154,436</b>	<b>3,695,809</b>	<b>3,986,453</b>

#### Year ended 31 December 2023

At start of the year 102,970 299,976 3,028,743 3,431,689

#### Movements during the year:

Transfer to 12 months ECL	6,624	(3,401)	(3,223)	-
Transfer to lifetime ECL not credit impaired	(13,076)	131,152	(118,076)	-
Transfer to lifetime ECL credit impaired	(2,711)	(42,603)	45,314	-
Net remeasurement of loss allowance	(8,864)	(269,907)	602,926	324,155
Net financial assets originated	46,622	20,398	25,116	92,136
Financial assets derecognised	(6,970)	(3,900)	(197,401)	(208,271)

**Loss allowance as at 31 December** 124,595 131,715 3,383,399 3,639,709

## Notes (continued)

### 22 Loans and advances at amortised cost (continued)

Year ended 31 December 2024	2024			Total Shs' 000
	Stage 1 Shs' 000	Stage 2 Shs' 000	Stage 3 Shs' 000	
Gross carrying amount at start of year	27,817,660	3,790,128	10,819,714	42,427,502
Transfer to 12 months ECL	2,178,688	(1,670,739)	(507,949)	-
Transfer to lifetime ECL not credit impaired	(245,246)	1,678,542	(1,433,296)	-
Transfer to lifetime ECL credit impaired	(1,375)	(152,796)	154,171	-
Net remeasurement	(4,741,314)	(553,630)	3,342,989	(1,951,955)
Net financial assets originated	4,295,371	328,205		4,623,576
Financial assets derecognised	(1,691,350)	(149,151)	(162,735)	(2,003,236)
Write offs	-	-	(248,419)	(248,419)
Gross carrying amount at end of year	27,612,434	3,270,559	11,964,475	42,847,468
<b>Year ended 31 December 2023</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>
Gross carrying amount at start of year	26,009,720	5,234,210	8,486,934	39,730,864
Transfer to 12 months ECL	1,620,346	(1,289,110)	(331,236)	-
Transfer to lifetime ECL not credit impaired	(413,796)	2,354,883	(1,941,087)	-
Transfer to lifetime ECL credit impaired	(2,850)	(394,917)	397,767	-
Net remeasurement	(826,464)	(2,093,496)	4,564,581	1,644,621
Net financial assets originated	2,962,067	243,655	46,537	3,252,259
Financial assets derecognised	(1,531,363)	(265,097)	(302,503)	(2,098,963)
Write offs	-	-	(101,279)	(101,279)
Gross carrying amount at end of year	27,817,660	3,790,128	10,819,714	42,427,502

The weighted average effective interest rate on loan advances to customers as at 31 December 2024 was 12.11% (2023: 10.62%).

## Notes (continued)

### 22 Loans and advances at amortised cost (continued)

#### Loss allowance on financial instruments

The following table provides a reconciliation between the 'impairment losses on financial instruments' line item in the statement of profit or loss and other comprehensive income

	Loans and advances to customers	Guarantees and letters of credit	Cash and cash equivalents	Other financial assets and receivables	Investment in Government securities	Total
	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
<b>Year ended 31 December 2024</b>						
Net re-measurement of loss allowance	576,509	(15,982)	392	(23,145)	28,712	566,486
New financial assets originated or purchased	37,432	-	-	-	-	37,432
Financial assets derecognized	(267,197)	-	-	-	-	(267,197)
Write-offs	17,716	-	-	-	-	17,716
	364,460	(15,982)	392	(23,145)	28,712	354,437

	Loans and advances to customers	Guarantees and letters of credit	Cash and cash equivalents	Other financial assets and receivables	Investment in Government securities	Total
	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
<b>Year ended 31 December 2023</b>						
Net re-measurement of loss allowance	324,155	11,587	72	22,645	7,855	366,314
New financial assets originated or purchased	92,136	-	-	-	-	92,136
Financial assets derecognized	(208,271)	-	-	-	-	(208,271)
Write offs	101,279	-	-	-	-	101,279
	309,299	11,587	72	22,645	7,855	351,458

## Notes (continued)

### 22 Loans and advances at amortised cost (continued)

#### Analysis of loans per segment

Segment	2024			2023		
	Gross Shs'000	Loss allowance Shs'000	Carrying amount Shs'000	Gross Shs'000	Loss allowance Shs'000	Carrying amount Shs'000
Commercial	6,513,033	(358,634)	6,154,399	7,016,914	(431,277)	6,585,637
IPF	67,686	(5,908)	61,778	62,117	(1,436)	60,681
Micro	448,988	(77)	448,911	13	(8)	5
Mortgage	24,432,556	(916,662)	23,515,894	24,045,835	(823,192)	23,222,643
Projects	7,473,777	(2,017,379)	5,456,398	8,328,934	(1,999,716)	6,329,218
Unsecured	3,911,428	(687,793)	3,223,635	2,973,689	(384,080)	2,589,609
	42,847,468	(3,986,453)	38,861,015	42,427,502	(3,639,709)	38,787,793

## Notes (continued)

### 22 Loans and advances at amortised cost (continued)

#### Analysis of impairment of loans and advances per segment

Stage 1 & 2	Mortgage Shs'000	Projects Shs'000	Commercial Shs'000	2024				Total Shs'000
				IPF Shs'000	Micro Shs'000	Unsecured Shs'000		
At start of year	72,380	40,116	35,245	386	-	108,183	256,310	
ECL remeasurement	33,485	(39,635)	10,727	132	77	29,548	34,334	
At end of year	105,865	481	45,972	518	77	137,731	290,644	
<b>Stage 3</b>								
At start of year	750,812	1,959,600	396,032	1,050	8	275,897	3,383,399	
ECL remeasurement	59,985	57,298	(83,370)	4,340	(8)	274,165	312,410	
At end of year	810,797	2,016,898	312,662	5,390	-	550,062	3,695,809	
Total impairment	916,662	2,017,379	358,634	5,908	77	687,793	3,986,453	

## Notes (continued)

### 22 Loans and advances at amortised cost (continued)

#### Analysis of impairment of loans and advances per segment

	2023						Total Shs'000
	Mortgage Shs'000	Projects Shs'000	Commercial Shs'000	IPF Shs'000	Micro Shs'000	Unsecured Shs'000	
<b>Stage 1 &amp; 2</b>							
At start of year	157,475	122,598	157,158	186	-	47,025	484,442
ECL remeasure- ment	(85,095)	(82,482)	(121,913)	200	-	61,158	(228,132)
At end of year	72,380	40,116	35,245	386	-	108,183	256,310
<b>Stage 3</b>							
At start of year	666,500	1,939,688	204,752	901	6	131,771	2,943,618
ECL remeasure- ment	84,312	19,912	191,280	149	2	144,126	439,781
At end of year	750,812	1,959,600	396,032	1,050	8	275,897	3,383,399
Total Impairment	823,192	1,999,716	431,277	1,436	8	384,080	3,639,709

## Notes (continued)

### 23 Other assets

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Trade receivables	1,430,790	1,297,735	-	2,519
Less: Allowance for impairment losses	(26,957)	(61,834)	-	(13)
	1,403,833	1,235,901	-	2,506
Prepayments	267,706	248,020	552	527
Receivable from KMRC	50,000	50,000	-	-
Foreclosed assets deposits	99,308	103,819	-	-
Foreclosed assets	866,605	857,709	-	-
	2,687,452	2,495,449	552	3,033
<b>12-month ECL:</b>				
At start of year	(61,834)	(37,995)	(13)	(6,970)
Re-measurement during the year	34,877	(23,839)	(19)	6,957
<b>At end of year</b>	<b>(26,957)</b>	<b>(61,834)</b>	<b>(32)</b>	<b>(13)</b>

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

## Notes (continued)

### 24 Investment in property fund

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Assets as at start of the year	380,207	380,207
Partnership distributions	168,564	-
<b>As at end of the year</b>	<b>548,771</b>	<b>380,207</b>

HF Development and Investments Limited has invested in HF Property fund with a partner Crescent Finco. The assets owned by the property fund will be realized progressively and the proceeds distributed to the partners (Crescent Finco and HF Development and Investment Limited) in accordance with the partnership agreement. Crescent Finco will receive cash distribution first until its investment plus a return of 12% is fully paid. The residue will be distributed to HFDI Limited.

The proceeds from the sale of the assets (housing units) would be used to settle the loan balance to Crescent Finco and any residual balance after clearing the loan balance would go to HFDI Limited.

In December 2024, HFDI paid off Crescent Finco, resulting to partnership distributions into HFDI increasing the investment in property fund.

### 25 Inventories

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of the year	525,819	414,604
Inventories (housing units and plots) (sales/additions)	(43,481)	111,215
At end of year	482,338	525,819

Inventories held comprise of 2- and 3-bedroom units at Komarock Heights and Theta Dam plots for sale.

## Notes (continued)

### 26 Deferred income tax

#### (a) Group

Year ended 31 December 2024	At start of year	Recognised in profit or loss	Recognised in other comprehensive income	Prior year (under)/over provision	At end of year
	Shs'000	Shs' 000	Shs'000		Shs'000
Property and equipment	(15,240)	(12,660)	-	-	(27,900)
Revaluation surplus	(182,088)	-	-	-	(182,088)
Financial assets at FVOCI	130,548	-	(206,339)	(741)	(76,532)
Investment property	(44,454)	-	-	-	(44,454)
Other general provisions	16,953	(25,401)	-	-	(8,448)
Right of use asset	97,513	(18,673)	-	-	78,840
Trading losses	772,009	49,776	-	-	821,785
General provision on loans and advances	989,228	104,023	-	-	1,093,251
<b>Deferred income tax</b>	<b>1,764,469</b>	<b>97,065</b>	<b>(206,339)</b>	<b>(741)</b>	<b>1,654,454</b>

#### Deferred tax liability

Year ended 31 December 2024	At start of year	Charge to P&L	At end of year
	Shs 000	Shs 000	Shs 000
Furniture, fittings and equipment	27	(27)	-
Provisions	460	443	903
	487	416	903

## Notes (continued)

### 26 Deferred income tax (continued)

#### (a) Group

Year ended 31 December 2023	At start of year	Recognised in profit or loss	Recognised in other comprehensive income	Prior year under provision	At end of year
	Shs'000	Shs' 000	Shs'000	Shs'000	Shs'000
Property and equipment	(89,362)	16,035	-	58,087	(15,240)
Revaluation surplus	(174,588)	(4,500)	(3,000)	-	(182,088)
Financial assets at FVOCI	16,975	-	113,573	-	130,548
Investment property	(44,454)	-	-	-	(44,454)
Other general provisions	8,693	8,260	-	-	16,953
Right of use asset	101,671	(4,158)	-	-	97,513
Trading losses	766,541	9,297	-	(3,829)	772,009
General provision on loans and advances	985,062	62,406	-	(58,240)	989,228
Deferred income tax	1,570,538	87,340	110,573	(3,982)	1,764,469

#### Deferred tax liability

Year ended 31 December 2023	At start of year	Charge to P&L	At end of year
	Shs 000	Shs 000	Shs 000
Furniture, fittings and equipment	61	(34)	27
Provisions	(107)	567	460
	(46)	533	487

## Notes (continued)

### 26 Deferred income tax (continued)

#### (b) Company

Year ended 31 December 2024	At start of year Shs'000	Recognised in profit or loss Shs'000	At end of year Shs'000
Property and equipment	(44)	(30)	(74)
Trading losses	7,551	53,806	61,357
General provisions	41,870	(35,338)	6,532
<b>Net deferred tax</b>	<b>49,377</b>	<b>18,438</b>	<b>67,815</b>
<b>Year ended 31 December 2023</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Property and equipment	(39)	(5)	(44)
Trading losses	9,286	(1,735)	7,551
General provisions	40,593	1,277	41,870
<b>Net deferred tax</b>	<b>49,840</b>	<b>(463)</b>	<b>49,377</b>

#### 27 (a) Deposits from customers

	Group	
	2024 Shs'000	2023 Shs'000
<b>Government and parastatals:</b>		
Payable within 90 days	14,048,724	8,888,748
Payable after 90 days and within one year	3,268,948	4,144,050
<b>Private sector and individuals:</b>		
Payable within 90 days	23,081,409	12,734,281
Payable after 90 days and within one year	6,169,021	8,986,060
Payable after one year	902,693	9,094,505
	<b>47,470,795</b>	<b>43,847,644</b>

## Notes (continued)

### 27 Deposits from customers

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2024 was 5% (2023 5.84%). The carrying value of customer deposits approximates their fair value.

The summary of terms and conditions for the various categories of deposits are below:

- (a) Mortgage scheme deposits – These are deposits under scheme arrangements where an employer has provided funds for onward lending to their staff within set rules and regulations. Funded schemes have a lower interest rate than the market whereas for unfunded schemes the interest rates are usually at commercial rates and any discount on rates is based on volumes.
- (b) Fixed term deposits – This account targets both individuals and corporates that will not need to access their funds for duration of time which is usually from 1 to 12 months. The minimum operating balance is Shs 50,000.
- (c) Housing development bond – This account targets individuals who wish to save towards home ownership while at the same time earning attractive interest rates on their deposits. Interest earned is subjected to a 10% withholding tax consolidated amount of up to Shs 300,000 as opposed to the normal rate of 15%. The minimum operating balance is Shs 50,000.
- (d) Transactional deposits – These accounts are characterized by unlimited access to funds and they earn no interest. They attract fees based on transactions. The minimum opening balance is Shs 200.
- (e) Current accounts – It allows unlimited access to funds through various channels with the cheque book being the unique instrument used to access the funds. It earns no interest. The minimum opening balance is Shs 2,000.
- (f) Savings accounts - A savings account that earns relatively higher interest. It has limited access to funds. There's no minimum operating balance.

#### (b) Deposits from banks

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Inter- bank lending	388,106	3,193

#### (c) Deposits from CBK

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Repurchase agreement	-	1,500,000

The Banking subsidiary entered into a repurchase agreement with the Central Bank of Kenya. The repurchase agreement is secured by investment in government securities. The weighted average interest rate on repurchase agreement was nil (2023: 15.62%).

## Notes (continued)

### 28 Other liabilities

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
House sales deposits	398,569	392,775	-	-
Withholding tax payable	80,083	95,073	-	-
Sundry creditors	360,656	303,647	-	-
Trade creditors	1,977,463	1,461,253	-	-
Insurance premium payable	307,798	87,330	-	-
Contractors payables	169,160	332,192	-	-
Asset retirement obligation – right of use asset	21,717	22,317	-	-
Other payables	353,980	582,568	590,314	347,439
	3,669,426	3,277,155	590,314	347,439

### 29 Investment property

Investment properties are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are presented in the income statement in the year to which they relate.

#### Group

	2024 Shs'000	2023 Shs'000
<b>Fair value</b>		
At start and end of year	1,885,000	1,849,000
Fair value gain	20,000	36,000
	1,905,000	1,885,000

#### Income from investment property

	2024 Shs'000	2023 Shs'000
Rental income from operating leases	33,101	39,836
Direct operating expenses from property that generated rental income	(7,785)	(8,864)
	25,316	30,972

## Notes (continued)

### 29 Investment property (continued)

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2024	-	1,905,000	-	1,905,000
31 December 2023	-	1,885,000	-	1,885,000

The following are the main inputs:

- Average occupancy rate: 96% (2023: 97%)
- Weighted average rent of Shs 1,193 (2023: Shs 1,193) per square metre

### 30 Borrowings

	Group	
	2024 Shs'000	2023 Shs'000
European Investment Bank (EIB)	629,938	1,214,764
Shelter Afrique	239,026	485,202
Arab Bank for Economic Development in Africa	-	81,972
Britam	1,032,501	1,029,442
Kenya Mortgage Refinance Company	789,495	929,052
	2,690,960	3,740,432
Current	2,047,419	2,953,956
Non-current portion	643,541	786,476
	2,690,960	3,740,432
Movement during the year		
At start of year	3,740,432	4,317,757
Net movement in repayment and accrued interest	(1,049,472)	(577,325)
At end of year	2,690,960	3,740,432

## Notes (continued)

### 30 Borrowings (continued)

During the year, the Bank did not default on any of the following loan repayment obligations from all the existing lenders.

At 31 December 2024, HFC Limited, a subsidiary of HF Group Plc was in breach of the following loan covenants

Lender	Covenant	Required limit	HFC ratio at end of year
Shelter Afrique	Cost to income ratio	Maximum of 87%	93.68%
Britam	Non- Performing Loans to Total Loans	Minimum of 19.2%	27.23%
European Investment Bank (EIB)	Non-Performing loans to total loans ratio	Minimum of 15%	26.78%
	Open exposure ratio	Maximum of 30%	34.05%

As at 31 December 2024 Britam, Shelter Afrique and EIB had not provided waivers on the above breaches hence the borrowings have been classified as current within the liquidity risk note.

31 December 2024	Loan balance	Current	Non-current	Interest rate	Issue date	Maturity date
Lender	Shs' 000	Shs' 000	Shs' 000			
European Investment Bank (EIB)	629,938	629,938	-	4.32%	24 July 2017	1 October 2026
Shelter Afrique Limited	239,026	239,026	-	11.50%	28 December 2015	31 January 2026
Britam	1,032,501	1,032,501	-	20%	01 February 2021	01 February 2028
Kenya Mortgage Refinance Company	789,495	145,954	643,541	5.00%	31 March 2021	31 March 2028
	2,690,960	2,047,419	643,541			

## Notes (continued)

### 30 Borrowings (continued)

31 December 2023	Loan balance	Current	Non-current	Interest rate	Issue date	Maturity date
Lender	Shs' 000	Shs' 000	Shs' 000			
European Investment Bank (EIB)	1,214,764	1,214,764	-	4.321%	24 July 2017	1 October 2026
Shelter Afrique Limited	485,202	485,202	-	11.8%	28 December 2015	31 January 2026
Britam	1,029,442	1,029,442	-	19.41%	01 February 2021	01 February 2028
Kenya Mortgage Refinance Company	929,052	142,576	786,476	5.00%	31 March 2021	31 March 2028
Arab Bank for Economic Development in Africa (BADEA)	81,972	81,972	-	10.9%	5 March 2018	23 December 2028
	3,740,432	2,953,956	786,476			

The interest rate for EIB, KMRC is fixed. Shelter Afrique borrowing interest rate is based on 6 months SOFR +5.4% margin and Britam loan interest rate is based of CBR+4%.

## Notes (continued)

### 31 Capital and reserves

#### (a) Share capital

	Group		Company	
	2024 Shs' 000	2023 Shs' 000	2024 Shs' 000	2023 Shs' 000
Authorised – 1,999,995,255 (2023: 500,000,000) ordinary shares of Shs 5 each	9,999,976	2,500,000	9,999,976	2,500,000
Issued and fully paid – 1,885,488,016(2023: 384,614,168) ordinary shares of Shs 5 each	7,541,940	1,923,071	7,541,940	1,923,071
<b>Movement in ordinary shares</b>				
At start of year (384,614,168)	384,614	384,614	384,614	384,614
Additional shares (rights Issue)	1,499,995	-	1,499,995	-
ESOP shares issue	876	-	876	-
	1,885,485	384,614	1,885,485	384,614
In monetary terms:				
At start of year	1,923,071	1,923,071	1,923,071	1,923,071
Additional capital (rights issue)	7,499,975	-	7,499,975	-
Additional capital (ESOP shares)	4,394	-	4,394	-
	9,427,440	1,923,071	9,427,440	1,923,071

In December 2024 HF Group Plc mobilized capital through a rights issue. The rights issue priced at Shs 4.00 per share, was structured to offer shareholders two (2) new ordinary shares for every one (1) existing ordinary share held, with the shareholders having the option to apply for additional shares. In addition, it had a green shoe option of up to 30% (equivalent to 384,614,168 shares) to accommodate any potential oversubscription. The grand total number of new shares applied for under the rights issue (Entitlement shares + Additional shares) was 1,595,995,966 with a total gross value of Shs 5,999,999,999.

HF Group issued additional 1,499,999 shares (2023: 384,614,168).

## Notes (continued)

### 31 Capital and reserves (continued)

#### (b) Share premium

This reserve arises when the shares of the Company are issued at a price higher than the nominal (Par) value. In 2024 the Group raised additional capital, issuing 1,499,999 shares at Shs 4 per share. There was a bonus/discount given of Shs 1 for the shares issued which were fully paid through Group share premium account.

	<b>2024</b> <b>Shs' 000</b>	<b>2023</b> <b>Shs' 000</b>
At start of year	4,343,512	4,343,512
Bonus shares fully paid through share premium	(1,499,995)	-
Transactions cost recorded directly in equity	(194,179)	-
At end of year	2,649,338	4,343,512

#### (c) Revaluation reserve

The revaluation reserves include the net change in the fair value of land and buildings are to be held until the property is derecognised.

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
At start of year	1,312,129	1,295,129
Change in fair value during the period:	-	-
Revaluation gain on land	-	20,000
Deferred income tax	-	(3,000)
At end of year	1,312,129	1,312,129

## Notes (continued)

### 31 Capital and reserves (continued)

#### (d) Statutory credit risk reserve

The loan loss reserve represents excess of the loans and advances impairment provision determined in accordance with the Central Bank of Kenya's prudential guidelines compared with the requirements of IFRS 9 - Financial instruments. These reserves are not available for distribution.

The movement during the year is as below:

	<b>2024</b>	<b>2023</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of year	4,854,473	3,696,575
Transfer	(45,953)	1,157,898
At end of year	4,808,520	4,854,473

#### (e) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of debt investments and treasury bonds held at FVOCI until the investment is derecognised when the net changes are recycled to profit or loss.

	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	(305,378)	(40,373)
Change in fair value during the year:		
Fair value losses on treasury bonds classified as FVOCI	687,796	(378,578)
Less: Deferred income tax	(206,339)	113,573
At end of year	176,079	(305,378)

### 32 Government of Kenya income notes and loans

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Government of Kenya – Income Notes	52,860	52,860

\* The Government of Kenya – Income notes were transferred from HF Group Plc with effect from 3 August 2015. They carry no redemption date and are charged interest at a fixed rate of 8.25% per annum.

## Notes (continued)

### 33 Cash flows from operating activities

	Note	Group	
		2024 Shs'000	2023 Shs'000
Profit before income tax		459,993	334,484
<b>Adjustments for:</b>			
Group's share of profit from investments in joint ventures	21	(23,243)	(31,946)
Interest expense on lease liabilities	35	23,611	30,423
Depreciation of property and equipment	19	84,211	77,652
Amortisation of right of use asset	35	76,864	78,434
Amortisation of intangible assets	20	77,443	213,106
Loss on sale of repurchased property		-	720
Gain on sale of property and equipment	19	-	(3,556)
Fair value gain/(loss) on derivatives		15,797	(1,570)
Fair value gain on investment property	29	(20,000)	(36,000)
Gain on modification on lease liabilities		(15,491)	(78,777)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>679,185</b>	<b>582,970</b>
Increase in customer and banks deposits		4,415,446	3,739,629
Increase in balances with Central Bank of Kenya – Cash Reserve Ratio (CRR)	16	53,455	88,253
Increase in loans and advances to customers		(73,222)	(2,796,171)
Increase in investment in government securities		(7,037,920)	(1,151,270)
Decrease/(increase) in inventory		43,481	(111,215)
Increase in other assets		(192,003)	(178,050)
Increase in other liabilities		392,271	190,588
(Decrease)/increase in deposit with Central Bank		(1,500,000)	1,000,233
Net cash flows from operating activities before tax		(3,219,307)	1,364,967
Income tax paid		(37,451)	(31,675)
<b>Net cash flows from operating activities</b>		<b>(3,256,758)</b>	<b>1,333,292</b>

## Notes (continued)

### 33 Cash flows from operating activities (continued)

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

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cash in hand and bank (Note 16 (a))	678,473	367,508
Balances due from banking institutions (Note 16 (a))	478,454	302,222
Placement	1,066,290	607,391
	<b>2,223,217</b>	<b>1,277,121</b>

	<b>Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
(Loss)/profit before income tax	(73,793)	3,879
Depreciation on property and equipment	242	273
Decrease in other assets	2,481	33,658
Increase/(decrease) in other liabilities	242,875	(46,620)
<b>Net cash flows from operating activities before tax</b>	<b>171,805</b>	<b>(8,810)</b>
Income tax paid	(2,171)	(5,470)
<b>Net cash flows from operating activities</b>	<b>169,634</b>	<b>(14,280)</b>

## Notes (continued)

### 34 Off-balance sheet contingencies and commitments

(a) Guarantees, letters of credit and commitments

As at 31 December 2024, the Group had issued guarantees and letters of credit in the ordinary course of business to third parties as shown below.

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Guarantees	607,593	2,428,566
Letters of credit	94,935	39,474
	<b>702,528</b>	<b>2,468,040</b>

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

	<b>2024</b> <b>Shs'000</b>	<b>2023</b> <b>Shs'000</b>
Loans approved but not yet disbursed	1,643,193	1,643,241

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

	<b>0 - 3</b> <b>months</b> <b>Shs' 000</b>	<b>3 - 6</b> <b>months</b> <b>Shs' 000</b>	<b>6 - 12</b> <b>months</b> <b>Shs' 000</b>	<b>1 - 5</b> <b>Years</b> <b>Shs' 000</b>	<b>Total</b> <b>Shs' 000</b>
<b>31 December 2024</b>					
Guarantees	270,506	119,736	171,880	45,471	607,593
Letters of credit	34,029	60,906	-	-	94,935
	<b>304,535</b>	<b>180,642</b>	<b>171,880</b>	<b>45,471</b>	<b>702,528</b>
<b>31 December 2023</b>					
Guarantees	259,550	1,256,785	843,957	68,273	2,428,565
Letters of credit	-	37,668	1,806	-	39,474
	<b>259,550</b>	<b>1,294,453</b>	<b>845,763</b>	<b>68,273</b>	<b>2,468,039</b>

## Notes (continued)

### 34 Off-balance sheet contingencies and commitments (continued)

#### (b) Other contingent liabilities

In the ordinary course of business, the Group is a defendant in various litigations and claims. Although there can be no assurances, the Directors believe, based on the information currently available and legal advice, that the claims can successfully be defended and therefore no provision has been made in the financial statements.

### 35 Leases

#### The Group as a lessee

The Group leases a number of branch and office premises. The leases typically run for a period between 3 and 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

#### (a) Right-of-use assets

	<b>2024</b>	<b>2023</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of year	774,009	1,004,756
Adjustments due to changes in cashflows changes	15,491	(67,775)
Additions	15,198	25,934
Transfer of land to inventory	-	(8,906)
Transfer of land to property plant & equipment	-	(180,000)
	804,698	774,009
Accumulated depreciation	(656,769)	(579,905)
At end of year	147,929	194,104

## Notes (continued)

### 35 Leases (continued)

#### (a) Right-of-use assets (continued)

	Leasehold land Shs '000	Office premises Shs '000	IT equip- ment Shs '000	Total Shs '000
<b>Year ended 31 December 2024</b>				
<b>Cost</b>				
At start of year and end of year	-	615,121	158,888	774,009
Remeasurement during the year	-	15,198	-	15,198
Adjustments due to changes in cashflows	-	15,491	-	15,491
		645,810	158,888	804,698
<b>Accumulated depreciation</b>				
At start of year	248	(461,682)	(118,471)	(579,905)
Charge for the year	-	(51,439)	(25,425)	(76,864)
At end of year	248	132,689	14,992	147,929
<b>Year ended 31 December 2023</b>				
<b>Cost</b>				
At start of year and end of year	188,904	595,949	219,903	1,004,756
Remeasurement during the year	-	25,934	-	25,934
Adjustments due to changes in cashflows	-	(6,760)	(61,015)	(67,775)
Transfer of land to inventory	(8,904)	-	-	(8,904)
Transfer of land to property plant and equipment	(180,000)	-	-	(180,000)
	-	615,123	158,888	774,009
<b>Accumulated depreciation</b>				
At start of year	(10,424)	(408,673)	(93,046)	(512,143)
Charge for the year	-	(53,009)	(25,425)	(78,434)
Transfers	6,310	-	-	6,310
Reversal of accumulated depreciation	4,362	-	-	4,362
At end of year	248	153,441	40,417	194,104

## Notes (continued)

### 35 Leases (continued)

#### (a) Right-of-use assets (continued)

As at 31 December 2024, the future minimum lease payments under non-cancellable operating leases were payable as follows:

<b>Maturity analysis – Contractual undiscounted cash flows</b>	<b>2024 Shs '000</b>	<b>2023 Shs '000</b>
Less than one year	76,569	107,988
Between one and five years	128,989	174,680
More than five years	17,056	3,002
	222,614	285,670

#### (b) Amounts recognised in profit or loss

<b>Leases under IFRS 16</b>		
Interest on lease liabilities	23,611	30,423
Depreciation of Right-of-use assets	76,864	78,434

#### (c) Amounts recognised in statement of cash flows

Total cash outflow for leases	(106,545)	(123,541)
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#### (d) Lease liabilities

	<b>2024 Shs '000</b>	<b>2023 Shs '000</b>
Current	68,057	83,998
Non-current	124,762	177,515
	192,819	261,513

## Notes (continued)

### 35 Leases (continued)

#### (d) Lease liabilities

##### Movement in lease liabilities

At start of year	261,513	434,488
Additions	15,198	25,934
Remeasurement (principal)	-	-
Remeasurement (cashflows)	(958)	(106,111)
Interest expense charged	23,611	30,422
Interest elements of lease payments	(23,611)	(30,422)
Principal elements of lease payments	(82,934)	(92,798)
At end of year	192,819	261,513

### 36 Related parties and related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. HF Group Plc is listed on the Nairobi Securities Exchange. The largest shareholder of HF Group Plc is Britam Holdings Plc, which has 48% shareholding. There are other companies which are related to HFC Limited through common shareholdings or common directorships.

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

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

## Notes (continued)

### 36 Related parties and related party transactions (continued)

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

	Group	
	2024	2023
	Shs' 000	Shs' 000
At start of year	166,427	173,591
Loans disbursed	115,415	57,108
Repayments	(83,020)	(64,272)
At end of year	198,822	166,427
Current	35,278	27,033
Non - current	163,544	139,394
<b>Total</b>	<b>198,822</b>	<b>166,427</b>

#### (b) Loans to employees

At start of year	1,252,502	1,049,491
Loans advanced during the year	1,094,157	835,386
Loans repayments received	(951,601)	(632,375)
At end of year	1,395,058	1,252,502
Comprising:		
Mortgages and advances	789,024	726,911
Personal loans	584,861	499,440
Staff car loans	21,173	26,151
	1,395,058	1,252,502
Current	198,601	325,651
Non - current	1,196,457	926,851
<b>Total</b>	<b>1,395,058</b>	<b>1,252,502</b>

Interest income arising from these employees' facilities amounted to Shs 91,181,000 (2023: Shs 76,494,119).

## Notes (continued)

### 36 Related parties and related party transactions (continued)

#### (c) Remuneration to directors and key management personnel

	Group	
	2024 Shs' 000	2023 Shs' 000
Remuneration to executive directors:		
Company*	74,104	69,451
Group**	50,873	52,029
Remuneration to key management	178,740	145,264
	303,717	266,744

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

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

#### (c) Remuneration to directors and key management personnel

	Group	
	2024 Shs' 000	2023 Shs' 000
Remuneration to key management:		
Salaries and short-term benefits	178,740	145,264
Pension	28,552	21,790
	207,292	167,054

Compensation to senior management including executive directors for the year ended 31 December 2024 amounted to Shs 228,113,000 (2023: Shs 145,264,000).

#### (d) Transactions with Britam Insurance Company (Kenya) Limited

	Group	
	2024 Shs' 000	2023 Shs' 000
Bank balances held with HFC Limited	58,872	59,567

## Notes (continued)

### 36 Related parties and related party transactions (continued)

#### (e) Transactions with HF Development and Investment Limited

	Group	
	2024	2023
	Shs'000	Shs'000
Bank balances held with HFC Limited	80,813	9,161
Loans and other receivables	1,423,844	1,210,396
	1,504,657	1,219,557

#### (f) Transactions with HF Bancassurance Intermediary

Bank balances held with HFC Limited	103,730	12,696
Other receivables	28,384	40,955
	132,114	53,651

#### (g) Transactions with Precious Heights Limited

Bank balances held with HFC Limited	1,244	1,863
Other receivables	-	2,746
	1,244	4,609

#### (h) Transactions with Kahawa Downs Limited

Bank balances held with HFC Limited	17,932	10,265
Other receivables	-	63,631
	17,932	73,896

#### (i) Transactions with Clay City Limited

Bank balances held with HFC Limited	1,758	1,820
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#### (j) Transactions with Richland Development Limited

Bank balances held with HFC Limited	11,693	1,918
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## Notes (continued)

### 36 Related parties and related party transactions (continued)

#### (k) Transactions with Housing Finance Development and Investment Property Fund

	Group	
	2024	2023
	Shs'000	Shs'000
Bank balances held with HFC Limited	34	109

#### (l) Transactions with Pioneer International College

Loans and advances held with HFC Limited	-	11,624
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#### (k) Transactions with Agricultural and Industrial Holdings Ltd

	Group	
	2024	2023
	Shs'000	Shs'000
Loans and advances held with HFC Limited	25,777	58,199

#### (l) Transactions with Micro Land Investments

Loans and advances held with HFC Limited	9,205	9,452
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## Notes (continued)

### 37 Derivative liabilities

The Group's derivative financial instruments are entered into for trading purposes. The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously. At 31 December 2024 all derivatives are to be settled on a gross basis.

The table below shows the fair values of currency forwards recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off-balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end.

	2024				2023			
	Notional amount asset	Notional amount liability	Fair value asset	Fair value liability	Notional amount asset	Notional amount liability	Fair value asset	Fair value Liability
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Forwards	989,271	989,271	952,237	937,140	289,511	289,511	289,339	290,909

The table below summarises the currency forwards subject to offsetting, whose net amounts are presented in other assets.

	2024			2023		
	Fair value asset	Fair value Liability	Fair value asset	Fair value asset	Fair value Liability	Fair value liability
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Forwards	952,937	937,140	15,797	289,339	290,909	(1,570)

# Proxy Form

**HF GROUP PLC**  
(the "Company")

**CDC A/C No:**  
**Shareholder No:**  
**ID/Registration No:**

## FORM OF PROXY-2025 ANNUAL GENERAL MEETING(AGM)

### Please complete in BLOCKS CAPITALS

I/We \_\_\_\_\_

of \_\_\_\_\_

Being a shareholder /shareholders of **HF Group Plc** hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her the Chairlady of the meeting in respect of my.....(Number of shares) as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held electronically on **28<sup>th</sup> May 2025** at **11.00 a.m.** and at any adjournment thereof.

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with 'X'. If no indication is given, my/our proxy will vote or withhold his or her discretion and I/WE authorise my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

### Please clearly mark the box below to instruct your proxy how to vote

Item No.	Resolutions:	For	Against	Withheld
1)	To receive and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2024, together with the Chairman's, the Directors' and Auditor's Reports thereon.			
2)	In accordance with Article 105 of the Company's Articles of Association the following Directors retire by rotation and being eligible, offer themselves for re-election.			
	<ul style="list-style-type: none"> <li>Ms. Felister Kembi</li> </ul>			
	<ul style="list-style-type: none"> <li>Dr. Peter Kahara Munga</li> </ul>			
	<ul style="list-style-type: none"> <li>Dr. Anne Kimari</li> </ul>			
3)	Prof Olive Mugenda, having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers herself for re-election.			
4)	In accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected individually to continue to serve as members of the said Committee:-			
	<ul style="list-style-type: none"> <li>Ms. Felister W. Kembi</li> </ul>			
	<ul style="list-style-type: none"> <li>Dr. Anne W. Kimari</li> </ul>			
5)	To approve the Directors Remuneration Report as detailed in the Annual Report for the year ended 31st December 2024.			
6)	To appoint PricewaterhouseCoopers (PWC) Kenya as the auditors of the Company in accordance with Sections 721 of the Companies Act, No. 17 of 2015 and to authorize the Directors to fix the remuneration of the auditors in terms of section 724 of the said Companies Act.			

## Proxy Form

Item No.	Resolutions:	For	Against	Withheld
7)	<p><b>SPECIAL BUSINESS</b></p> <p><b>A. Approval of Company Policies</b></p> <p>To generally authorize the Board to formulate, approve and regularly review policies and procedures as a continuing obligation, as required under the Thirteenth Schedule of the Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2023 for:</p> <ul style="list-style-type: none"> <li>a. Remuneration</li> <li>b. Effective communication with stakeholders' policy</li> <li>c. Corporate Disclosures policies and procedures</li> <li>d. Disputes Resolution for Internal &amp; External disputes</li> <li>e. Retention and attraction of Board Members of the Company</li> </ul>			
8)	<p><b>B. The Conclusion of The Rights Issue</b></p> <p>To consider and, if thought fit, to pass the following resolution as an ordinary resolution:</p> <ul style="list-style-type: none"> <li>a. THAT following the successful completion of the Rights Issue dated 25th October 2024 the Company hereby ratifies the allocation policy adopted by the Board of Directors during the Rights Issue as per the Rights Issue documentation and this ratification forms part of the members resolution dated 4th September 2024.</li> </ul>			
9)	<p><b>C. The Establishment of an Employee Share Ownership Scheme</b></p> <p>To consider and, if thought fit, to pass the following resolutions as special resolutions:</p>			
	<ul style="list-style-type: none"> <li>i. <b>THAT</b> subject to the Company receiving the required regulatory approvals including but not limited to the approval of the Capital Markets Authority, the Board of Directors of the Company be and is hereby authorized to replace the existing employees' share scheme dated the 2nd day of July Two thousand and eight with a new employees' share scheme under the Companies Act 2015 for the purposes of granting shares and options to eligible employees, such scheme to be known as the HF GROUP PLC SCHEME (ESOP), and to be in a form and structure to be approved by the Board of Directors, the Capital Markets Authority and any other relevant Authority.</li> </ul>			
	<ul style="list-style-type: none"> <li>ii. <b>THAT</b> the nominal share capital of the Company be increased from Kes 9,999,976,275 comprising of 1,999,995,255 ordinary shares of KES. 5/= each to 10,471,348,280 by the creation of 94,274,401 ordinary shares of KES. 5/= each ("the ESOP Shares") ranking pari passu with the existing ordinary shares of the Company in issue.</li> </ul>			
	<ul style="list-style-type: none"> <li>iii. <b>THAT</b> the authority granted by members on 26th May 2023 having lapsed on 26th May 2025, and subject to the Company receiving the required regulatory approvals including but not limited to the approval of the Capital Markets Authority, the Board of Directors of the Company is hereby authorized to allot to the ESOP 94,274,401 new ordinary shares of Kshs.5 each, being the ESOP Shares such shares to be issued to eligible employees for such consideration and such terms as is established in the ESOP Trust Deed and Rules PROVIDED THAT:- <ul style="list-style-type: none"> <li>(i) The Board of Directors are at liberty to allot the ESOP Shares in phases within a period of five (5) years from the date of this resolution;</li> <li>(ii) The maximum number of shares held by the ESOP shall not at any one time exceed 5% of the issued share capital of the Company;</li> <li>(iii) The ESOP Shares may be issued at a discount but shall not be issued below par value;</li> <li>(iv) The ESOP Shares shall rank pari passu in all respects with the existing ordinary shares of the Company; and.</li> <li>(v) The authority granted under this resolution shall, unless renewed, varied or revoked by the Company, expire on 28th May 2030, noting that the Directors may allot ordinary shares of the Company notwithstanding the expiry of the authority conferred by this resolution where such allotment is done pursuant to an offer or agreement made before such expiry.</li> </ul> </li> </ul>			

# Proxy Form

## HF GROUP PLC **ELECTRONIC COMMUNICATION PREFERENCE FORM** Please complete in **BLOCK CAPITALS**

Full name of member(s) \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

CDSC No (If known \_\_\_\_\_  
(This can be found on your CDSC Statement)

Mobile Number (of the proxy holder) \_\_\_\_\_

Date: \_\_\_\_\_

Please tick the boxes below and return to Image Registrar at P.O. Box 92877, GPO 00100, 5<sup>th</sup> Floor, ABSA Towers (formerly Barclays Plaza), Loita Street.

### Approval of Registration

I/WE approve to register to participate in the virtual AGM to be held on Wednesday 28th May 2025.

### Consent for use of the Mobile Number provided

I/WE would give/our consent for the use of the mobile number provided for purposes of voting at the AGM.

**Signature**.....

### Notes:

- 1 If a member is unable to attend personally, this Proxy Form should be completed and returned to the Company Secretary P.O. Box 30088 GPO 00100 Nairobi or physically to the registered office of the Company, or to Image Registrars on P. O. Box 9287 – 00100, Nairobi, Kenya or through their email address HFGroupAgm@image.co.ke to arrive not later than 11:00 a.m. on Monday 26<sup>th</sup> May 2025 at 11.00am i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Company Secretary, P.O. Box 30088 GPO 00100 Nairobi or Image Registrars, Absa Towers (formerly Barclays Plaza), 5<sup>th</sup> Floor, Loita Street and address P.O. Box 9287-00100 Nairobi not later than 11.00 am on 26<sup>th</sup> May 2025 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.

# Proxy Form

**HF GROUP PLC**  
("Kampuni")

**CDC A/C No:**  
**Namb. ya mwanahisa**  
**I ID/Namb ya usajili:**

**FOMU YA WAKALA – MKUTANO WA PAMOJA WA MWAKA (AGM) 2025**

**Tafadhali jaza kwa kutumia HERUFI KUBWA**

Mimi/ Sisi \_\_\_\_\_

Kutoka \_\_\_\_\_

Kama mwanahisa/ wanahisa wa **HF Group Plc** twamteua \_\_\_\_\_

Kutoka \_\_\_\_\_

Au akikosa Mwenyekiti wa Mkutano kwa mujibu wa umiliki wangu ..... (idadi ya hisa) kama wakala wangu/ wetu kuhudhuria, kuwakilisha na kupiga kura kwa niaba yangu/ yetu wakati wa Mkutano wa Pamoja wa Mwaka utakaofanyika kwa mfumo wa kielektroniki siku ya **Mei 28, 2025** kuanzia **saa tano asubuhi** au kuahirishwa kwake.

MIMI/ SISI tunampa uhuru wakala wetu kupiga kura kuhusiana na azimio maalumu lifuatalo kama Mimi/sisi nilivyoonyesha/ tulivyoonyesha kwa kutia alama ya "X" panapostahili. Endapo hakutakuwa na ishara iliyotolewa, wakala wangu/ wetu atapiga kura au kutofanya hivyo. Mimi/ Sisi twampa uhuru wakala wangu/ wetu kupiga kura (au kutopiga kura) jinsi atakavyoona inafaa kuhusiana na swala lolote litakalowasilishwa mbele ya mkutano.

**Tafadhali weka alama ipasavyo ndani ya kijisanduku kilichoko hapa chini kumshauri wakala wako jinsi atakavyopiga kura.**

Namb.	Maazimio :	Kuunga mkono	Kupinga mkono	Kutopiga kura
1)	Kupokea na endapo itakubaliwa, kupitisha ukaguzi wa pesa uliofanyiwa ukaguzi na hesabu za pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2024 pamoja na ripoti kutoka kwa mwenyekiti, wakurugenzi na wakaguzi wa pesa			
2)	Kwa mujibu wa kifungu nambari 105 cha sheria za kampuni, wakurugenzi wafuatao wanastaafu kwa zamu na kwa kuwa hali inawaruhusu, wamejitokeza ili kuchaguliwa tena;-			
	• Bi. Felister Kembi			
	• Dkt. Peter Kahara Munga			
	• Dkt. Anne Kimari			
3)	Prof.Olive Mugenda ambaye baada ya kufikisha umri wa miaka 70 anastaafu kwa mujibu wa kanuni za maadili ya utawala wa biashara ya utoaji wa dhamana za Umma ya mwaka 2015 na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena.			
4)	Kwa mujibu wa sehemu ya vipengele nambari 769 vya sheria za makampuni ya mwaka 2015, wakurugenzi wafuatao ambao ni wanachama wa kamati ya halmashauri ya kundi kuhusu uhasibu na athari wachaguliwe tena kibinafsi ili kuendelea na jukumu la utoaji huduma kama wanachama wa kamati iliyotajwa;-			
	• Bi. Felister Kembi			
	• Dkt. Anne W. Kimari			
5)	Kuidhinisha ripoti ya marupurupu ya wakurugenzi kwa kipindi cha mwaka uliomalizika Desemba 31, 2024 kama ilivyofafanuliwa kupitia ripoti ya mwaka.			
6)	Kuwateua PricewaterhouseCoopers (PWC) Kenya kama wahasibu wa kampuni kwa mujibu wa sehemu ya 721 sheria za makampuni nambari 17 ya mwaka 2015 na kuwaamuru wakurugenzi kuamua marupurupu yao kufungamana na sehemu ya 724 ya sheria za kampuni iliyotajwa.			

# Proxy Form

Namb.	Maazimio :	Kuunga mkono	Kupinga mkono	Kutopiga kura
7)	<p><b>SHUGHULI MAALUM</b></p> <p><b>A. Kuidhinishwa kwa sera za kampuni</b></p> <p>Kwa ujumla kuidhinisha Halmashauri kuunda, kupitisha na kila mara kutathmini sera na taratibu kama wajibu unaoendelea kama inavyohitajika chini ya ratiba ya kumi na tatu ya mtaji wa masoko ya (Ofa za Umma, kuorodhesha na ufichuzi) sheria ya mwaka 2023 kuhusu:</p> <p>a. Marupurupu</p> <p>b. Sheria ya mawasiliano mwafaka na washika dau</p> <p>c. Ufichuzi kuhusu shirika na taratibu</p> <p>d. Utatuzi wa migogoro ya ndani na nje</p> <p>e. Uvutiaji na uhifadhi wa wanachama katika halmashauri ya kampuni</p>			
8)	<p><b>B. Hitimisho la swala la haki miliki</b></p> <p>Kuzingatia na endapo itakubalika, kupitisha azimilo lifuatalo kama azimio la kawaida</p> <p>a. KWAMBA, kufuatia kufaulu kwa zoezi la utoaji wa swala la haki miliki Oktoba 25, 2024, kampuni inaidhinisha matumizi ya sera ya ugawaji iliyopitishwa na halmashauri ya wakurugenzi wakati wa swala la haki miliki kwa mujibu wa nukuu na kwamba kupitishwa huku kuwe sehemu moja ya maazimio ya wanachama yaliyonukuliwa Septemba 4, 2024</p>			
9)	<p><b>C. Kuanzishwa kwa Mpango wa Umiliki wa Hisa za mfanyakazi</b></p> <p>Kuzingatia na endapo itakubalika, kupitisha maazimio yafuatayo kama maazimio maalumu</p>			
	<p>i. <b>KWAMBA</b>, baada ya kampuni kupokea idhini zinazohitajika ikiwemo idhini kutoka masoko ya mtaji wa hisa, halmashauri ya wakurugenzi wa kampuni ipewe idhini kubadili mfumo wa sasa wa umiliki wa hisa za wafanyakazi ulionukuliwa Julai 2, 2008 na mfumo mpya wa umiliki wa hisa za mfanyakazi chini ya kifungu cha sheria za makampuni ya mwaka 2015 kwa madhumuni ya kutoa hisa na nafasi zilizoko kwa wafanyakazi waliohitimu na mpango huo kujulikana kama HF GROUP PLC SCHEME (ESOP) na kuwa mfumo na muundo utakaoidhinishwa na halmashauri ya wakurugenzi, halmashauri ya masoko ya hisa na halmashauri nyingine husika.</p>			
	<p>ii. <b>KWAMBA</b> halmashauri kupitia idhini ya wanachama, mnamo Mei 26, 2023 na kukamilika Mei 26, 2025 na kwa kutegemea kampuni kupokea idhini ya kisheria kutoka halmashauri husika ikiwemo idhini kutoka halmashauri ya soko la mtaji, Wakurugenzi wa Kampuni wameidhinishwa kugawa kwa ESOP <b>94,274,401</b> hisa za kawaida za thamani ya Kshs.5 kwa kila moja kama hisa za ESOP na hisa kama hizo kutolewa kwa wafanyakazi waliohitimu kama ilizofanuliwa kupitia hati na kauni za uaminifu za ESOP <b>IKIZINGATIWA KWAMBA:-</b></p> <p>(i) Halmashauri ya wakurugenzi ina uhuru wa kutoa hisa za ESOP kwa awamu chini ya kipindi cha muda wa miaka tano (5) kuanzia tarehe ya kupitishwa kwa azimio hili ;</p> <p>(ii) Hakuna wakati idadi ya mwisho ya hisa zilizoshikiliwa na ESOP itazidi asilimia 5 % ya hisa zilizotolewa katika kampuni ;</p> <p>(iii) Hisa za ESOP zinaweza kutolewa kwa punguzo lakini hazitatolewa chini ya thamani ya kawaida;</p> <p>(iv) Hisa za ESOP zitaorodheshwa kwa njia zote sawa na hisa za kawaida zilizopo za Kampuni; na;</p> <p>(iv) Mamlaka iliyotolewa chini ya azimio hili Itakuwa, labda kufanyiwa makabiliko, kutofautishwa au kufutiliwa mbali na kampuni itakamilika Mei 28, 2030 kwa kuzingatia kwamba wakurugenzi wanaweza kutoa hisa za kawaida za kampuni bila kujali kumalizika kwa mamlaka iliyotolewa na azimio hili ambapo mgao huo unafanywa kwa mujibu wa ofa au makubaliano yaliyotolewa kabla ya kumalizika kwa muda huo.</p>			

# Proxy Form

## FOMU YA MAWASILIANO YA KIELEKTRONIKI YA HF

### Tafadhali jaza kwa kutumia HERUFI KUBWA

Jina kamili la mwanachama/wanachama \_\_\_\_\_

\_\_\_\_\_

Anwani \_\_\_\_\_

\_\_\_\_\_

Nambari ya akaunti ya CDSC (endapo inajulikana) \_\_\_\_\_  
(Hii inaweza kupatikana kupitia taarifa yako ya CDSC)

Nambari yako ya simu ya mkono (ya wakala) \_\_\_\_\_

Tarehe: \_\_\_\_\_

Tafadhali weka alama kwenye sanduku lililoko hapa chini na kuirejesha kwa Image Registrar Slp 92877, GPO 00100, Orofa ya 5, ABSA Towers (zamani ikijulikana kama Barclays Plaza), Loita Street.

### Kuidhishwa kwa usajilin

MIMI/SISI twaidhinisha usajili na ushiriki kwenye mkutano wa pwamoja wa mwaka utakaofanyika Mei, 28, 2025 kwa njia ya kielektroniki.

### Idhini ya matumizi ya nambari ya simu ya mkononi iliyotolewa

MIMI/ SISI tumetoa/ nimetoa ruhusa kwa matumizi ya nambari ya simu iliyotolewa kwa madhumuni ya kupiga kura wakati wa mkutano wa pamoja wa Mwaka.

**Sahihi** .....

### Nukuu:

- Endapo mwanachama hataweza kuhudhuria mwenyewe, fomu hii ya uwakala ijazwe kikamilifu na kutumwa kwa; Company Secretary S.L.P. 30088 GPO 00100 Nairobi au iwasilishwe moja kwa moja katika ofisi ya kampuni iliyosajiliwa au kwa, Image Registrars S.L.P 9287 – 00100, Nairobi, Kenya au kupitia anwani ya barua pepe: [info@image.co.ke](mailto:info@image.co.ke) ili kupokelewa kabla ya saa tano asubuhi Jumatatu Mei 26, 2025 au saa 48 kabla ya kuanza kwa mkutano au kuahirishwa kwake.
- Endapo mwanachama ni shirika, ni lazima fomu ya uwakala ipigwe mhuri wake rasmi na kutiwa sahihi na afisa au wakili aliyeidhinishwa na shirika kama hilo.
- Kama mwanachama, una ruhusa kumteua wakala mmoja au zaidi kutekeleza majukumu yako yote kama mwanachama, kuhudhuria, kuongea na kupiga kura kwa niaba yako wakati wa mkutano. Uteuzi wa mwenyekiti wa mkutano kama wakala wako umeorodheshwa ili kuwa rahisi. Ili kumteua mtu mwingine kama wakala, futilia maneno " the Chairman of the Meeting" na badala yake kuingiza majina kamili ya wakala wako katika nafasi iliyoachwa wazi. Si lazima kwa wakala wako kuwa mwanachama wa kampuni.
- Ujazaji na uwasilishaji wa fomu ya uwakala hautakuzuia wewe kuhudhuria mkutano na kupiga kura binafsi. Kwa sababu hiyo, kura iliyopigwa na wakala haitahesabiwa
- ili kuwa rasmi, fomu ya uwakala inafaa kujazwa, kutiwa sahihi na kuwasilishwa ( pamoja na sahihi ya wakili au mwakilishi mwingine ( endapo yuko) ambaye ameidhinishwa au nakala iliyotiwa sahihi na mtu kama huyo au mamlaka) kwa Company Secretary, S.L.P 30088 GPO 00100 Nairobi au Image Registrars, Absa Towers (zamani Barclays Plaza), Orofa ya 5, Loita Street au S.L.P 9287-00100 Nairobi kabla ya saa tano asubuhi Mei 26, 2025 au endapo kutakuwa na kura itakayopigwa baada ya tarehe ya mkutano, au kuahirishwa kwake, kabla ya saa 24 ya wakati uliotengwa kupigwa kwa kura ambayo inapigwa zaidi ya saa 48 baada ya siku ya mkutano au kuahirishwa kwake
- Kwa hali ambapo shirika ni mwanachama, basi, basi fomu hii ya uwakala ijazwe na kupigwa mhuri wake rasmi au kutiwa sahihi kwa niaba yake na afisa au wakili aliyeidhinishwa na kampuni.

# ENRICHING LIVES ACROSS CONTINENTS

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