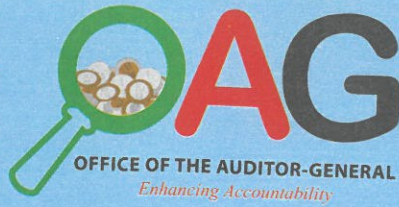


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA REINSURANCE CORPORATION LIMITED

**FOR THE YEAR ENDED
31 DECEMBER, 2025**

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
RECORDS OFFICE
27 MAR 2026
RECEIVED

KENYA REINSURANCE CORPORATION LIMITED

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

31 DECEMBER 2025

KENYA REINSURANCE CORPORATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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KENYA REINSURANCE CORPORATION LIMITED
 GROUP INFORMATION
 FOR THE YEAR ENDED 31 DECEMBER 2025

Board of directors	Mr.Erick Gumbo, MBS	- Chair
	Dr. Hillary M. Wachinga	- Managing Director
	Hon. CPA John Mbadi Ng'ongo, EGH	- Cabinet Secretary, The National Treasury
	Mr.David Muthusi	
	Ms Eunice Nyala	
	Dr. Zacharia Nyaega	
	Mr. Omar Shallo	
	James Irungu Kirika	
	Mr.Abdirahin Abdi - MGH	- Elected on 20th June 2025
	Leah Rotich - MBS	- Elected on 20th June 2025
Jackline Nyandeje	- Elected on 20th June 2025	
Company secretary	Charles Kariuki	
Registration No. R/CPS B/2305		
Certified Public Secretary (Kenya)		
Reinsurance Plaza, Taifa Road		
P.O. Box 30271 – 00100 GPO		
Nairobi, Kenya.		
Registered office	Reinsurance Plaza	
Taifa Road		
P.O. Box 30271 – 00100 GPO		
Nairobi, Kenya.		
Independent auditor	Auditor General	
Office of the Auditor General		
P.O. Box 30084 – 00100 GPO		
Nairobi, Kenya.		
Actuaries	Actuarial Services (East Africa) Limited	
10th Floor Victoria Towers		
Kilimanjaro Avenue, Upper hill		
P.O. Box 10472 – 00100 GPO		
Nairobi, Kenya.		
	Kenbright Actuarial and Financial Services Limited	
	26th Floor- Prism Towers	
	3rd Ngong Avenue P. O. Box 28281 – 00200	
	Nairobi, Kenya.	
Principal bankers	KCB Bank Kenya Limited	
Moi Avenue		
P.O. Box 30081 – 00100 GPO		
Nairobi, Kenya.		
Bank of Africa		
01 Bp 7539 Abidjan 01		
Immeuble Sayegh; 3ème étage		
Rue des Jardins en face de Nice Cream		
Cocody VALON		

**KENYA REINSURANCE CORPORATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

Principal bankers	Citibank Zambia Limited Citibank House Stand 4646 Addis Ababa Roundabout P.O. Box 30037 – 10101, Lusaka Zambia
Legal advisers	Ngatia & Associates Advocates Bishop Gardens Towers, Second floor First Ngong Avenue, Nairobi, Kenya Kaplan & Stratton Advocates Williamson House 4th Ngong Avenue P.O. Box 40111 – 00100 Nairobi, Kenya
Share Registrars	Image Registrars Limited Barclays Plaza, Loita Street, 5th Floor P.O. Box 9287 – 00100 GPO Nairobi, Kenya
Subsidiaries	Kenya Reinsurance Corporation Côte d’Ivoire Saphir Center 7e tranche Carrefour Les Oscars Cocody-Abidjan Kenya Reinsurance Corporation Zambia Limited D.G Office Park, No. 1 Chila Road Kabulonga, Lusaka P.O. Box 30578 10101, Zambia Kenya Reinsurance Corporation Uganda-SMC Limited Lrv 1835 Folio 10, Bandali Rise, Bugolobi, Kampala P.O Box 34988 Kampala, Uganda

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

1. The directors submit their report together with the audited financial statements for the year ended 31 December 2025.

2. INCORPORATION AND BACKGROUND INFORMATION

The Kenya Reinsurance Corporation Limited (the "Company") is a public limited liability company reconstituted through an Act of Parliament in 1997. It was established through an Act of Parliament in December 1970 and commenced business in January 1971 as Kenya Reinsurance Corporation. The Government of Kenya owns 60% of the company while the public through Nairobi Securities Exchange owns 40%. The address of the registered office is set out on page 1.

It has three fully owned subsidiaries; Kenya Reinsurance Corporation, Cote d'Ivoire, which was incorporated on 19 September 2014, Kenya Reinsurance Corporation Zambia Limited, which was incorporated on 26 November 2015 and Kenya Reinsurance Corporation Uganda-SMC Limited, which was incorporated on 26 August 2019. Kenya Reinsurance Corporation, Cote d'Ivoire, operated as a full subsidiary starting in 2015, the Zambian subsidiary started operating in 2016, while Uganda subsidiary started operations in January 2023. The Company and its subsidiaries are referred to as the "Group".

3. PRINCIPAL ACTIVITIES

The principal activities of the Group are underwriting of all classes of reinsurance business and investment activities.

4. RESULTS

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Profit before tax	4,825,195	5,648,173	4,084,820	5,743,196
Income tax expense	<u>(901,602)</u>	<u>(1,211,021)</u>	<u>(765,996)</u>	<u>(1,205,351)</u>
Profit for the year transferred to retained earnings	<u>3,923,593</u>	<u>4,437,152</u>	<u>3,318,824</u>	<u>4,537,845</u>

5. DIVIDENDS

The directors recommend the approval of a first and final dividend of KShs 0.15 (2024: KShs 0.15) per share totalling to KShs 840 million in respect of the year 2025 (2024: KShs 840 million).

6. DIRECTORATE

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

7. BUSINESS REVIEW

We delivered on our commitment to continue growing the shareholders' value. The Insurance revenue, investments income, shareholders' funds, and assets base registered growth.

Operational performance

Insurance revenue decreased from KSh 18.85 billion in 2024 to KSh 17.07 billion in 2025. Insurance service expenses increased from KSh 10.5 billion in 2024 to KShs 11.22 billion in 2025. The net expenses from reinsurance contracts increased from KShs 0.71 billion in 2024 to KShs 1.35 billion in 2025. The insurance service results thus decreased from a profit of KShs 2.95 billion in 2024 to a profit of KShs 108.4 million in 2025. The total investment income decreased from KShs 5.61 billion in 2024 to KShs 5.58 billion in 2025. The net insurance finance expense decreased from a loss of KShs 716 million in 2024 to a loss of KShs 222 million in 2025.

KENYA REINSURANCE CORPORATION LIMITED
 REPORT OF THE DIRECTORS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2025

7. BUSINESS REVIEW (continued)

This resulted in a profit after tax of KShs. 3.93 billion in 2025 down by 11.6% from KShs.4.44 billion in 2024. Our accomplishments are the outcome of disciplined execution of our five-year strategy which is grounded on the following five pillars: financial performance, business process improvement, business development, risk management and people and culture.

Financial overview

Financial overview of the Group continues to deliver positive results to shareholders and has maintained a good performance despite the challenging business environment experienced during the year.

The Key performance drivers that are responsible for positive financial state of the organization include, aggressive collection of the reinsurance receivables and real time market intelligence which guided our response to market changes and the uptake of investment opportunities.

Key performance indicators

	2020 KShs Millions	2021 KShs Millions	2022 KShs Millions	2023 KShs Millions	2024 KShs Millions	2025 KShs Millions
Total insurance revenue	18,535	20,296	23,131	19,569	18,849	17,070
Investment Income	3,792	3,658	3,746	4,562	5,614	5,578
Total assets	53,237	53,270	57,452	65,978	66,813	72,205
Shareholders' funds	34,397	37,347	40,993	48,175	49,672	54,514
Management Expenses	1,965	2,096	1,311	1,279	1,365	1,793

Note that the comparative information prior to 2022 are prepared based on IFRS 4 and results for 2023, 2024 and 2025 are based on IFRS 17, the information for the five-year period may therefore not be comparable.

Principal risks and uncertainties facing the Corporation.

In the course of its business operations, the Group faces key threats in meeting its business objectives. Among these are market risk exposures from its investment activities which arise due to reduced earnings on deposits with financial institutions due to interest rate capping which was repealed in November 2019, erratic prices of quoted equities and foreign exchange losses from underwriting operations in diverse regions with different currencies.

The Group faces stiff competition both in its local and international markets. There has been increasing cases of domestication of reinsurance business in some key markets, setting up of national reinsurance in countries where there were none, mergers and acquisitions, increasing retention capacity of direct underwriters reducing reinsurance premiums, creation of captive reinsurance companies which are new entrants in Group's target markets, unfavourable changes in legislation in some markets and price undercutting amongst competitors.

Delays in receiving outstanding reinsurance premiums continues to pose credit risk to the Group. This is mainly from outstanding reinsurance recoveries as well as outstanding premium receivables from cedants and brokers.

Underwriting risks mainly relate to the risk that underwriting costs may exceed the premiums generated from the underwriting activity. The Group's insurance service result was a profit of Kshs 108.4 million in year 2025 compared to a profit of KShs 2.95 billion for year 2024. The Group's insurance and reinsurance combined loss ratio stood at 99.4% in year 2025 up from 84% registered in year 2024.

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

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

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

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

9. SECRETARY

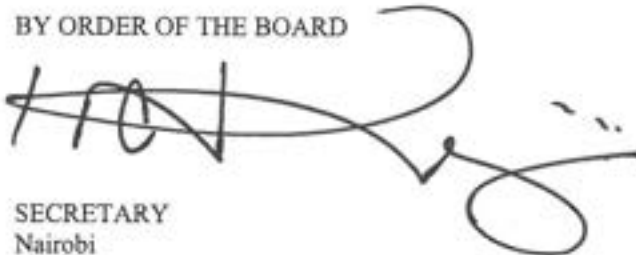
The Company's Secretary is Mr Charles Kariuki.

10. TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the statutory audit of the Company's books of account in accordance with Section 48 of the Public Audit Act, 2015. Section 23 of the Act empowers the Auditor General to nominate other auditors to carry out the audit on their behalf.

Deloitte & Touche LLP were appointed by the Auditor General, to carry out the audit for the year ended 31 December 2025. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh 17,659,701 (Statutory audit Ksh 16,051,500) (2024 Ksh 15,344,000) and Tax reviews (Ksh 1,608,201) (2024 Ksh 2,145,000) has been charged to profit or loss.

BY ORDER OF THE BOARD



SECRETARY
Nairobi

26 March 2026

**KENYA REINSURANCE CORPORATION LIMITED
REPORT ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025**

Corporate governance is the process and structure by which companies are directed, controlled, and held accountable to achieve long term value to shareholders taking cognisance of the interest of other stakeholders.

The Board of Directors of Kenya Reinsurance Corporation Limited (the "Company") is responsible for the governance of the Company and is accountable to the shareholders and stakeholders in ensuring that the Company complies with the laws and regulations and the highest standards of business ethics and corporate governance. Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance and CMA guidelines.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct, and their respective responsibilities clearly defined within the Company. The Board comprises of eleven (11) directors ten (10) of whom are non-executive directors including the Chairman. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held six (6) regular and six (6) special meetings during the year under review. As the Company is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

The Board has set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Audit Committee

The membership of the Audit Committee is comprised as follows:

1. David Muthusi (Chairman)
2. Jackline Nyandeje
3. Irungu Kirika
4. Leah Rotich
5. Dr. Zacharia Nyaega

The committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

1. Review of financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
2. Strengthen the effectiveness of the internal audit function.
3. Maintain oversight on internal control systems.
4. Increase the shareholders' confidence in the credibility and standing of the Company.
5. Review and make recommendations regarding the Company's budgets, financial plans and risk management.
6. Liaise with the external auditors.

The committee held four (4) regular meetings and two (2) special meeting in the year under review.

Risk and Compliance Committee

The membership of the Risk and Compliance Committee is comprised as follows:

1. Irungu Kirika (Chairman)
2. David Muthusi
3. Omar Shallo
4. Eunice Nyala
5. Dr. Hillary Wachinga

KENYA REINSURANCE CORPORATION LIMITED
REPORT ON CORPORATE GOVERNANCE (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

Risk and Compliance Committee (Continued)

The responsibilities of this committee include:

- Provision of general oversight in risk and compliance matters in the Company.
- Ensuring quality, integrity, effectiveness and reliability of the Company's risk management framework.
- Setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Company.
- Defining the scope of risk management work.
- Ensuring that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Company is exposed to from time to time.
- Steering the Company on best practices on management of information and technology.

The committee held four (4) meetings in the year under review.

Human Resource and Nominations Committee

The membership of the Human Resource and Nominations Committee is comprised as follows:

- Dr. Zacharia Nyaega (Chairman)
- Eric Korir (Alternate to CS, National Treasury)
- Jackline Nyandeje
- Leah Rotich
- Hon. Abdirahin Abdi
- Dr. Hillary M. Wachinga

The committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline, and staff welfare. The committee also evaluates the credentials of persons nominated to the Board.

The committee held four (4) regular meetings and five (5) special meetings in the year under review.

Finance and Strategy Committee

The membership of the Finance and Strategy Committee is comprised as follows:

1. Hon. Abdirahin Abdi (Chairman)
2. Eric Korir (Alternate to CS, National Treasury)
3. Omar Shallo
4. Eunice Nyala
5. Dr. Hillary M. Wachinga

The committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, reinsurance strategies, policies, projects, and related activities.

The committee held four (4) regular and five (5) special meetings in the year under review.

Risk Management and Internal Controls

The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board considers the results of work carried out to audit and review the activities of the Company. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Company. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives both in the short and long term.

KENYA REINSURANCE CORPORATION LIMITED
 REPORT ON CORPORATE GOVERNANCE (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2025

Risk Management and Internal Controls (Continued)

Creating Shareholders' Value

In order to assure the shareholders of the Company's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Ministry of The National Treasury and Planning of the Government of Kenya as well as sets Corporate Performance strategies with Management and continues to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2025 are disclosed in the notes to the financial statements under note 10. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Company's shares. There were no loans advanced to directors during the financial year.

Directors' interests as at 31 December 2025:

	Number of shares	Shareholding %
The National Treasury of Kenya	3,360,000,000	60.00%

Major Shareholders as at 31 December 2025

Cabinet Secretary to The National Treasury of Kenya	3,360,000,000	60.00%
Jubilee Holding Limited	152,690,792	2.73%
Investments & Mortgages Nominees Ltd A/C 028950	131,106,600	2.34%
Kenya Commercial Bank Nominees Limited A/C 915b Kenya Commercial Bank Nominees Limited A/C 915b	55,342,488	0.99%
Stanbic Nominees Limited R6631578	54,375,544	0.97%
Standard Chartered Nominees Non- Resd. A/C Ke10085	48,000,000	0.86%
Standard Chartered Nominees Resd A/C Ke11443	45,273,238	0.81%
Brandt, Jonathan Lawrence	38,032,300	0.68%
Kestrel Capital Nominee Services Limited A/C 8	35,024,000	0.63%
Kerai, Harji Mavji; Mavji, Ramila Harji	30,000,000	0.54%
Others	<u>1,649,747,582</u>	<u>29.46%</u>
Total	<u>5,599,592,544</u>	<u>100.00%</u>

KENYA REINSURANCE CORPORATION LIMITED
 REPORT ON CORPORATE GOVERNANCE (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2025

Risk Management and Internal Controls (Continued)

The distribution of the Company's shareholding as at 31 December 2025 is as shown below:

Shares Range	Shareholders	Number of Shares	% Shareholding
1 – 500	31,581	7,627,301	0.14%
501 – 1,000	11,402	8,197,275	0.15%
1,001 – 5,000	42,868	133,019,156	2.38%
5,001 – 10,000	12,267	83,760,158	1.50%
10,001 – 50,000	11,094	209,420,520	3.74%
50,001 – 100,000	1,288	91,416,419	1.63%
100,001 – 500,000	1,187	245,989,616	4.39%
500,001- 1,000,000	173	123,494,386	2.21%
1,000,001-2,000,000,000	214	4,696,667,713	83.88%
Total	112,074	5,599,592,544	100%

The distribution of the shareholders based on their nationalities as at 31 December 2025 is as follows:

Nationality	Shareholders	Shares held	% Shareholding
Local Institutional Investors	5,300	4,289,752,461	76.61%
Local Individual Investors	106,326	1,245,882,032	22.25%
Foreign Investors	448	63,958,051	1.14%
Total	112,074	5,599,592,544	100%

Directors' interests as at 31 December 2024:

	Number of shares	Shareholding %
The National Treasury of Kenya	3,360,000,000	60

Major Shareholders as at 31 December 2024

Cabinet Secretary to The National Treasury of Kenya	3,360,000,000	60.00%
Jubilee Holding Limited	152,690,792	2.73%
Investments & Mortgages Nominees Ltd A/C 028950	131,106,600	2.34%
Standard Chartered Kenya Nominees Ltd A/C Kc000954	90,000,000	1.61%
Kenya Commercial Bank Nominees Limited A/C 915b Kenya Commercial Bank Nominees Limited A/C 915b	55,342,488	0.99%
Kerai,Harji Mavji;Mavji,Ramila Harji	55,000,000	0.98%
Stanbic Nominees Limited R6631578	54,375,544	0.97%
Standard Chartered Nominees Non- Resd. A/C Ke10085	48,000,000	0.86%
Standard Chartered Nominees Resd A/C Ke11443	45,273,238	0.81%
Brandt, Jonathan Lawrence	37,390,800	0.67%
Others	1,570,413,082	28.05%
	5,599,592,544	100.00%


KENYA REINSURANCE CORPORATION LIMITED
 REPORT ON CORPORATE GOVERNANCE (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2025

Risk Management and Internal Controls (Continued)

Shares Range	Shareholders	Number of Shares	% Shareholding
1 – 500	27,869	7,033,287	0.13%
501 – 1,000	10,593	7,518,966	0.13%
1,001 – 5,000	41,264	129,259,973	2.31%
5,001 – 10,000	11,857	80,453,022	1.44%
10,001 – 50,000	10,218	188,231,127	3.36%
50,001 – 100,000	1,122	79,475,274	1.42%
100,001 – 500,000	993	203,003,914	3.63%
500,001- 1,000,000	144	105,265,477	1.88%
1,000,001-2,000,000,000	198	4,799,351,504	85.71%
	<u>104,258</u>	<u>5,599,592,544</u>	<u>100.00%</u>

The distribution of the shareholders based on their nationalities as at 31 December 2024 is as follows:

Nationality	Shareholders	Shares held	% Shareholding
Local Institutional Investors	5,254	4,330,285,020	77.33%
Local Individual Investors	98,564	1,167,295,274	20.85%
Foreign Investors	440	102,012,250	1.82%
	<u>104,258</u>	<u>5,599,592,544</u>	<u>100%</u>


 Erick Gumbo, MBS (Chairman)
 Director
 26 March 2026


 David Muthusi
 Director

KENYA REINSURANCE CORPORATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2025

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

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

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


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

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


Approved by the board of directors on *26 March* 2026 and signed on its behalf by:



Dr. Hillary M. Wachinga
Principal Officer



Erick Gumbo, MBS
Director



David Muthusi
Director

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE CONSULTING ACTUARIES.
FOR THE YEAR ENDED 31 DECEMBER 2025

I have conducted an actuarial valuation of the long-term business of Kenya Reinsurance Corporation Limited (the "Company") as at 31 December 2025.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. Those principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the long-term business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of long-term insurance business did not exceed the amount of funds of the long-term business as at 31 December 2025.

Name of Actuary Abed Mureithi

Qualification FIA, FeASK



Signed



25/12/2025

I have conducted an actuarial valuation of the short-term business of Kenya Reinsurance Corporation Limited (the "Company") as at 31 December 2025.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. Those principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the Short-term business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of Short-term insurance business did not exceed the amount of funds of the Short-term business as at 31 December 2025.

Name of Actuary Ezekiel Macharia

Qualification FIA, FeASK



Signed



25/03/2026

**KENYA REINSURANCE CORPORATION LIMITED
DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025**

The directors' remuneration policy and strategy for Kenya Reinsurance Corporation Limited (the "Company").

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly stipulate remuneration elements such as directors' fees, honorarium and attendance allowances that are competitive and in line with those of other agencies in the industry.

In accordance with the guidelines provided under the State Corporations Act and by the Salaries and Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; the directors are paid a taxable director's fee at KShs 80,000 for every month served (KShs 960,000 per annum) and a sitting allowance of KShs 30,000 for every meeting attended. The Chairman is also paid a monthly honorarium of KShs 80,000.

The Company does not grant personal loans, guarantees, share options or incentives to its non-executive directors. The Managing Director is entitled to such loans as are available to other employees as per the Corporation's human resource policies.

Contract of service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive directors and the Corporation's Articles of Association, a third of the directors retire every year by rotation and subject themselves to election at every Annual General Meeting by the shareholders.

The Managing Director and Chief Executive Officer (CEO) has a contract of service with the Corporation starting 28th March 2023 ending on 28th March 2028.

Changes to directors' remuneration

During the period, there were no changes in directors' remuneration which is set as per the guidelines provided in the State Corporations Act and by the Salaries and Remuneration Commission.

Statement of voting on the directors' remuneration report at the previous Annual General Meeting

During the Annual General Meeting held on 16th June 2025, the shareholders approved directors' remuneration for the year ended 31 December 2024 by show of hands.

At the Annual General Meeting to be held by 30 June 2026, approval will be sought from shareholders of this Directors' remuneration report for the financial year ended 31 December 2025.

KENYA REINSURANCE CORPORATION LIMITED
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

The following tables show the remuneration for the managing Director and CEO and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2025 together with the comparative figures for 2024.

YEAR ENDED 31 DECEMBER 2025

Director	Category	Gross payments Kshs	Director fees Kshs	Allowances Kshs	Total Kshs
Erick Gumbo, MBS	Chairman, non-executive	-	960,000	1,461,079	2,421,079
Dr. Hillary Wachinga	Managing Director	29,573,800	-	-	29,573,800
Omar Shallo	Non -Executive	-	960,000	3,086,939	4,046,939
David Muthusi	Non -Executive	-	960,000	2,945,346	3,905,346
Dr. Zacharia Nyaega	Non -Executive	-	960,000	4,363,114	5,323,114
Abdirahin Abdi - MGH	Non -Executive	-	511,475	1,429,159	1,940,634
James Irungu Kirika	Non -Executive	-	960,000	2,514,218	3,474,218
Erick Korir	Non -Executive	-	-	1,134,904	1,134,904
Leah Rotich - MBS	Non -Executive	-	511,475	2,174,308	2,685,783
Jackline Nyandeje	Non -Executive	-	511,475	1,471,998	1,983,473
Eunice Nyala	Non -Executive	-	960,000	2,183,868	3,143,868
Catherine Kimura	Non -Executive	-	448,525	986,333	1,434,858
Thamuda Hassan	Non -Executive	-	448,525	418,333	866,858
Robert Waruiru	Non -Executive	-	448,525	371,983	820,508
Cabinet Secretary - The National Treasury	Non -Executive	-	960,000	-	960,000
TOTAL		29,573,800	9,600,000	24,541,582	63,715,382

KENYA REINSURANCE CORPORATION LIMITED
DIRECTORS' REMUNERATION REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

YEAR ENDED 31 DECEMBER 2024

Director	Category	Gross payments Kshs	Director fees Kshs	Allowances Kshs	Total Kshs
Catherine Kimura	Chairman, non-executive	-	960,000	2,747,000	3,707,000
Dr. Hillary Wachinga	Managing Director	30,097,030	-	-	30,097,030
Omar Shallo	Non -Executive	-	960,000	1,479,441	2,439,441
David Muthusi	Non -Executive	-	960,000	3,709,913	4,669,913
Dr. Zacharia Nyaega	Non -Executive	-	960,000	2,173,438	3,133,438
Thamuda Hassan	Non -Executive	-	960,000	2,118,500	3,078,500
James Irungu Kirika	Non -Executive	-	960,000	2,977,000	3,937,000
Eric Gumbo	Non -Executive	-	960,000	4,265,105	5,225,105
Erick Korir	Non -Executive	-	-	1,893,500	1,893,500
Robert Waruiru	Non -Executive	-	960,000	2,425,000	3,385,000
Eunice Nyala	Non -Executive	-	960,000	2,663,500	3,623,500
Cabinet Secretary - The National Treasury	Non -Executive	-	960,000	-	960,000
TOTAL		30,097,030	9,600,000	26,452,397	66,149,427

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 21 to 126, which comprise of the Consolidated and Company statements of financial position as at 31 December, 2025 and the statements of profit or loss and other

comprehensive income, statements of cash flows and statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte and Touche LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Reinsurance Corporation Limited as at 31 December, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Reinsurance Corporation Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Investment Properties in Dispute

As reported in the previous year, and as disclosed in Note 35 to the financial statements, the Corporation owns properties worth Kshs.936,077,000 which are currently in dispute and are subject to ongoing court cases. The disputed investments have not been disclosed under investment in property but have been disclosed separately in Note 35 – property under dispute. These are as indicated below;

(i) Parcel of Land along Ngong Road

The Corporation invested Kshs.350,000,000 in the purchase of a parcel of land measuring approximately 59.87 hectares along Ngong Road. However, the land is the subject of dispute between the Corporation and Kenya Forest Service that is yet to be resolved by the National Land Commission. Although the Corporation has obtained confirmation from the Director of Survey that the Corporation's land is distinct from that of Kenya Forest Service, the matter remains unresolved since the National Land Commission has not adjudicated the matter or provided its verdict. The Corporation has therefore not realized full benefits from the ownership of the land as Management is not in a position to make long-term investment plans.

(ii) Parcel of Land along Kiambu Road

The Corporation is the registered owner of a parcel of land measuring approximately 99.5813 hectares along Kiambu Road with a cost value of Kshs.563,077,000. The Corporation is in an ownership dispute with one of the Directors of the vendor of the land and the case is in Court.

The Corporation is therefore, not realizing the full value for money invested in the property.

(iii) Parcel of Land in Shanzu, Mombasa

The Corporation is the registered owner of a parcel of land measuring approximately 17.3 hectares located at Shanzu Mombasa at a cost of Kshs.23,000,000. The Corporation is in an ownership dispute with the Kenya Prisons Service.

In the circumstances, the property is not being utilized to generate income and therefore not realizing the full value for money invested.

2. Idle Investment Property

As previously reported, and as disclosed in Note 16 to the financial statements, the Corporation owns a parcel of land within the precincts of Jomo Kenyatta International Airport (JKIA) valued at Kshs.1,047,000,000. However, Management has disclosed that it has restricted access to the land due to bureaucracy associated with accessibility of a high security area such as the Jomo Kenyatta International Airport (JKIA) where Kenya Airports Authority's development approval is required for any proposed development.

The Corporation is therefore not realising the full potential of the investment.

3. Long Outstanding Receivables

The consolidated statement of financial position reflects other receivables balance of Kshs.553,378,000 which as disclosed in Note 26 to the financial statements includes receivable balance of Kshs.300,150,000 from Kenya Urban Roads Authority for which an impairment amount of Kshs.127,459,000 has been made against the balance. As disclosed in Note 26 to the financial statements, the receivable is in respect of compensation of part of land that was compulsorily acquired by the National Land Commission in the financial year 2017 for purpose of a road construction by the Kenya Urban Roads Authority.

Management has not provided reasons why the balance has remained outstanding since 2017 and no action is being taken to ensure recovery of the balance.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in

forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

Key Audit Matter	How the Matter was Addressed
<p>Determination of insurance contract liabilities</p> <p>The determination of future contractual cash flows in relation to the insurance contract liabilities involves a significant estimation process by the Directors. An amount of Kshs.13,952,186,000 relating to insurance contract liabilities is reported in the consolidated statement of financial position as at 31 December, 2025 and an amount of Kshs.12,186,996,000 relating to insurance contract liabilities is reported in the company statement of financial position as at 31 December, 2025.</p> <p>A large component of the insurance contract liabilities provision relates to contractual cash flows attributable to claims incurred but not reported at year end.</p> <p>The ultimate cost of settling claims is estimated using a range of loss reserving techniques. These techniques assume that the Group’s own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims’ development data on which the projections are based. Judgement is applied to assess the extent to which past trends might not apply in the future and how future trends are expected to emerge.</p> <p>As a result, I identified insurance contract liabilities as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement and</p>	<p>In responding to this key audit matter, I performed the procedures:</p> <ul style="list-style-type: none"> • I evaluated the appropriateness of the relevant controls implemented by Directors over the determination of claims incurred but not reported liability. • I assessed the competence, capabilities and objectivity of the Company's actuaries. • I challenged the Directors on the suitability of the approach and methodology adopted by the Company's actuaries and evaluated whether these are consistent with the requirements of IFRS Accounting Standards and industry norms. • I involved the Deloitte Actuarial specialists in assisting me with the evaluation of the judgements and models adopted by the Directors in the determination of incurred but not reported liability. • I performed further audit procedures to check the data used in the computation of incurred but not reported liability for accuracy. • I assessed the appropriateness of the related disclosures in Notes 1, 2 and 28 to the financial statements. <p>Based on my procedures, I noted no material exceptions and consider the</p>

Key Audit Matter	How the Matter was Addressed
estimation uncertainty associated with determining the liabilities.	directors' key assumptions and methodology applied to be reasonable

I have fulfilled the responsibilities described in the Auditor-General's Responsibilities for the Audit section of the report including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above provide the basis for my audit opinion on the accompanying financial statements.

Other Information

The Directors are responsible for the Other Information set out on page 2 to 16 which comprise of Group Information, Report of the Directors, Statement of Corporate Governance, Statement of Directors' Responsibilities, Report of the Consulting Actuary and Directors' Remuneration Report. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, I confirm that the Other Information is not materially inconsistent with the financial statements.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliances in the Board

1.1. Non-Compliance with the Gender Rule in the Appointment of Board Members

Review of Board composition for the Corporation as at 31 December, 2025 revealed that the Board did not comply with the two-thirds gender rule, as seven (7) of the 10 non-executive directors were of the same gender representing 70%. This was contrary to the requirements of Article 27(8) of the Constitution which requires the State to take measures to ensure that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender. Further, Chapter 1 of Mwongozo Code of Governance for State Corporations requires compliance with the constitutional gender principle in Board composition.

In the circumstances, the appointing authority was in breach of the law.

1.2. Lack of Performance Appraisal for the Board

During the year under review, the Board did not undergo performance appraisal contrary to the requirements of Paragraph 1.12 of the Mwongozo Code of Governance for State Corporations which requires Boards to undertake annual performance evaluation to assess their effectiveness and enhance accountability.

In the circumstances, Management was in breach of the guidelines.

2. Slow Implementation of Projects

Review of Corporation's projects' implementation status revealed the following unsatisfactory matters.

2.1 Proposed Implementation of Electrical Infrastructure Refurbishment Works- Anniversary Towers

As previously reported, the Corporation entered into a contract with a contractor in July, 2023 for the Proposed Implementation of the Electrical Infrastructure Refurbishment Works for Anniversary Towers at a contract price of Kshs.84,732,944 for eighteen (18) months and expected completion date of 31 December, 2024. However, as at 31 December, 2025, the progress was estimated at only 5%, an indication that the Project was behind schedule.

In the circumstances, the expected project completion date was not realized and the Corporation may not realize value for money in the Project.

2.2 Proposed Security Systems Installation for Reinsurance Plaza, Kisumu

As previously reported, the Corporation entered into a contract with a contractor in November, 2022 for the Proposed Security Systems Installation for Reinsurance Plaza Kisumu, at a contract price of USD.1,057,180.37 (approximately Kshs.129,004,011.88)

for a duration of thirty-six (36) weeks and expected completion date of November, 2023. However, information provided by Management indicated that the contractor abandoned the work during the early stage of implementation. As at 31 December, 2025, the project was stalled at only 5% completion. Management has not provided explanations for the unsatisfactory state of affairs on the project.

In the circumstances, the Corporation may not realize the intended benefits from the Security Systems Installation Project at Reinsurance Plaza, Kisumu.

2.3 Proposed Improvements, Refurbishment to Reinsurance Plaza, Kisumu

As previously reported, the Corporation entered into a contract with a contractor in November, 2021 for the Proposed Improvements to Internal Common Areas and Reinstatement of Boundary Wall for Reinsurance Plaza in Kisumu at a contract price of Kshs.29,654,802 for a duration of twenty-four (24) weeks. The initial expected completion date was 31 July, 2022 but was extended to 30 November, 2023. However, the contract was terminated on 3 December, 2023 when the Project was about 60% complete. Review of the project status as at 31 December, 2025 indicated that the Project had stalled and the works were yet to be re-tendered.

In the circumstances, value for money in respect of the Project could not be confirmed.

2.4 Proposed Integrated Security Management System for Anniversary Towers and Kenya Re Towers

As previously reported, the Corporation entered into a contract with a contractor in December, 2020 for the Proposed Integrated Security Management System for Anniversary and Kenya Re Towers at a contract price of USD 2,642,071.70 (approximately Kshs.294,165,092.60) for a duration of twenty (20) weeks and expected initial completion date of 31 July, 2021. Review of the Project's file indicated that the Contractor had sought and was granted several extensions with the latest extension covering up to 30 June, 2025. As at 31 December, 2025, the progress was estimated at 98% and was yet to be handed over to the Corporation, almost five (5) years after commencement. Management has not provided satisfactory explanations for the significant delay in completion of the Project.

In the circumstances, value for money for the Integrated Security Management System Project could not be confirmed.

2.5 Proposed Integrated Security Management System for Reinsurance Plaza Nairobi

As previously reported, the Corporation entered into a contract with a contractor in January, 2020 for Proposed Integrated Security Management System for Reinsurance Plaza Nairobi at a contract price of USD1,067,391.71 (approximately Kshs.107,765,788.35) for a duration of thirty-nine (39) weeks and expected completion date of 30 November, 2020. Review of the Project's file indicated that the contractor had sought and was granted several extensions, the latest covering up to 28 February, 2025. Although the status as at 31 December, 2025, indicated that the Project was substantially

Report of the Auditor-General on Kenya Reinsurance Corporation Limited for the year ended 31 December, 2025

complete, there was significant delay of about five (5) years in completion of the Project. Management has not provided satisfactory explanation for the significant delay in completion of the Project.

In the circumstances, value for money in respect of the Project could not be confirmed.

2.6 Proposed Improvement and Refurbishment of Reinsurance Plaza, Nairobi

As previously reported, the Corporation entered into a contract with a contractor in November, 2021 for Proposed Improvement and Refurbishment of Internal and External Common Areas for Reinsurance Plaza, Nairobi at a contract price of Kshs.31,706,606 for a duration of twenty-four (24) weeks and expected completion date of 28 July, 2022. Although the status as at 31 December, 2025, indicated that the Project was completed and the completion certificate issued on 30 October, 2024 there was a significant delay of about two years and four months in completion of the Project. Further, Management did not provide details of any time extensions from the initial expected completion date of 28 July, 2022.

In the circumstances, value for money in respect of this Project could not be confirmed.

3. Delayed Payment to Service Provider

Review of payables records indicated that the Corporation delayed payment amounting to Kshs.703,680 to a contractor for service duly rendered. The service provider had a valid contract with the Corporation for tender no. KRC/2019/172 for the provision of on-call services for minor repairs and small works as and when need arose. The contract was signed on 19 July, 2022 and was to run for two (2) years. As a result of the delayed settlement, the supplier sought legal redress for claim of payment which may result penalties.

The delay in payment of the Contractor was contrary to Section 176(1)(c) of the Public Procurement and Asset Disposal Act, 2015 which states, *inter alia*, that a person shall not delay without justifiable cause the payment of contractors beyond the contractual period and contractor performance obligations.

In the circumstances, Management was in breach of the law.

4. Non-Compliance with the One-Third Basic Pay Rule

Analysis of payroll for 2025 revealed that one hundred and forty-five (145) employees had net salaries that were less than one-third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 (revised 2012) which provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

In the circumstances, Management was in breach of the law.

5. Irregularities in Human Resource Practice

5.1 Payment of Full Salary on Suspension

Review of the Corporation's payroll for the year revealed that two senior officers who were on suspension from 2 September, 2025 to 2 November, 2025 continued to earn full salaries during the period of suspension contrary the requirements of Part K.7 (2) of the Public Service Commission (PSC) Human Resource Policies and Procedure Manual which requires that where an officer is suspended from the exercise of the functions of his public office, he shall be entitled to full house allowance, medical benefits and no basic salary.

In the circumstances, Management was in breach of the guidelines.

5.2 Acting Appointments Beyond Limit Allowed

Review of Human Resource records revealed that eleven (11) officers served in acting capacity for periods exceeding six (6) months without substantive appointment. This was contrary to Section 34(3) of the Public Service Commission Act, CAP 185 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

Further one officer was promoted on 30 January, 2024 to the position of Underwriter, Job Grade 3A. However, the officer was appointed as an Acting Assistant Manager, Job Group 3B on 1 August, 2025 before serving the mandatory two (2) years. This was contrary to Section 34(2) of the Public Service Commission Act, CAP 185 which states that a person shall not be appointed to hold a public office in an acting capacity unless the person satisfies all the prescribed qualifications for holding the public office.

In the circumstances, Management was in breach of the law.

6. Failure to Seek Salaries and Remuneration Commission Approval for Payment of Bonus

During the year under review, the Corporation paid bonus of Kshs.102,266,081 to staff and Kshs.3,456,000 to Board of Directors. However, Management did not provide approval from Salaries and Remuneration Commission (SRC) for payment of the bonus. This was contrary to Article 230 of the Constitution which establishes the SRC to set, review, and advise on remuneration and benefits for public officers to ensure fiscal sustainability, fairness, and equity.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Outdated Operating System and Database Versions

Review of the information systems in place revealed that the Oracle 12C supporting the Storebrand International Contract System (SICS) application was outdated and thus was no longer supported by the vendor with the End-of-Life date noted as 31 March, 2022. Further, the version of Linux server supporting Oracle E-Business Suite (EBS) 8.7 was outdated and was thus not supported by the vendor with the End-of-Life date noted as 16 May, 2023.

In the circumstances, the utilization of databases or servers that are outdated and no longer supported may expose the Corporation to security vulnerabilities, as such the corporation no longer receives security updates from the vendor.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages 4 to 6 is consistent with the financial statements; and

- iii. The auditable part of the Directors' remuneration report on pages 14 to 16 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation'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 Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.



FCRA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2026

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 KShs '000	2024 KShs '000
Total insurance revenue	6(a)	17,069,518	18,849,176
Ceding commission	6(b)	<u>(4,488,196)</u>	<u>(4,697,717)</u>
Insurance revenue		12,581,322	14,151,459
Insurance service expenses	9(a)	(11,119,692)	(10,493,951)
Net expenses from reinsurance contracts	6(c)	<u>(1,353,170)</u>	<u>(708,418)</u>
Insurance service result		108,460	2,949,090
Interest revenue calculated using the effective interest method	7(a)	4,542,384	4,501,757
Impairment gain/(loss) on financial assets	10	143,287	(217,229)
Share of results of associate	17	816,498	610,186
Fair value gains on revaluation of investment properties	16	305,824	343,011
Other investment income	7(b)	1,035,560	1,112,549
Net foreign exchange (loss)		<u>(247,651)</u>	<u>(1,683,848)</u>
Net investment income		6,704,362	4,666,426
Finance (expenses) from insurance contracts	9(b)	(252,042)	(637,072)
Finance income/(expenses) from reinsurance contracts	9(c)	<u>29,823</u>	<u>(79,131)</u>
Net insurance finance (expenses)		(222,219)	(716,203)
Net insurance and investment result		6,482,143	6,899,313
Other income	8	136,550	113,516
Operating and other expenses	10	<u>(1,793,498)</u>	<u>(1,364,656)</u>
Profit before income tax		4,825,195	5,648,173
Income tax expense	11	<u>(901,602)</u>	<u>(1,211,021)</u>
Profit for the year		3,923,593	4,437,152
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net gains on revaluation of quoted equity instruments classified as FVTOCI	22	669,524	368,583
Net gains on revaluation of unquoted equity instruments	21	122,131	235,324
Share of movement in associate reserves:			
– fair value reserve	17	269,209	99,963
Share of gain on property revaluation of associate	17	993	10,603
Remeasurement gain/losses on defined benefit plans, net of tax	30	37,749	14,067
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gains on revaluation of held at FVTOCI government securities	24	63,973	152,225
Foreign exchange differences on translation of foreign operations	14	436,930	(1,013,637)
Share of movement in associate reserves:			
– currency translation	17	<u>157,655</u>	<u>(1,966,666)</u>
Total other comprehensive income/(loss)		1,758,164	(2,099,538)
Total comprehensive income		5,681,757	2,337,614
Earnings per share - basic and diluted	12	0.70	0.79

KENYA REINSURANCE CORPORATION LIMITED
 COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 KShs '000	2024 KShs '000
Total insurance revenue	6(a)	14,521,866	16,066,157
Ceding commission	6(b)	<u>(3,874,985)</u>	<u>(3,930,043)</u>
Insurance revenue		10,646,881	12,136,114
Insurance service expenses	9(a)	(9,973,520)	(8,274,347)
Net expenses from reinsurance contracts	6(c)	<u>(1,289,296)</u>	<u>(706,712)</u>
Insurance service result		<u>(615,935)</u>	<u>3,155,055</u>
Interest revenue calculated using the effective interest method	7(a)	4,085,722	4,164,976
Impairment gain/(loss) on financial assets	10	144,794	(218,120)
Share of results of associate	17	816,498	610,186
Fair value gains on revaluation of investment properties	16	305,824	343,011
Other investment income	7(b)	1,035,560	1,112,549
Net foreign exchange (loss)/gain		<u>(128,921)</u>	<u>(1,729,512)</u>
Net investment income		<u>5,643,542</u>	<u>4,283,090</u>
Finance (expenses) from insurance contracts	9(b)	(290,693)	(622,930)
Finance income/(expenses) from reinsurance contracts	9(c)	<u>29,393</u>	<u>(78,780)</u>
Net insurance finance (expenses)		<u>(261,300)</u>	<u>(701,710)</u>
Net insurance and investment result		<u>5,382,242</u>	<u>6,736,435</u>
Other income	8	136,550	113,516
Operating and other expenses	10	<u>(1,433,972)</u>	<u>(1,106,755)</u>
Profit before income tax		<u>4,084,820</u>	<u>5,743,196</u>
Income tax expense	11	<u>(765,996)</u>	<u>(1,205,351)</u>
Profit for the year		<u>3,318,824</u>	<u>4,537,845</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net gains on revaluation of quoted equity instruments classified as FVTOCI	22	669,524	368,583
Net gains on revaluation of unquoted equity instruments	21	122,131	235,324
Share of movement in associate reserves:			
– fair value reserve	17	269,209	99,963
Share of gain on property revaluation of associate	17	993	10,603
Remeasurement gain/losses on defined benefit plans, net of tax	30	37,749	14,067
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gains on revaluation of government securities at FVTOCI	24	63,973	152,225
Share of movement in associate reserves:			
– currency translation	17	<u>157,655</u>	<u>(1,966,666)</u>
Total other comprehensive income/(loss)		<u>1,321,234</u>	<u>(1,085,901)</u>
Total comprehensive income		<u>4,640,058</u>	<u>3,451,944</u>
Earnings per share - basic and diluted	12	<u>0.59</u>	<u>0.81</u>

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	As at 31 December	
		2025 KShs '000	2024 KShs '000
Assets			
Property and equipment	15	74,812	81,784
Investment properties	16	13,420,999	13,060,800
Deferred tax asset	29(ii)	225,350	101,507
Defined benefit asset	30	96,905	60,538
Investment in associate	17	9,989,115	9,161,534
Intangible assets	19	76,283	46,280
Mortgage loans	20	906,443	824,558
Unquoted equity instruments	21	934,712	603,113
Quoted equity instruments	22	2,055,301	1,409,983
Corporate bonds	23	225,595	44,820
Government securities	24(a)	26,510,495	25,240,439
Inventory	25	26,205	18,529
Reinsurance contract assets	28	192,236	606,158
Income tax receivable	11(c)	1,899,376	166,719
Other receivables	26	553,378	478,280
Deposits with financial institutions	27	13,996,911	14,320,929
Cash and bank balances	33(b)	1,020,600	587,098
Total assets		72,204,716	66,813,069
Equity			
Share capital	13	13,998,982	13,998,982
Revaluation reserve	14	37,904	36,911
Fair value reserve	14	1,015,334	(109,503)
Translation reserve	14	2,090,555	1,495,970
Statutory reserve	14	10,791,002	10,376,154
Retained earnings	14	26,580,505	23,873,946
Total equity		54,514,282	49,672,460
Liabilities			
Insurance contract liabilities	28	13,952,186	13,776,637
Reinsurance contract liabilities	28	1,060,287	1,022,804
Deferred tax liability	29(i)	1,702,582	1,419,534
Other payables	32	975,379	921,634
Total liabilities		17,690,434	17,140,609
Net assets		54,514,282	49,672,460

The financial statements on pages 21 to 126 were approved and authorized for issue by the board of directors on 26th March 2026 and were signed on its behalf by:


Dr. Hillary M. Wachinga
Principal Officer



Erick Gumbo, MBS
Director


David Muthusi
Director

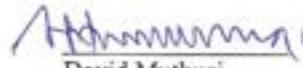
KENYA REINSURANCE CORPORATION LIMITED
 COMPANY STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2025

Assets	Notes	As at 31 December	
		2025 KShs '000	2024 KShs '000
Property and equipment	15	32,229	34,087
Investment properties	16	13,420,999	13,060,800
Defined benefit asset	30	96,905	60,538
Investment in subsidiary	18	3,045,060	2,761,398
Investment in associate	17	9,989,115	9,161,534
Intangible assets	19	76,283	46,280
Mortgage loans	20	873,939	815,527
Unquoted equity instruments	21	934,712	603,113
Quoted equity instruments	22	2,055,301	1,409,983
Corporate bonds	23	225,595	44,820
Government securities	24(a)	25,034,494	24,410,357
Inventory	25	19,911	12,953
Reinsurance contract assets	28	179,587	595,235
Income tax receivable	11(c)	2,000,179	273,902
Due from related party	31(c)	194,283	144,822
Other receivables	26	509,970	451,200
Deposits with financial institutions	27	9,384,655	10,047,728
Cash and bank balances	33(b)	476,441	173,762
Total assets		68,549,658	64,108,039
Equity			
Share capital	13	13,998,982	13,998,982
Revaluation reserve	14	37,904	36,911
Fair value reserve	14	1,015,334	(109,503)
Translation reserve	14	1,681,321	1,523,666
Statutory reserve	14	10,762,482	10,357,519
Retained earnings	14	25,088,751	22,977,077
Total equity		52,584,774	48,784,652
Liabilities			
Insurance contract liabilities	28	12,186,996	11,942,760
Reinsurance contract liabilities	28	884,555	881,551
Deferred tax liability	29(i)	1,702,582	1,419,534
Due to related party	31(c)	363,718	292,843
Other payables	32	827,033	786,699
Total liabilities		15,964,884	15,323,387
Net Assets		52,584,774	48,784,652

The financial statements on pages 21 to 126 were approved and authorized for issue by the board of directors on 26th March 2026 and were signed on its behalf by:


 Dr. Hillary M. Wachinga
 Principal Officer


 Erick Gumbo MBS
 Director


 David Muthusi
 Director

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Share capital Sh'000'	Revaluation reserve Sh'000'	Fair value reserve Sh'000'	Translation reserve Sh'000'	Statutory reserve Sh'000'	Retained earnings Sh'000'	Total Sh'000'
At 1 January 2024		6,999,491	26,308	(965,598)	4,476,274	8,584,946	29,053,364	48,174,785
Profit for the year		-	-	-	-	1,791,207	2,645,945	4,437,152
Other comprehensive income/(loss)		-	10,603	856,095	(2,980,303)	-	14,067	(2,099,538)
Total comprehensive income for the year		-	10,603	856,095	(2,980,303)	-	14,067	2,337,614
Dividends declared – 2023		-	-	-	-	-	(839,939)	(839,939)
Bonus issue	14	6,999,491	-	-	-	-	(6,999,491)	-
At 31 December 2024	14	13,998,982	36,911	(109,503)	1,495,970	10,376,154	23,873,946	49,672,460
At 1 January 2025		13,998,982	36,911	(109,503)	1,495,970	10,376,154	23,873,946	49,672,460
Profit for the year		-	-	-	-	414,848	3,508,746	3,923,593
Other comprehensive income/(loss)	14	-	993	1,124,837	594,585	-	37,749	1,758,164
Total comprehensive income for the year		-	993	1,124,837	594,585	414,848	3,546,495	5,681,757
Dividends declared – 2024	34	-	-	-	-	-	(839,936)	(839,936)
At 31 December 2025	14	13,998,982	37,904	1,015,334	2,090,555	10,791,002	26,580,505	54,514,282

KENYA REINSURANCE CORPORATION LIMITED
 COMPANY STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Share capital Sh'000'	Revaluation reserve Sh'000'	Fair value reserve Sh'000'	Translation reserve Sh'000'	Statutory reserve Sh'000'	Retained earnings Sh'000'	Total Sh'000'
At 1 January 2024		6,999,491	26,308	(965,598)	3,490,332	8,569,566	28,052,548	46,172,647
Profit for the year		-	-	-	-	1,787,953	2,749,892	4,537,845
Other comprehensive income/(loss)		-	10,603	856,095	(1,966,666)	-	14,067	(1,085,901)
Total comprehensive income for the year		-	10,603	856,095	(1,966,666)	-	14,067	3,451,944
Dividends declared – 2023		-	-	-	-	-	(839,939)	(839,939)
Bonus issue.	14	6,999,491	-	-	-	-	(6,999,491)	-
At 31 December 2024	14	13,998,982	36,911	(109,503)	1,523,666	10,357,519	22,977,077	48,784,652
At 1 January 2025		13,998,982	36,911	(109,503)	1,523,666	10,357,519	22,977,077	48,784,652
Profit for the year		-	-	-	-	404,963	2,913,861	3,318,824
Other comprehensive income/(loss)		-	993	1,124,837	157,655	-	37,749	1,321,234
Total comprehensive income for the year		-	993	1,124,837	157,655	404,963	2,951,610	4,640,058
Dividends declared – 2024	34	-	-	-	-	-	(839,936)	(839,936)
At 31 December 2025	14	13,998,982	37,904	1,015,334	1,681,321	10,762,482	25,088,751	52,584,774

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Year ended 31 December	
		2025	2024
		KShs '000	KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from (used in)/generated from operating activities	33(a)	(1,383,249)	2,538,018
Dividends received		182,893	146,247
Interest received		4,487,434	4,501,757
Tax paid in the year	11(c)	(2,411,144)	(2,760,665)
Net cash generated from operating activities		875,934	4,425,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment property	16	(54,376)	(9,006)
Purchase of property and equipment	15	(21,180)	(5,358)
Purchase of intangible assets	19	(36,023)	(23,145)
Purchase of unquoted equity instruments	21	(209,468)	(12,284)
Purchase of corporate bonds	23	(181,910)	-
Dividend received from investment in associate	17	416,775	-
Net cash (used in) investing activities		(86,183)	(49,793)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	34	(839,936)	(839,939)
Net cash (used in) financing activities		(839,936)	(839,939)
Net (decrease)/increase in cash and cash equivalents		(50,185)	3,535,625
Cash and cash equivalents at 1 January		7,450,706	4,288,728
Effects of Movements in exchange rate on cash and cash equivalents		3,792	(373,647)
Cash and cash equivalent at 31 December	33(b)	7,404,313	7,450,706

KENYA REINSURANCE CORPORATION LIMITED
 COMPANY STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Year ended 31 December	
		2025	2024
		KShs '000	KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from (used in)/generated from operating activities	33(a)	994,540	(225,051)
Dividends received		182,893	146,198
Interest received		4,034,962	3,851,907
Tax paid in the year	11	(2,209,225)	(2,479,641)
Net cash generated from operating activities		3,003,169	1,293,413
CASH FLOWS FROM INVESTING ACTIVITIES			
			-
Purchase of investment property	16	(54,376)	(9,006)
Purchase of property and equipment	15	(19,031)	(3,577)
Purchase of intangible assets	19	(36,023)	(23,145)
Purchase of unquoted equity	21	(209,469)	(12,284)
Purchase of corporate bonds	23	(181,910)	-
Dividend received from investment in associate	17	416,775	-
Investment in subsidiary	18	(283,662)	-
Net cash (used in) investing activities		(367,696)	(48,012)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	34	(839,936)	(839,939)
Cash flows from financing activities		(839,936)	(839,939)
Net increase in cash and cash equivalents		1,795,537	405,462
Cash and cash equivalents at 1 January		3,449,315	3,129,785
Effects of Movements in exchange rate on cash and cash equivalents		820	(85,932)
Cash and cash equivalent at 31 December	33(b)	5,245,672	3,449,315

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance with IFRS Accounting standards.

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board.

For purposes of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

a. Basis of preparation

The consolidated and separate financial statements are prepared on a going concern basis in compliance with IFRS Accounting standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015. The consolidated and separate financial statements have been prepared on a historical cost basis, except for investments in securities carried at fair value and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The consolidated and separate financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The consolidated and separate financial statements comprise the Group's and Company's statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRS Accounting standards. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the previous periods. Transactions with the owners of the Group and Company in their capacity as owners are recognised in the statements of changes in equity.

The Group and Company present their statements of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The preparation of financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group and Company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2).

b. Basis of consolidation

(i) Subsidiary

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Statement of compliance with IFRS Accounting standards (Continued)

b. Basis of consolidation (Continued)

(i) Subsidiary (Continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases. All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full on consolidation. Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components' results previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

1. The Group financial statements reflect the result of consolidation of the financial statements of the Company and its wholly owned subsidiaries, Kenya Reinsurance Corporation Limited Côte d'Ivoire, Kenya Reinsurance Corporation Zambia Limited and Kenya Reinsurance Corporation Uganda Limited.
2. Changes in ownership interests in subsidiaries without change of control.

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

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the group has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(i) Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability.

The group has adopted the amendments to IAS 21 for the first time in the current year.

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

New and amended IFRS Accounting Standards that are effective for the current year (Continued)

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendment to IFRS 9 and IFRS 7 - <i>Classification and Measurement of financial instrument</i>	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11 - <i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows</i>	1 January 2026
Amendments to IFRS 9 and IFRS 7 - <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
IFRS 18 - <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
IFRS 19 - <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the group in future periods, except if indicated below.

(i) Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instrument

The amendments in Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) are:

Derecognition of a financial liability settled through electronic transfer

The amendments permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognised) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

Classification of financial assets

- Contractual terms that are consistent with a basic lending arrangement.

The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance (ESG) concerns.

- Assets with non-recourse features.

The amendments enhance the description of the term 'non-recourse', in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

- Contractually linked instruments.

The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritisation of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the holders of different tranches. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

New and amended IFRS Accounting Standards that are effective for the current year (Continued)

(i) Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instrument (Continued)

- Investments in equity instruments designated at FVTOCI.

The requirements in IFRS 7 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period.

- Contractual terms that could change the timing or amount of contractual cash flows.

The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortised cost or FVTOCI comprehensive income and each class of financial liability measured at amortised cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026 with earlier application is permitted. If an entity elects to apply these amendments for an earlier period, it is required to either:

- apply all the amendments at the same time and disclose that fact or
- apply only the amendments to the classification of financial assets for that earlier period and disclose that fact.

The amendments are required to be applied retrospectively, in accordance with IAS 8, with specific exceptions.

The directors of the entity anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

(ii) Annual Improvements to IFRS Accounting Standards — Volume 11

The IASB issued amendments to five IFRS Accounting Standards as part of its annual improvements process.

a) IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge accounting by a first-time adopter

For consistency with the requirements in IFRS 9, IFRS 1:B5-B6 were amended to refer to the 'qualifying criteria' for hedge accounting (instead of the 'conditions') and to add cross-references to IFRS 9:6.4.1 to improve the understandability of IFRS 1.

b) IFRS 7 Financial Instruments: Disclosures - Gain or loss on derecognition

The amendments remove an obsolete cross-reference in IFRS 7:B38 to a paragraph that had been deleted when IFRS 13 was issued and align the wording of this paragraph with the terms used in IFRS 13.

c) Guidance on implementing IFRS 7 - Disclosure of deferred difference between fair value and transaction price

The amendments update IFRS 7:IG14 to make the wording of that paragraph consistent with IFRS 7:28 and improve the internal consistency of the wording in the example in IFRS 7:IG14.

d) Guidance on implementing IFRS 7 - Introduction and credit risk disclosures

The amendments add a statement to IFRS 7:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in IFRS 7:IG20B.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

New and amended IFRS Accounting Standards that are effective for the current year (Continued)

New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

(ii) Annual Improvements to IFRS Accounting Standards — Volume 11 (Continued)

e) IFRS 9 Financial Instruments - Derecognition of lease liabilities

The amendments add a cross-reference to IFRS 9:3.3.3 in IFRS 9.2.1(b)(ii) to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9:3.3.3 and therefore recognise any resulting gain or loss in profit or loss.

f) IFRS 9 Financial Instruments - Transaction price

The amendments replace 'their transaction price (as defined in IFRS 15)' in IFRS 9.5.1.3 with 'the amount determined by applying IFRS 15' to address inconsistency between IFRS 9.5.1.3 and the requirements of IFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognised as revenue. Additionally, the reference to 'transaction price' (as defined in IFRS 15) is deleted from Appendix A of IFRS 9.

g) IFRS 10 Consolidated Financial Statements - Determination of a 'de facto agent'

The amendments address concerns that the requirements in IFRS 10:B73-B74 might, in some situations, be contradictory. IFRS 10:B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of IFRS 10:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The amendments update IFRS 10:B74 to use less conclusive language and to clarify that the relationship described in IFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent. The amendments add a statement to IFRS 7:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in IFRS 7:IG20B.

h) IAS 7 Statement of Cash Flows - Cost method

The amendment replaces the term 'cost method' with 'at cost' in IAS 7:37 in line with the removal of the definition of 'cost method' from the IFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application of permitted. An entity is required to apply the amendments to IFRS 9.2.1(b)(ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. No specific transition provisions are provided in respect of the other amendments.

(iii) Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

a) Amendments to IFRS 9 Financial Instruments

The following requirements of IFRS 9 are affected by the amendments:

- the own-use requirements in IFRS 9 are amended to include the factors an entity is required to consider when applying IFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- the hedge accounting requirements in IFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
 - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
 - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

New and amended IFRS Accounting Standards that are effective for the current year (Continued)

(iii) Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity (Continued)

b) Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 7 and IFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

The amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted. The amendments to the own use exemption are required to be applied retrospectively in accordance with IAS 8 using the facts and circumstances at the date of initial application. The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

The directors of the entity anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

iv) IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some paragraphs from IAS 1 have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The directors of the entity anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

v) IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits an eligible subsidiary (defined as a subsidiary that does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards) to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

The directors of the entity do not anticipate that IFRS 19 will be applied for purposes of the consolidated financial statements of the group.

c. Other income recognition

Acquisition cost recoveries are recognised as income in the period in which they are earned. Interest income is recognised on a time proportion basis that takes into account the effective yield on the principal outstanding. Dividend's receivable is recognised as income in the period in which the right to receive payment is established.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

d. Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

e. Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in fair value of investment properties are included in profit or loss in the period which they arise.

An investment property is derecognised upon disposal or when investment property is permanently withdrawn from use

and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period which the property is derecognised.

f. Property and equipment

All property and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation and any accumulated impairment losses. All other property and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

f. Property and equipment (Continued)

Increases in the carrying amount of land and buildings arising from revaluations are credited to other comprehensive income and accumulated in the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to profit or loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Depreciation is calculated on the straight-line basis to write off the cost of the property and equipment over their expected useful lives at the following annual rates: -

Computer equipment	25.0%
Motor vehicles	25.0%
Furniture, fittings, and equipment	12.5%

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g. Intangible assets – computer software and licenses

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, not exceeding a period of three years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

h. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group has only entered into agreements where it acts as lessee in the respective subsidiaries, thus there are lease liabilities or right of use assets in terms of IFRS 16 at the subsidiaries and not company level.

Company as a lessor

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a systematic basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

i. Inventories

Inventories comprise stationery items and repair materials. Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j. Revaluation reserve

The revaluation reserve relates to property and equipment of the associate which carries property and equipment at the revalued amount. The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity. The reserve is non-distributable.

k. Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

l. Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in ZEP RE Limited an associate company accounted for under the equity method and the foreign denominated subsidiaries.

m. Statutory reserve

The statutory reserve represents actuarial surpluses from the long-term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long-term business.

n. Investment in associate

Investment in associate is accounted for using the equity method of accounting in both the separate and consolidated financial statements. The associate is a company in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in financial and operating policy decisions of the investment, but it is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the carrying value of the investments. Losses of the associate in excess of the group's interest in the associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

o. Investment in subsidiaries

Investments in subsidiaries are carried in the Company's separate statement of financial position at cost less provisions for impairment losses. Where in the opinion of directors, there has been impairment in the value of the investment; the loss is recognised as an expense in the period in which the impairment is recognised.

p. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, are treated as monetary items.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of foreign operations is recognised in OCI.

The foreign currency gain or loss on debt investments at FVOCI, financial instruments at amortised cost is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the period.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

p. Foreign currency (Continued)

(ii) Foreign operations

Foreign currency differences foreign operations are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety, or partially such that the Company loses control of a subsidiary or retains neither joint control nor significant influence after the partial disposal of an interest in a joint venture or associate, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of part of a joint venture or associate while retaining joint control or significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

q. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company management committee (being the Company's chief operating decision maker) to make decisions about resources allocated to each operating segment and assess performance, and for which discrete financial information is available.

If the Company changes its basis of segment reporting, then comparative segment information is restated so that it aligns with the segment information reported for the current year.

r. Insurance and reinsurance contracts classification.

The Group issues insurance contracts in the normal course of business to compensate other entities (primary insurer) for claims arising from one or more insurance contracts issued by those entities. Insurance contracts can also transfer financial risk. The Group issues both life and non-life insurance contracts.

For reporting purposes, insurance contracts refers to insurance contracts issued by the Group to primary insurers and reinsurance contracts refers to the reinsurance contracts held by the group. The Group does not issue any direct insurance contracts to primary policyholders. The Group does not issue any contracts with direct participating features.

s. Insurance and reinsurance contracts accounting treatment

Separating components from insurance contracts

The Group assesses its non-life insurance products to determine whether they contain distinct components which must be accounted for under another IFRS Accounting Standard instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

t. Insurance and reinsurance contracts accounting treatment

Level of aggregation

The Group identifies portfolios of insurance contracts issued at a class level. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any group of contracts that are onerous at initial recognition;
- any group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
- any group of remaining contracts in the portfolio.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

t. Insurance and reinsurance contracts accounting treatment (Continued)

Level of aggregation (Continued)

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for primary insurer with different characteristics are included in the same group.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information such as expected combined loss ratio
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Group identifies a portfolio of insurance contracts as onerous if the fulfilment cash flows allocated to the portfolio is a net outflow. Portfolio of insurance contracts that are onerous are grouped separately from those that are not onerous.

Insurance contracts issued more than one year apart are included in different portfolios

Recognition

The Group recognises a group of insurance contracts issued from the earliest of the following.

- The beginning of the coverage period of the group of contracts. The coverage period is the period during which the Group provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from an insurance contract holder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the primary insurer.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

and

- The date the Group recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundaries

The group includes in the measurement of a group of contracts all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Group can compel the primary insurer to pay premiums or has a substantive obligation to provide insurance services.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

t. Insurance and reinsurance contracts accounting treatment (Continued)

Contract boundaries (Continued)

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular primary insurer and can set a price or level of benefits that fully reflects those reassessed risks; or
- the group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Insurance Contracts -initial measurement

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary

Or

- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the contracts
- The length of the coverage period of the group of contracts

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as reinsurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from reinsurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

t. Insurance and reinsurance contracts classification (Continued)

Reinsurance contracts held – initial measurement (Continued)

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Group has established a loss-recovery component, the Group subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Group uses a systematic and rational method to allocate:

- (a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
 - to that group; and
 - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- (b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

t. Insurance and reinsurance contracts classification (Continued)

Insurance acquisition cash flows (Continued)

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Group revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Group assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Group has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities. Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Group disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

t. Insurance and reinsurance contracts classification (Continued)

Insurance revenue (Continued)

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

Insurance revenue comprises the total insurance revenue net of the ceding commission (Commissions paid to cedants that are not contingent on claims).

Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Claims paid in the period
- Changes in the LIC in the period
- Expenses incurred in the provision of insurance services in the period i.e. expenses attributable to the provision of insurance services and those directly incurred in the provision of insurance services.
- Amortisation of insurance acquisition cash flows in the period
- Changes in loss component of onerous groups of contracts in the period

Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Loss-recovery components

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

Net income or expense from reinsurance contracts held

The Group presents the income or expenses from a group of reinsurance contracts, other than insurance finance income or expenses, as a single amount.

u. Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

t. Insurance and reinsurance contracts classification (Continued)

v. Dividends on ordinary share capital

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved by shareholders or paid out (for interim dividends).

w. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented through profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

x. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than insurance and reinsurance contract assets, investment property, deferred tax assets and employee benefit assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

Impairment losses are recognised in profit or loss. Impairment losses recognised for a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed 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.

y. Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS are calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS are determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

z. Other finance costs

Other finance costs comprise:

- interest expenses and exchange differences on financial liabilities measured at amortised cost, including dividends on preference shares classified as financial liabilities and interest on lease liabilities.
- unwinding of the discount on provisions; and
- the ineffective portion of the changes in the fair value of hedging instruments in net investment hedges and costs of hedging reclassified from OCI

aa. Revenue

Revenues comprise:

- insurance revenue;
- interest revenue calculated using the effective interest method.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

aa. Revenue (Continued)

- other investment revenue, which includes net gains on financial assets at FVTPL and derivatives that do not form part of qualifying hedging relationships, net gains on derecognition of debt investments at FVOCI (and available-for-sale financial assets in 2024), dividends on equity investments, and lease income and fair value gains from investment and properties

bb. Financial instruments – Initial recognition and subsequent measurement

Recognition and initial measurement

The Group recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has designated certain debt investments in non-life segments as at FVTPL on initial recognition because they relate to insurance contracts that are measured in a way that incorporates current information and all related insurance finance income and expenses are recognised in profit or loss. The assets would otherwise be measured at FVOCI.

Business model assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

bb. Financial instruments – Initial recognition and subsequent measurement (Continued)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Business model assessment

Classification

Financial assets at amortized cost

This category has financial assets are measured at amortised cost. A financial asset is classified in this category if acquired principally for the purpose for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group has designated Held to maturity Government securities at amortised cost, Corporate Bonds, Deposits with financial institutions and Mortgage loans into this category.

Equity instrument designated as at FVTOCI

On initial recognition, the group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and The Group's has transferred substantially all risks and rewards of ownership.

Measurement

At initial recognition, The Group's measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through other comprehensive income (OCI), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through other comprehensive income are included in the cost of the financial assets.

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

bb. Financial instruments – Initial recognition and subsequent measurement (Continued)

Debt instruments (Continued)

Based on these factors, The Group's 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 are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Equity instruments

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchanges (NSE, USE). The quoted market price used for financial assets held by The Group's is the current bid price.

Measurement

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

Impairment

The Group's assesses the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of The Group's about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - An adverse change in the payment status of issuers or debtors in the Company; or
 - National or local economic conditions that correlate with defaults on the assets in the Company.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

bb. Financial instruments – Initial recognition and subsequent measurement (Continued)

Impairment (Continued)

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The expected credit loss impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:

- Government securities measured at amortised cost;
- Other receivables.
- Corporate bonds.
- Deposits with financial institutions; and

No impairment loss is recognised on equity investments and ETF offshore investments measured at FVOCI.

Definition of default

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

- the counterparty or borrower is unlikely to pay their credit obligations to The Group's in full, without recourse by The Group's to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the group; or
- In assessing whether the counterparty or borrower is in default, The Group's considers indicators that are:
 - Qualitative: e.g. Breach of covenant and other indicators of financial distress;
 - Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
 - Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, The Group's considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience where data is available, expert credit assessment and forward-looking information.

The Group's primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Group's monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default.
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

cc. Recognition of interest income

The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

If expectations of a fixed rate financial asset's cash flows are revised for reasons other than credit risk, and the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the statement of financial position with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Interest and similar income

Interest income comprises amounts calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement.

In its Interest income calculated using the effective interest method the Group only includes interest on financial instruments at amortised cost or FVOCI.

Other interest income

Includes interest on all financial assets measured at FVPL, using the contractual interest rate. The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

dd. Cash and cash equivalents

Cash and cash equivalents include short term liquid investments which are readily convertible into known amounts of cash, and with original maturities of three months or less from the date of acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for purposes of the statement of cash flows.

Defined benefit scheme

The Group operates a defined benefit pension scheme (the "Scheme") for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually. The projected unit credit method has been used to determine the value of the liability.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the Scheme.

Effective 30 September 2010, the Scheme was closed to new entrants.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

ee. Recognition of interest income

Statutory defined contributions scheme

The Group also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Company's obligations to retirement benefits schemes are charged to the profit or loss as they fall due.

Other Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of the reporting period. These are short term in nature and are settled within 12 months.

Non pensionable employees are entitled to a gratuity. The gratuity is recognised when the benefits accrue to the employees. Gratuity payments are specified lump sum payments paid to employees when the contract comes to an end. The final pay-out is based on the contracted period of service. The expense accruals are recognised in profit or loss and the liability recognised in the statement of financial position.

ff. Dividends

Dividends payable to shareholders are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

gg. Comparatives

There have been no changes to the comparatives.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Group disaggregates information to disclose between short term business and long-term business insurance. This disaggregation has been determined based on how the Group is managed.

Insurance and reinsurance contracts

The Group applies the Premium Allocation Approach (PAA) to measure liabilities for remaining coverage for groups of insurance contracts issued and reinsurance contracts held for both non-life and life segments. When measuring liabilities for incurred claims, the Corporation discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Onerous groups

For onerous groups of insurance contracts, where the sum of expected future cash outflows and the risk adjustment for non-financial risk exceed the expected future cash inflows, the Group establishes a loss component of the liability for remaining coverage. The loss component is recognised as an expense and is subsequently excluded from determination of insurance revenue.

Liability for incurred claims

The Group estimates the ultimate cost of settling claims incurred at the reporting date and other expected recoveries by reviewing claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter-Ferguson methods. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each subsidiary and line of business. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based. Judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

Risk adjustment for non-financial risk

To account for uncertainty resulting from non-financial risk relating to amount and timing of future cash flows, the estimated present value of expected future cash flows was subjected to an explicit risk adjustment for non-financial risk. Risk adjustments factors were determined separately for each line of business.

The risk adjustments for non-financial risk were determined using the following techniques:

- Value at Risk for Life at 75% confidence interval
- Value at Risk for non-life at 75% confidence interval

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

Discount rates

Estimates of future cash flows are discounted to reflect the time value of money. The discount rates selected are consistent as possible with the overall cash flow characteristics of the groups of insurance contracts. The Corporation determined the discount rate by using the bottom-up approach.

The country specific risk-free yield curves published by Central Banks were used as a starting point. The Corporation factored in the effect of illiquidity premiums on the risk-free yield curves to take account of liquidity differences between the insurance contracts liabilities and the liquidity of instruments used in determining risk-free interest rates. For illiquidity premium (ILP), in the absence of any other rates for any other African country, the European Insurance and Occupational Pensions Authority (EOIPA) ILP recommended rates for South Africa was selected. This was used as a proxy to represent experience in Africa.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2025	2024	2025	2024	2025	2024	2025	2024
Short term and long-term contracts issued								
Kenya Shilling	9.21%	11.41%	13.44%		14.14%		13.60%	
Uganda Shilling	14.76%	15.39%	15.85%		16.02%		16.62%	
Zambia Kwacha	14.50%	16.50%	11.34%		19.09%		22.15%	
Cote D'Ivoire XOF	2.56%	2.56%	4.75%		5.77%		5.22%	

Contingent liabilities

The Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established. Judgement and assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) as a result of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

The Group's activities expose it to a variety of financial risks, including insurance risk, liquidity risk, credit risk, and the effects of changes in property and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1 Insurance risk

The Group insures most classes of insurance business including accident, engineering, medical liability, motor, fire, aviation, and life (Group and Individual). The bulk of the business written is of a short-term nature.

Insurance risk comprises the following risks:

- Insurance risk: the risk transferred from the cedant to the Group, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount, or timing of claims.
- Cedant behaviour risk: the risk that a cedant will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits or annuitize a contract earlier or later than expected.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

The Group has in place a detailed underwriting manual covering risk acceptance procedures, accumulation control and how to arrange for reinsurance protection. It guides the underwriters in their day-to-day transaction of business, while emphasising prudence and professionalism. The group aims to have a diversified portfolio of business with a sufficiently large population of risks, in order to reduce reliance on one geographical area or class of business.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Group allows local management to select reinsurers from a list of reinsurers approved by the Group. The aggregation of risk ceded to individual reinsurers is monitored at both country and Group levels.

Policyholder behaviour risk is considered when designing products – e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at local entity level and experience is benchmarked against local market information. From time to time, local management may implement specific initiatives to improve retention.

Expense risk is managed at local entity level through the annual budgeting process and regular expense analyses.

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

A key risk, related to pricing and provisioning, that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established based on past experience.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group also manages these risks through its underwriting strategy and adequate reinsurance arrangements and proactive claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria. The Group re-insures to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses

Insurance risk comprises the following risks:

The reinsurance arrangements include proportional and non-proportional treaties. The expected effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than set limits per class of business. The group purchases reinsurance as a part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and a non-proportional basis. Most of the proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1 Insurance risk (Continued)

Insurance risk comprises the following risks: (Continued)

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly, and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events.

This includes reserves for claims incurred but not yet reported. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The group's placement of retrocession is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

The risk exposure is mitigated by diversification across large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance arrangements. The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the group.

Concentration of reinsurance risk

The Group's concentration of reinsurance risk is determined by class of business. The shared characteristic that identifies each concentration is the insured event and the key indicator is the net earned premium as disclosed in note 6. There were no significant shifts in the portfolio concentration.

Geographical concentration

The following table sets out the carrying amounts of the Group's insurance contracts (net of reinsurance) by country of issue.

	2025 KShs'000	2024 KShs'000
Kenya	12,891,964	12,229,078
Uganda	466,822	602,560
West Africa	1,032,876	969,135
Zambia	428,575	392,515
	<u>14,820,237</u>	<u>14,193,288</u>

The carrying amounts of the Group's non-life insurance contracts (net of reinsurance) are analysed below by type of product.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Concentration by class of business

2025-Group

	Insurance Contracts		Reinsurance Contracts		Net Carrying Amount KShs'000
	Liability for Remaining Coverage KShs'000	Liability for Incurred Claims KShs'000	Asset for Remaining Coverage KShs'000	Asset for Incurred Claims KShs'000	
Agriculture	(53,382)	514,502	-	-	461,120
Aviation	(30,550)	106,361	9,060	(1,087)	83,784
Engineering	(1,503,354)	2,342,897	751,903	(78,350)	1,513,096
Fire Domestic	(19,931)	111,259	93	-	91,421
Fire Industrial	(1,417,479)	5,326,690	115,925	(148,288)	3,876,847
Liability	(115,092)	152,258	63,615.11	(99.60)	100,682
Marine	(337,933)	1,081,688	91,709	(12,592)	822,872
Medical	(1,166,736)	4,208,591	23,861	(164)	3,065,553
Miscellaneous	(553,503)	957,804	109,524	(5,070)	508,755
Motor Commercial	(184,035)	1,665,483	-	-	1,481,448
Motor Private	(117,982)	374,228	-	-	256,246
Personal Accident	(81,513)	342,147	51,235	(488)	311,381
Theft	(62,824)	318,304	-	-	255,480
Workmen Compensation	(8,887)	42,765	-	-	33,878
Total – Short-Term	(5,653,201)	17,544,977	1,216,926	(246,139)	12,862,564
Group Life	(148,172)	2,141,300	(42,259)	(60,453)	1,890,416
Individual Life	(12,096)	79,378	-	(24)	67,258
Total – Long-Term	(160,268)	2,220,678	(42,259)	(60,477)	1,957,673
Total	(5,813,469)	19,765,655	1,174,666	(306,615)	14,820,237

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Concentration by class of business (Continued)

2024-Group

	Insurance Contracts		Reinsurance Contracts		Net Carrying Amount KShs'000
	Liability for Remaining Coverage KShs'000	Liability for Incurred Claims KShs'000	Asset for Remaining Coverage KShs'000	Asset for Incurred Claims KShs'000	
Agriculture	(43,798)	444,672	-	-	400,874
Aviation	(26,310)	104,626	8,401	(792)	85,924
Engineering	(1,378,147)	2,291,959	898,054	(275,080)	1,536,786
Fire Domestic	76,371	103,589	32,453	(482,496)	(270,083)
Fire Industrial	(1,756,245)	4,605,921	235,105	(174,380)	2,910,402
Liability	(118,035)	225,166	-	-	107,131
Marine	(395,441)	1,071,946	117,449	(15,459)	778,495
Medical	(1,315,724)	4,493,880	64,957	(10,715)	3,232,399
Miscellaneous	(565,933)	994,459	106,087	(3,477)	531,138
Motor Commercial	(198,384)	1,621,492	-	-	1,423,108
Motor Private	(185,683)	328,766	-	-	143,083
Personal Accident	(190,442)	440,241	21,720	(2,354)	269,165
Theft	(142,155)	401,334	-	-	259,179
Workmen Compensation	(12,776)	51,516	19,455.61	-	58,195
Total – Short-Term	(6,252,702)	17,179,567	1,503,683	(964,753)	11,465,795
Group Life	304,571	2,484,746	(57,583)	(64,670)	2,667,064
Individual Life	(18,389)	78,842	-	(24)	60,428
Total – Long-Term	286,182	2,563,588	(57,583)	(64,694)	2,727,492
Total	(5,966,520)	19,743,155	1,446,099	(1,029,447)	14,193,288

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Concentration by class of business (Continued)

2025-Company

	Insurance Contracts		Reinsurance Contracts		Net Carrying Amount KShs'000
	Liability for Remaining Coverage KShs'000	Liability for Incurred Claims KShs'000	Asset for Remaining Coverage KShs'000	Asset for Incurred Claims KShs'000	
Agriculture	(51,115)	503,019	-	-	451,904
Aviation	(25,348)	94,526	9,060	(1,087)	77,151
Engineering	(808,960)	2,040,634	750,115	(73,177)	1,908,612
Fire Domestic	(17,297)	111,201	93	-	93,997
Fire Industrial	(1,029,704)	3,739,832	50,811	(127,898)	2,633,041
Liability	(41,282)	90,276	1,259.00	-	50,253
Marine	(277,368)	881,588	91,709	(12,592)	683,337
Medical	(894,973)	3,337,165	-	-	2,442,192
Miscellaneous	(430,670)	774,173	73,420	(4,993)	411,930
Motor Commercial	(155,764)	1,547,188	-	-	1,391,424
Motor Private	(65,202)	285,495	-	-	220,293
Personal Accident	(42,277)	322,729	51,235	(488)	331,199
Theft	(28,614)	277,340	-	-	248,726
Workmen Compensation	(7,127)	41,529	-	-	34,402
Total – Short-Term	(3,875,701)	14,046,695	1,027,702	(220,235)	10,978,461
Group Life	(149,554)	2,130,532	(42,332)	(60,143)	1,878,503
Individual Life	(27,272)	62,296	-	(24)	35,000
Total – Long-Term	(176,826)	2,192,828	(42,332)	(60,167)	1,913,503
Total	(4,052,527)	16,239,523	985,370	(280,402)	12,891,964

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Concentration by class of business

2024-Company

	Insurance Contracts		Reinsurance Contracts		Net Carrying Amount KShs'000
	Liability for Remaining Coverage KShs'000	Liability for Incurred Claims KShs'000	Asset for Remaining Coverage KShs'000	Asset for Incurred Claims KShs'000	
Agriculture	(33,929)	437,960	-	-	404,031
Aviation	(20,817)	92,381	8,401	(792)	79,173
Engineering	(927,745)	1,985,732	892,062	(272,273)	1,677,776
Fire Domestic	(24,702)	103,582	9,138	(482,496)	(394,478)
Fire Industrial	(1,306,709)	3,355,883	187,116	(151,299)	2,084,991
Liability	(57,234)	82,801	-	-	25,567
Marine	(339,594)	973,985	117,449	(15,459)	736,381
Medical	(1,131,313)	3,558,376	-	-	2,427,063
Miscellaneous	(466,882)	827,334	100,729	(3,433)	457,748
Motor Commercial	(196,112)	1,511,523	-	-	1,315,411
Motor Private	(135,603)	257,849	-	-	122,246
Personal Accident	(184,232)	421,192	21,405	(2,354)	256,011
Theft	(126,769)	358,247	-	-	231,478
Workmen Compensation	(12,457)	50,558	-	-	38,101
Total – Short-Term	(4,964,098)	14,017,403	1,336,300	(928,106)	9,461,499
Group Life	304,679	2,509,746	(57,625)	(64,227)	2,692,573
Individual Life	(8,004)	83,034	-	(24)	75,006
Total – Long-Term	296,675	2,592,780	(57,625)	(64,251)	2,767,579
Total	(4,667,423)	16,610,183	1,278,675	(992,357)	12,229,078

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

3.1.2 Sensitivity Analysis

The table below analyses how the profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by retrocession and assumes that all other variables remain constant. The gross amount represents impact before expected retrocession recoveries. Net amount represents the expected impact after incorporating expected retrocession recoveries.

2025

GROUP

	Profit or Loss		Equity	
	Gross KShs'000	Net KShs'000	Gross KShs'000	Net KShs'000
Life				
Ultimate loss ratio (10% increase)	(450,478)	439,894	(311,443)	(307,926)
Ultimate loss ratio (10% decrease)	489,396	469,071	342,577	328,349
Inflation rate (1% increase)	(21,343)	(20,738)	(14,940)	(14,517)
Inflation rate (1% decrease)	21,343	20,738	14,940	14,517
Non-Life				
Ultimate loss ratio (10% increase)	(1,190,003)	(1,165,423)	(833,002)	(815,796)
Ultimate loss ratio (10% decrease)	1,200,294	1,175,669	840,206	822,968
Inflation rate (1% increase)	(119,016)	(116,555)	(83,311)	81,588
Inflation rate (1% decrease)	119,016	116,555	83,311	(81,588)

COMPANY

	Profit or Loss		Equity	
	Gross KShs'000	Net KShs'000	Gross KShs'000	Net KShs'000
Life				
Ultimate loss ratio (10% increase)	(444,919)	(434,465)	(311,443)	(304,126)
Ultimate loss ratio (10% decrease)	483,356	463,282	338,350	324,298
Inflation rate (1% increase)	(21,080)	(20,483)	(14,756)	(14,338)
Inflation rate (1% decrease)	21,080	20,483	14,756	14,338
Non-Life				
Ultimate loss ratio (10% increase)	(1,017,364)	(995,360)	(712,155)	(696,752)
Ultimate loss ratio (10% decrease)	1,027,363	1,005,343	719,154	703,740
Inflation rate (1% increase)	(101,736)	(71,215)	(99,534)	(69,674)
Inflation rate (1% decrease)	101,736	71,215	99,534	69,674

2024

GROUP

	Profit or Loss		Equity	
	Gross KShs '000	Net KShs '000	Gross KShs '000	Net KShs '000
Life				
Ultimate loss ratio (10% increase)	(400,058)	(385,736)	(280,040)	(270,015)
Ultimate loss ratio (10% decrease)	391,208	376,887	273,846	263,821
Inflation rate (1% increase)	(18,448)	(17,975)	(12,914)	(12,583)
Inflation rate (1% decrease)	18,448	17,975	12,914	12,583
Non-Life				
Ultimate loss ratio (10% increase)	(1,260,798)	(1,229,898)	(882,559)	(860,929)
Ultimate loss ratio (10% decrease)	1,243,917	1,211,663	870,742	848,164
Inflation rate (1% increase)	(124,768)	(122,976)	(87,338)	(86,083)
Inflation rate (1% decrease)	124,768	122,976	87,338	86,083

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

3.1.2 Sensitivity Analysis (Continued)

COMPANY

Life	Profit or Loss		Equity	
	Gross KShs '000	Net KShs '000	Gross KShs '000	Net KShs '000
Ultimate loss ratio (10% increase)	(158,014)	(151,888)	(135,077)	(129,840)
Ultimate loss ratio (10% decrease)	157,851	151,731	134,937	129,706
Inflation rate (1% increase)	(11,153)	(10,461)	(7,341)	(6,831)
Inflation rate (1% decrease)	11,153	10,461	7,341	6,831
Non-Life				
Ultimate loss ratio (10% increase)	(1,290,847)	(1,279,432)	(1,021,918)	(1,012,881)
Ultimate loss ratio (10% decrease)	1,312,751	1,301,142	1,042,418	1,033,200
Inflation rate (1% increase)	(65,496)	(65,326)	(37,878)	(37,778)
Inflation rate (1% decrease)	65,496	65,326	37,878	37,778

(a) Significant judgements and estimates

Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Corporation's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Claims Development

The table below illustrates how estimates of cumulative claims for the Corporation's non-life segment have developed over time on a gross and net of reinsurance basis. Each table shows how the Corporation's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

Insurance – Short Term

GROUP-2025

	2019 & Prior KShs'000	2020 KShs'000	2021 KShs'000	2022 KShs'000	2023 KShs'000	2024 KShs'000	2025 KShs'000	Total KShs'000
At the end of accident year	16,183,449	1,369,302	1,537,879	1,709,077	1,694,026	2,074,551	2,082,705	26,593,723
One year later	26,271,692	2,945,429	4,412,968	3,404,414	3,481,224	3,238,521	-	43,833,759
Two years later	13,530,295	1,415,365	1,524,033	1,545,231	1,084,125	-	-	19,139,011
Three years later	6,808,320	353,842	616,771	677,817	-	-	-	8,448,148
Four years later	3,039,405	298,059	522,198	-	-	-	-	3,858,228
Five years later	1,943,060	155,609	-	-	-	-	-	2,121,571
Six years later	3,113,700	-	-	-	-	-	-	3,113,700
Current estimate of cumulative claims	71,699,043	6,809,286	9,191,019	7,727,441	7,730,644	8,261,579	6,315,533	117,734,545
Less cumulative payments to date	70,889,921	6,497,562	8,551,575	6,930,044	6,489,897	5,666,435	2,082,705	107,108,139
Pipeline Claims + Claims Payable	-	-	-	-	-	-	7,568,394	7,568,394
ULAE	-	-	-	-	-	-	88,008	88,008
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	-	18,282,808
Impact of Discounting	-	-	-	-	-	-	(2,368,137)	(2,368,137)
Risk Adjustment	-	-	-	-	-	-	1,630,306	1,630,306
Total liability included in the statement of financial position	809,122	311,724	639,444	797,397	1,240,747	2,595,144	11,151,399	17,544,977

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Claims Development

The table below illustrates how estimates of cumulative claims for the Corporation's non-life segment have developed over time on a gross and net of reinsurance basis. Each table shows how the Corporation's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

Insurance – Short Term

GROUP-2024

	2018 & Prior	2019	2020	2021	2022	2023	2024	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At the end of accident year	42,753,117	1,859,626	1,280,045	1,564,073	1,600,203	1,667,256	2,127,039	52,851,360
One year later	8,473,681	3,843,157	2,961,613	4,206,417	3,111,612	3,545,039	-	26,141,519
Two years later	4,400,399	3,639,314	1,415,650	1,525,882	1,396,646	-	-	12,377,892
Three years later	2,226,697	2,187,289	329,770	631,755	-	-	-	5,375,511
Four years later	816,858	843,005	281,080	-	-	-	-	1,940,942
Five years later	1,398,143	491,804	-	-	-	-	-	1,889,947
Six years later	525,235	-	-	-	-	-	-	525,235
Current estimate of cumulative claims	58,106,187	13,183,757	6,763,882	8,874,535	7,143,042	7,539,017	6,813,722	108,424,142
Less cumulative payments to date	57,235,726	12,869,135	6,260,627	7,918,423	5,949,131	5,150,791	2,127,039	97,510,871
Pipeline Claims + Claims Payable	-	-	-	-	-	-	6,970,264	6,970,264
ULAE	-	-	-	-	-	-	83,524	83,524
Gross undiscounted liability for incurred claims	870,461	314,623	503,255	956,112	1,193,911	2,388,226	10,952,979	17,179,567
Impact of Discounting	-	-	-	-	-	-	(2,487,941)	(2,487,941)
Risk Adjustment	-	-	-	-	-	-	1,700,449	1,700,449
Total liability included in the statement of financial position								

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Claims Development (Continued)

Insurance – Short Term (Continued)

COMPANY-2025

	2019 & Prior	2020	2021	2022	2023	2024	2025	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At the end of accident year	15,941,115	1,221,667	1,420,997	1,264,674	1,453,258	1,896,761	1,881,896	25,080,368
One year later	25,610,073	2,750,624	3,732,288	2,617,867	2,803,564	3,082,736	-	40,597,153
Two years later	13,024,196	1,323,800	1,419,006	1,082,122	831,959	-	-	17,681,084
Three years later	6,509,659	316,461	582,900	571,985	-	-	-	7,981,005
Four years later	2,958,645	258,808	513,536	-	-	-	-	3,730,988
Five years later	1,853,781	147,184	-	-	-	-	-	2,000,965
Six years later	2,912,389	-	-	-	-	-	-	2,912,389
Current estimate of cumulative claims	69,583,954	6,318,711	8,240,506	6,219,827	6,106,605	7,248,884	5,480,919	109,199,407
Less cumulative payments to date	68,809,859	6,018,543	7,668,727	5,536,648	5,088,781	4,979,497	1,881,896	99,983,952
Pipeline Claims + Claims Payable	-	-	-	-	-	-	5,528,168	5,528,168
ULAE	-	-	-	-	-	-	70,037	70,037
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	-	14,813,660
Impact of Discounting	-	-	-	-	-	-	(2,191,731)	(2,191,731)
Risk Adjustment	-	-	-	-	-	-	1,424,766	1,424,766
Total liability for incurred claims included in the statement of financial position	774,095	300,168	571,779	683,179	1,017,824	2,269,387	8,430,263	14,046,695

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Claims Development (Continued)

Insurance – Short Term (Continued)

COMPANY-2024

	2018 & Prior KShs'000	2019 KShs'000	2020 KShs'000	2021 KShs'000	2022 KShs'000	2023 KShs'000	2024 KShs'000	Total KShs'000
At the end of accident year	41,919,273	1,816,968	1,221,667	1,420,997	1,264,674	1,453,258	1,896,761	50,993,597
One year later	8,153,226	3,726,465	2,750,624	3,732,288	2,617,867	2,803,564	-	23,784,035
Two years later	4,212,762	3,558,610	1,323,800	1,419,006	1,082,122	-	-	11,596,301
Three years later	2,162,029	2,169,043	316,461	582,900	-	-	-	5,230,433
Four years later	792,964	830,151	258,808	-	-	-	-	1,881,922
Five years later	1,341,360	478,322	-	-	-	-	-	1,819,681
Six years later	496,683	-	-	-	-	-	-	496,683
Current estimate of cumulative claims	56,546,637	12,877,363	6,348,246	8,016,936	5,992,241	6,391,173	5,887,120	102,059,716
Less cumulative payments to date	55,720,490	12,584,498	5,863,827	7,154,703	4,964,664	4,256,822	1,896,761	92,441,765
Pipeline Claims + Claims Payable	-	-	-	-	-	-	5,190,694	5,190,694
ULAE	-	-	-	-	-	-	69,249	69,249
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	-	-
Impact of Discounting	-	-	-	-	-	-	-	-
Risk Adjustment	-	-	-	-	-	-	(2,364,512)	(2,364,512)
Total liability for incurred claims included in the statement of financial position	826,147	292,864	484,418	862,232	1,027,577	2,134,351	8,389,813	14,017,403

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Reinsurance risk (Continued)

Claims Development (Continued)

Insurance – Long Term

GROUP-2025

	2019 & Prior KShs '000	2020 KShs '000	2021 KShs '000	2022 KShs '000	2023 KShs '000	2024 KShs '000	2025 KShs '000	Total KShs '000
At the end of accident year	4,751,121	650,135	708,223	545,392	693,235	606,556	770,236	8,724,898
One year later	598,417	409,968	909,579	667,445	410,610	562,657	-	3,558,677
Two years later	299,627	81,557	84,355	51,046	39,547	-	-	556,131
Three years later	283,082	61,499	28,694	68,821	-	-	-	442,096
Four years later	218,464	73,377	18,824	-	-	-	-	310,665
Five years later	102,047	242,207	-	-	-	-	-	344,254
Six years later	82,613	-	-	-	-	-	-	82,613
Current estimate of cumulative claims	6,283,445	1,471,346	1,593,195	1,158,463	756,598	669,211	478,389	12,410,647
Less cumulative payments to date	6,335,371	1,518,743	1,749,674	1,332,703	1,143,392	1,169,213	770,236	14,019,333
Pipeline Claims + Claims Payable	-	-	-	-	-	-	474,340	474,340
ULAE	-	-	-	-	-	-	17,022	17,022
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	-	2,100,834
Impact of Discounting	-	-	-	-	-	-	(247,688)	(247,688)
Risk Adjustment	-	-	-	-	-	-	368,318	368,318
Total liability for incurred claims included in the statement of financial position	51,926	47,397	156,479	174,241	386,794	500,002	903,839	2,220,678

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Reinsurance risk (Continued)

Claims Development (Continued)

Insurance – Long Term

GROUP-2024

	2018 & Prior KShs '000	2019 KShs '000	2020 KShs '000	2021 KShs '000	2022 KShs '000	2023 KShs '000	2024 KShs '000	Total KShs '000
At the end of accident year	2,759,069	453,417	650,135	708,223	545,392	693,235	606,556	6,416,027
One year later	1,269,083	408,610	409,968	909,579	667,445	410,610	-	4,075,295
Two years later	352,025	142,079	81,557	84,355	51,046	-	-	711,061
Three years later	209,710	213,389	61,499	28,694	-	-	-	513,292
Four years later	67,937	188,676	73,377	-	-	-	-	329,990
Five years later	29,082	75,626	-	-	-	-	-	104,708
Six years later	45,584	-	-	-	-	-	-	45,584
Current estimate of cumulative claims	4,722,017	1,443,757	1,211,129	1,542,807	1,033,502	606,171	131,741	10,691,125
Less cumulative payments to date	4,771,435	1,481,796	1,276,536	1,730,850	1,263,883	1,103,846	606,556	12,234,902
Pipeline Claims + Claims Payable	-	-	-	-	-	-	1,068,417	1,068,417
ULAE	-	-	-	-	-	-	8,334	8,334
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	-	-
Impact of Discounting	-	-	-	-	-	-	(366,462)	(366,462)
Risk Adjustment	-	-	-	-	-	-	309,522	309,522
Total liability for incurred claims included in the statement of financial position	49,418	38,039	65,407	188,044	230,380	497,674	1,494,626	2,563,588

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Claims Development (Continued)

Insurance – Long Term (Continued)

COMPANY-2025

	2019 & Prior KShs '000	2020 KShs '000	2021 KShs '000	2022 KShs '000	2023 KShs '000	2024 KShs '000	2025 KShs '000	Total KShs '000
At the end of accident year	4,746,503	649,994	708,204	544,801	693,235	606,556	770,236	8,719,529
One year later	594,369	408,229	908,203	662,171	409,724	561,669	-	3,544,366
Two years later	296,117	81,557	84,355	52,454	39,547	-	-	554,029
Three years later	283,151	61,499	28,694	68,821	-	-	-	442,165
Four years later	218,120	73,377	18,824	-	-	-	-	310,321
Five years later	102,047	242,207	-	-	-	-	-	344,254
Six years later	82,613	-	-	-	-	-	-	82,613
Current estimate of cumulative claims	6,271,182	1,470,010	1,594,777	1,156,702	760,882	673,934	483,325	12,410,810
Less cumulative payments to date	6,322,921	1,516,864	1,748,280	1,328,246	1,142,507	1,168,225	770,236	13,997,278
Pipeline Claims + Claims Payable ULAE	-	-	-	-	-	-	468,519	468,519
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	16,787	16,787
Impact of Discounting Risk Adjustment	-	-	-	-	-	-	(244,166)	2,071,774
Total liability for incurred claims included in the statement of financial position	51,739	46,854	153,503	171,544	381,625	494,291	893,271	2,192,828

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.1 Insurance risk (Continued)

Claims Development (Continued)

Insurance – Long Term (Continued)

COMPANY-2024

	2018 & Prior	2019	2020	2021	2022	2023	2024	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
At the end of accident year	2,759,069	453,417	649,994	708,204	544,801	693,235	606,556	6,415,276
One year later	1,264,956	405,223	408,229	908,203	662,171	409,724	-	4,058,506
Two years later	351,481	141,299	81,557	84,355	52,454	-	-	711,146
Three years later	207,201	213,389	61,499	28,694	-	-	-	510,783
Four years later	67,108	188,710	73,377	-	-	-	-	329,195
Five years later	28,941	75,626	-	-	-	-	-	104,567
Six years later	45,348	-	-	-	-	-	-	45,348
Current estimate of cumulative claims	4,713,786	1,439,782	1,209,830	1,544,490	1,032,162	612,646	136,909	10,689,604
Less cumulative payments to date	4,763,118	1,477,664	1,274,656	1,729,456	1,259,426	1,102,960	606,556	12,213,873
Pipeline Claims + Claims Payable							1,116,883	1,116,883
ULAE							7,914	7,914
Gross undiscounted liability for incurred claims	-	-	-	-	-	-	-	-
Impact of Discounting							(362,078)	(362,078)
Risk Adjustment							305,830	305,830
Total liability for incurred claims included in the statement of financial position	49,332	37,882	64,826	184,966	227,264	490,314	1,538,196	2,592,780

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance liabilities as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The risk management policies established identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

3.2.1 Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Group's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To this end, there is a Board approved policy to effectively manage liquidity at all times to meet claims payable, unexpected outflow/non-receipt of expected inflow of funds as well as ensure adequate diversification of funding sources. The Finance, Investment and Tender Oversight Committee undertakes liquidity management and scenario analysis as per the policy.

Funds are raised mainly from reinsurance premiums and investment income and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

In addition, the Corporation holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Maturity profiles

Maturity profiles of insurance contract liabilities (present value of future cash flows basis)

The following table summarises the maturity profile of portfolios of insurance contracts that are liabilities based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

GROUP

	2025						Total KShs'000
	Up to 1year KShs'000	1-2 years KShs'000	2-3 years KShs'000	3-4 years KShs'000	4-5 years KShs'000	>5 years KShs'000	
Short term business	11,764,016	2,835,587	1,257,789	781,690	346,628	559,267	17,544,977
Long term business	1,500,872	248,413	188,637	113,944	114,718	54,094	2,220,678
TOTAL	13,264,888	3,084,000	1,446,426	895,634	461,346	613,361	19,765,655

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.1 Liquidity risk (Continued)

Maturity profiles (Continued)

Maturity profiles of insurance contract liabilities (present value of future cash flows basis) (Continued)

GROUP

	2024						Total KShs,000
	Up to 1 year KShs,000	1-2 years KShs,000	2-3 years KShs,000	3-4 years KShs,000	4-5 years KShs,000	>5 years KShs,000	
Short term business	11,400,547	2,919,474	1,225,425	711,644	329,059	593,418	17,179,567
Long term business	<u>2,303,436</u>	<u>108,483</u>	<u>32,064</u>	<u>12,740</u>	<u>20,421</u>	<u>86,444</u>	<u>2,563,588</u>
Total	<u>13,703,983</u>	<u>3,027,957</u>	<u>1,257,489</u>	<u>724,384</u>	<u>349,480</u>	<u>679,862</u>	<u>19,743,155</u>

COMPANY

	2025						Total KShs'000
	Up to 1 year KShs'000	1-2 years KShs'000	2-3 years KShs'000	3-4 years KShs'000	4-5 years KShs'000	>5 years KShs'000	
Short term business	9,108,214	2,419,367	1,077,936	667,021	300,180	473,977	14,046,695
Long term business	<u>1,479,211</u>	<u>246,254</u>	<u>187,331</u>	<u>113,301</u>	<u>114,045</u>	<u>52,686</u>	<u>2,192,828</u>
Total	<u>10,587,42</u>	<u>2,665,621</u>	<u>1,265,267</u>	<u>780,322</u>	<u>414,225</u>	<u>526,663</u>	<u>16,239,523</u>

	2024						Total KShs,000
	Up to 1 year KShs,000	1-2 years KShs,000	2-3 years KShs,000	3-4 years KShs,000	4-5 years KShs,000	>5 years KShs,000	
Short term business	8,979,688	2,533,356	1,070,514	630,849	293,725	509,271	14,017,403
Long term business	<u>2,336,564</u>	<u>106,855</u>	<u>31,384</u>	<u>12,384</u>	<u>20,132</u>	<u>85,461</u>	<u>2,592,780</u>
Total	<u>11,316,252</u>	<u>2,640,211</u>	<u>1,101,898</u>	<u>643,233</u>	<u>313,857</u>	<u>594,732</u>	<u>16,610,183</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.1 Liquidity risk (Continued)

Maturity profiles

Maturity analysis of financial assets and financial liabilities (contractual undiscounted cash flow basis)

The following table summarises the maturity profile of financial assets of the Group and Company based on remaining undiscounted contractual cash flows, including interest receivable:

GROUP

31 December 2025	Total Carrying Amount KShs '000	Total KShs '000	On demand KShs '000	Contractual cash flows		
				0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial assets						
Amortised cost:						
- Government securities	25,139,287	42,399,600	-	3,605,035	19,887,409	18,907,156
- Corporate bonds	225,595	327,580	-	69,995	257,585	-
Other receivables	553,378	475,984	475,984	-	-	-
Mortgage loans	906,443	906,443	-	36,847	50,764	818,832
Deposits with financial institutions	13,996,911	13,996,911	-	13,996,911	-	-
Cash and cash equivalents	1,020,600	1,020,600	1,020,600	-	-	-
Held at FVTOCI						
-Quoted equities	2,055,301	2,055,301	2,055,301	-	-	-
-Government securities	1,371,208	2,717,806	-	166,824	789,500	1,761,482
-Unquoted equities	934,712	934,712	934,712	-	-	-
Financial liabilities						
Amortised cost:						
Other payables	975,379	933,669	933,669	-	-	-
Total	45,228,056	64,834,937	4,486,597	17,875,612	20,985,258	21,487,470
31 December 2024						
	Total Carrying Amount KShs '000	Total KShs '000	On demand KShs '000	Contractual cash flows		
				0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial assets						
Amortised cost:						
- Government securities	23,942,835	33,391,105	-	3,267,070	13,337,792	16,786,243
- Corporate bonds	44,820	56,958	-	5,876	5,876	45,206
Other receivables	478,183	478,183	478,183	-	-	-
Mortgage loans	824,558	824,558	-	24,743	112,446	687,369
Deposits with financial institutions	14,320,929	14,320,929	-	14,320,929	-	-
Cash and cash equivalents	587,098	587,098	587,098	-	-	-
Held at FVTOCI						
-Quoted equities	1,409,983	1,409,983	1,409,983	-	-	-
-Government securities	1,297,604	2,994,136	-	103,212	612,848	2,278,076
-Unquoted equities	603,113	603,113	603,113	-	-	-
Financial liabilities						
Amortised cost:						
Other payables	921,634	883,461	883,461	-	-	-
Total	42,587,489	53,782,602	2,194,916	17,721,830	14,068,962	19,796,894

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.1 Liquidity risk (Continued)

Maturity profiles

COMPANY

	Total Carrying amount KShs '000	Total KShs '000	On demand KShs '000	Contractual cash flows		
				0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
31-December 2025						
Financial assets:						
Amortised cost						
- Government securities	23,663,286	39,644,205	-	2,983,365	19,186,048	17,474,792
- Corporate bonds	225,595	327,580	-	69,995	257,585	-
Other receivables	509,970	448,515	448,515	-	-	-
Mortgage loans	873,939	873,939	-	36,847	50,764	786,328
Deposits with financial institutions	9,384,655	9,384,655	-	9,384,655	-	-
Due from related party	194,283	194,283	194,283	-	-	-
Cash and bank balances	476,441	476,44	476,44	-	-	-
Held at FVTOCI						
-Quoted equities	2,055,301	2,055,301	2,055,301	-	-	-
-Government securities	1,371,208	2,717,806	-	166,824	789,500	1,761,482
-Unquoted equities	934,712	934,712	934,712	-	-	-
Financial liabilities:						
Amortised cost						
Other payables	827,033	794,835	794,835	-	-	-
Due to related party	363,718	363,718	363,718	-	-	-
Total	40,880,141	57,739,549	4,791,364	12,641,686	20,283,897	20,022,602

COMPANY

31-December 2024

Financial assets:						
Amortised cost						
- Government securities	23,112,753	32,213,473	-	2,923,959	13,130,173	16,159,341
- Corporate bonds	44,820	56,958	-	5,876	5,876	45,206
Other receivables	451,200	451,200	451,200	-	-	-
Mortgage loans	815,527	815,527	-	24,743	112,446	678,338
Deposits with financial institutions	10,047,728	10,047,728	-	10,047,728	-	-
Due from related party	144,822	144,822	144,822	-	-	-
Cash and bank balances	173,762	173,762	173,762	-	-	-
Held at FVTOCI						
-Quoted equities	1,409,983	1,409,983	1,409,983	-	-	-
-Government securities	1,297,604	2,994,136	-	103,212	612,848	2,278,076
-Unquoted equities	603,113	603,113	603,113	-	-	-
Financial liabilities:						
Amortised cost						
Other payables	786,699	754,469	754,469	-	-	-
Due to related party	292,843	292,843	292,843	-	-	-
Total	39,180,854	49,958,014	3,830,192	13,105,518	13,861,343	19,160,961

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.1 Liquidity risk (Continued)

Maturity profiles

The table below summarises the expected utilisation or settlement of assets and liabilities:

GROUP

	2025			2024		
	No more than 12 months KShs'000	More than 12 months KShs'000	Total KShs'000	No more than 12 months KShs'000	More than 12 months KShs'000	Total KShs'000
Financial assets	15,923,954	26,519,834	26,510,496	15,732,585	25,240,440	40,973,025
Cash and cash equivalents	1,020,600	-	1,020,600	587,098	-	587,098
Deposit with financial institutions	13,996,911	-	13,996,911	14,320,929	-	14,320,929
Debt instruments at FVOCI		1,371,208	1,371,208	-	1,297,604	1,297,604
Debt instruments at amortised cost	906,443	25,139,288	26,045,731	824,558	23,942,836	24,767,394
Insurance contract assets	89,500	102,736	192,236	483,879	122,279	606,158
Reinsurance held	89,500	102,736	192,236	483,879	122,279	606,158
Insurance contract liabilities	12,952,064	2,060,409	15,012,473	11,949,676	2,849,770	14,799,446
Insurance issued	11,891,777	2,060,409	13,952,186	10,926,867	2,849,770	13,776,637
Reinsurance held	1,060,287	-	1,060,287	1,022,809	-	1,022,809
Financial liabilities measured at amortised cost	975,379	-	975,379	921,634	-	921,634
Other payables	975,379	-	975,379	921,634	-	921,634

COMPANY

	2025			2024		
	No more than 12 months KShs'000	More than 12 months KShs'000	Total KShs'000	No more than 12 months KShs'000	More than 12 months KShs'000	Total KShs'000
Financial assets	10,735,035	25,034,494	35,769,529	11,037,017	24,410,357	35,447,374
Cash and cash equivalents	476,441	-	476,441	173,762	-	173,762
Deposit with financial institutions	9,384,655	-	9,384,655	10,047,728	-	10,047,728
Debt instruments at FVOCI		1,371,208	1,371,208	-	1,297,604	1,297,604
Debt instruments at amortised cost	873,939	23,663,286	24,537,225	815,527	23,112,753	23,928,280
Insurance contract assets	77,088	102,499	179,587	473,358	121,877	595,235
Reinsurance held	77,088	102,499	179,587	473,358	121,877	595,235
Insurance contract liabilities	11,055,549	2,016,002	13,071,551	9,934,856	2,889,455	12,824,311
Insurance issued	10,170,994	2,016,002	12,186,996	9,053,305	2,889,455	11,942,760
Reinsurance held	884,555	-	884,555	881,551	-	881,551
Financial liabilities measured at amortised cost	1,190,752	-	1,190,752	1,079,542	-	1,079,542
Other payables	827,033	-	827,033	786,699	-	786,699
Due to related party	363,718	-	363,718	292,843	-	292,843

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.2 Market risk

Management of market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

3.2.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Group holds include investments in government securities, mortgage loans, corporate bonds, and deposits with financial institutions.

The interest rate risk of the above future cash flows is low primarily because they are at fixed interest rates. A change of 1% in interest rates would have immaterial effects on the future cash flows.

In respect of insurance contract liabilities for incurred claims to which the PAA is applied, the liability would be adjusted using a discount rate updated at each reporting period, therefore, resulting in the balance being sensitive to interest rate movements.

Interest rate sensitivity

The Group has no significant concentration of interest rate risk.

The Group is exposed to interest rate risk through its debt instruments held and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred. The Group's exposure to interest rate risk sensitive insurance and reinsurance contracts and debt instruments are, as follows:

GROUP

	2025 KShs'000	2024 KShs'000
Insurance contract liabilities		
Short term business	(165,837)	(173,288)
Long term business	(21,250)	(29,176)
Reinsurance held		
Short term business	1,195	2,576
Long term business	<u>616</u>	<u>739</u>
Debt instruments at FVOCI	1,371	1,668
Debt instruments at amortized cost	<u>26,046</u>	<u>29,144</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.2 Market risk (Continued)

3.2.2.1 Interest rate risk (Continued)

Interest rate sensitivity (Continued)

COMPANY

	2025 KShs'000	2024 KShs'000
Insurance contract liabilities		
Short term business	(150,069)	(163,275)
Long term business	(20,987)	(28,276)
Reinsurance held		
Short term business	1,109	2,500
Long term business	608	755
Debt instruments at FVOCI	1,371	1,668
Debt instruments at amortized cost	24,537	29,144

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

GROUP	Change in Interest rate	2025		2024	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		KShs'000	KShs'000	KShs'000	KShs'000
Insurance and reinsurance contracts	+100 bps	14,820	10,374	16,125	11,287
Debt instruments	+100 bps	34,169	23,918	30,812	21,568
Insurance and reinsurance contracts	- 100 bps	(14,820)	(10,374)	(16,231)	(11,362)
Debt instruments	- 100 bps	(34,169)	(23,918)	(30,812)	(21,568)

COMPANY

	Change in Interest rate	2025		2024	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		KShs'000	KShs'000	KShs'000	KShs'000
Insurance and reinsurance contracts	+100 bps	12,892	9,024	15,166	10,616
Debt instruments	+100 bps	32,486	22,740	29,503	20,652
Insurance and reinsurance contracts	- 100 bps	(12,892)	(9,024)	(15,269)	(10,688)
Debt instruments	- 100 bps	(32,486)	(22,740)	(29,503)	(20,652)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.2 Market risk (Continued)

3.2.2.1 Interest rate risk (Continued)

Interest rate sensitivity (Continued)

3.2.2.2 Currency rate risk

The Group writes business from several countries and as a result receives premiums in several currencies. The Group's obligations to, and receivables from the cedants are therefore in these original currencies. The Group is therefore exposed to the exchange rate risk where there is a mismatch between assets and liabilities per currency.

The Group's main operations are concentrated in Kenya and its assets and liabilities are reported in the local currency. It has transactions in foreign currency which are mainly denominated in US Dollars.

Foreign exchange risk also arises from commercial transactions, recognized assets and liabilities in foreign currencies such as deposits with financial institutions.

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Assets in foreign currencies				
Deposits with financial institutions	7,809,510	7,378,284	3,173,253	3,105,084
Cash and bank	567,909	441,008	23,744	27,672
Net foreign currency asset position	8,377,419	7,819,292	3,196,997	3,132,756

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the Group's and the Company's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

USD		GROUP		COMPANY	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		KShs'000	KShs'000	KShs'000	KShs'000
2025	Increase in US\$ by 10%	839,434	587,604	323,793	226,655
	Decrease in US\$ by 10%	(839,434)	(587,604)	(323,793)	(226,655)
2024	Increase in US\$ by 10%	782,132	547,492	313,478	219,435
	Decrease in US\$ by 10%	(782,132)	(547,492)	(313,478)	(219,435)

3.2.2.3 Price risk

The Group is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange, and which are classified as Held at FVTOCI financial assets. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Group has a defined investment policy which sets limits on the Group's exposure to equities both in aggregate terms and by category/share. This policy of diversification is used to manage the Group's price risk arising from its investments in equity securities. The Group's unlisted equities are also subject to price risk however, the Group has carried them at cost less any impairment cost. Refer to note 22.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.2 Market risk (Continued)

3.2.2.2 Currency rate risk (Continued)

As at the reporting date, the exposure to listed equity securities at fair value was KShs 2,055 million (2024: KShs 1,041). An increase/decrease of 15% in the value of the listed equity would result in a decrease / increase in profits of KShs 308.3 million (2024: KShs 156 million) and an increase/decrease in equity by KShs 215.8 million (2024: KShs 109 million).

3.2.3 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual counterparties or related company of counterparties, industry sectors, business lines, product types, amongst others.

Key areas where the Group is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid.
- amounts due from cedants.
- amounts due from reinsurance intermediaries.
- mortgage advances to its customers and staff.
- government and corporate bonds.
- deposits with financial institutions.
- cash and bank balances.

The Group structures the levels of credit risk it accepts by placing credit limits on its exposure to a single counterparty or company of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the board of directors.

The creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group maintains records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. There are no offset where counter parties are both debtors and creditors of the group in these financial statements. Management information reported to the board of directors includes details of provisions for impairment on amounts due from cedants and subsequent write-offs.

Investments in government securities are deemed adequately secured by the Government of Kenya with no inherent default risk. The credit risk on the corporate bonds, deposits and balances with financial institutions is considered to be low because the counterparties are companies and banks with high credit ratings. The credit risk on mortgages is managed by ensuring that the mortgage issued is secured by the related property and that the mortgage amount given is below the value of the related property.

The following table details the maximum exposure before consideration of any collateral:

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Government securities	26,510,495	25,240,439	25,034,494	24,410,357
Corporate bonds	225,595	44,820	225,595	44,820
Deposits with financial institutions	13,996,911	14,320,929	9,384,655	10,047,728
Mortgage loans	906,443	824,558	873,939	815,527
Cash and Bank balances	1,020,600	587,098	476,441	173,762
Other receivables	553,378	478,280	509,970	451,200
Total assets bearing credit risk	43,213,422	41,496,124	36,505,094	35,943,394

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

3.2 Financial Risk (Continued)

3.2.3 Credit risk (Continued)

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Mortgage loans are summarized as follows:				
Performing	906,443	636,274	873,939	627,243
Underperforming	38,527	230,311	38,527	230,311
	944,970	866,585	912,466	857,554
Less: provision for impairment (note 20)	<u>(38,527)</u>	<u>(42,027)</u>	<u>(38,527)</u>	<u>(42,027)</u>
Total	<u>906,443</u>	<u>824,558</u>	<u>873,939</u>	<u>815,527</u>

The accounts under the fully performing category are paying their debts as they continue trading. All assets subject to credit risk are performing (stage 1) except for mortgage loans where some loans are underperforming. The default rate is low. Credit control department actively monitors overdue account balances. In addition, the Group settles claims on a net basis i.e. net of any re-insurance receivables due from cedants. An impairment analysis is performed at each reporting date on an individual basis. The debt that is impaired has been fully provided for. The maximum exposure to credit risk at the reporting date is the carrying amount. Refer to note 20 impairment analysis of mortgage loans.

The tables below set out the credit quality analysis of debt investments measured at FVOCI and amortised cost without taking into account collateral or other credit enhancement. Unless specifically indicated, the amounts in the table represent gross carrying amount.

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Government Securities				
Credit rating	Stage 1	Stage 1	Stage 1	Stage 1
A	1,207,473	1,045,332	1,207,473	1,045,332
B	-	-	-	-
B-	25,364,071	24,418,132	23,885,199	23,586,930
	26,571,544	25,463,464	25,092,672	24,632,262
ECL Impairment	<u>(61,049)</u>	<u>(223,025)</u>	<u>(58,178)</u>	<u>(221,905)</u>
Amortised Cost	<u>26,510,495</u>	<u>25,240,439</u>	<u>25,034,494</u>	<u>24,410,357</u>
Measured at FVOCI				
Credit rating				
A	-	-	-	-
B	-	-	-	-
B-	1,374,441	1,310,468	1,374,441	1,310,468
	1,374,441	1,310,468	1,374,441	1,310,468
ECL Impairment	<u>(3,233)</u>	<u>(12,864)</u>	<u>(3,233)</u>	<u>(12,864)</u>
Amortised Cost	<u>1,371,208</u>	<u>1,297,604</u>	<u>1,371,208</u>	<u>1,297,604</u>
Measured at Amortised				
Credit rating				
A	1,207,473	1,045,332	1,207,473	1,045,332
B	-	-	-	-
B-	23,989,630	23,107,665	22,510,758	22,276,462
	25,197,103	24,152,997	23,718,231	23,321,794
ECL Impairment	<u>(57,816)</u>	<u>(210,162)</u>	<u>(54,945)</u>	<u>(209,041)</u>
Amortised Cost	<u>25,139,287</u>	<u>23,942,835</u>	<u>23,663,286</u>	<u>23,112,753</u>

* The source of the credit rating is S&P Global.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value of financial assets and liabilities

i. Financial instruments not measured at fair value.

The following fair value disclosures have been made in respect of quoted Government securities and quoted corporate bonds which have been carried at amortised cost. The carrying amounts of the remaining financial instruments i.e., cash and bank, government securities held to maturity, corporate bonds and receivables, approximate their fair values hence no fair value disclosures have been made.

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

ii. Fair value hierarchy

The following table shows an analysis of financial and non- financial assets and liabilities recorded at fair value by level of the fair value hierarchy.

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2025				
Government securities	1,371,208	-	-	1,371,208
Quoted equity instruments	2,055,301	-	-	2,055,301
Investment properties	-	-	13,420,999	13,420,999
Unquoted equity	-	934,712	-	934,712
At 31 December 2024				
Government securities	1,297,604	-	-	1,297,604
Quoted equity instruments	1,409,983	-	-	1,409,983
Investment properties	-	-	13,060,800	13,060,800
Unquoted equity	-	603,113	-	603,113
COMPANY				
At 31 December 2025				
Government securities	1,371,208	-	-	1,371,208
Quoted equity instruments	2,055,301	-	-	2,055,301
Investment properties	-	-	13,420,999	13,420,999
Unquoted equity	-	934,712	-	934,712
At 31 December 2024				
Government securities	1,297,604	-	-	1,297,604
Quoted equity instruments	1,409,983	-	-	1,409,983
Investment properties	-	-	13,060,800	13,060,800
Unquoted equity	-	603,113	-	603,113

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value of financial assets and liabilities (Continued)

ii. Fair value hierarchy (Continued)

Management assessed that the fair values of assets and liabilities not measured at market prices and determined that their fair values approximate their carrying amounts.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at 31 December 2025 are as shown below:

Property	Valuation technique	Significant unobservable inputs	Sensitivity
Reinsurance Plaza Nairobi L.R. No. 209/8770	Income Capitalization Method	Capitalisation Rate (8.5% - 9%). Rental Escalation Rate & Frequency (7.5% per annum).	A slight increase in the capitalisation rate would result in a significant decrease in fair value and vice versa. An increase in the rental escalation rate and its frequency will result in a significant increase in fair value and vice versa.
Reinsurance Plaza Kisumu- Kisumu Municipality/ Block 7/378	Income Capitalization Method	Capitalisation Rate (8.5% - 9.1%). Rental Escalation Rate & Frequency (5% per annum).	A slight increase in the capitalisation rate would result in a significant decrease in fair value and vice versa. An increase in the rental escalation rate and its frequency will result in a significant increase in fair value and vice versa.
Anniversary Towers Nairobi -LR No. 209/9744	Income Capitalization Method	Capitalisation Rate (8.5% - 9%). Rental Escalation Rate & Frequency (7.5% per annum).	A slight increase in the capitalisation rate would result in a significant decrease in fair value and vice versa. An increase in the rental escalation rate and its frequency will result in a significant increase in fair value and vice versa.
Kenya Re Towers Nairobi- LR No. 209/11260	Income Capitalization Method	Capitalisation Rate (8.5%). Rental Escalation Rate & Frequency (7.5% per annum).	A slight increase in the capitalisation rate would result in a significant decrease in fair value and vice versa. An increase in the rental escalation rate and its frequency will result in a significant increase in fair value and vice versa.
Upper Hill Plot -L.R. No.209/12922	Market Comparable Approach	Market prices of similar vacant land parcels, taking into account the differences in location, land use regulations, and individual factors such as frontage and size, between the various comparables and the subject property. (Weighted Average Adjusted Price per acre 520 - 630M/acre)	A slight increase in market price would result in a significant increase in fair value and vice versa.
JKIA Plot- LR No. 9042/222	Market Comparable Approach	Market prices of similar land parcels, taking into account the differences in location, accessibility, land use regulations, zoning restrictions, and individual factors such as frontage and size, between the various comparables and the subject property. (Weighted Average Adjusted Price per acre 60-85M/acre)	A slight increase in market price would result in a significant increase in fair value and vice versa.
Mbagathi plot- L.R no:209/11976	Market Comparable Approach	Market prices of similar undeveloped land parcels, taking into account the differences in location, land use regulations, and individual factors such as frontage and size, between the various comparables and the subject property. (Weighted Average Adjusted Price per acre 300 - 350M/acre)	A slight increase in market price would result in a significant increase in fair value and vice versa.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value of financial assets and liabilities (Continued)

ii. Fair value hierarchy (Continued)

The Group has performed an assessment and currently there are no significant interrelationships between significant unobservable inputs and other unobservable inputs used in the fair value measurement. The valuation of investment properties was carried out by Geoffrey Kiprotich Koros - P/No. ISK/CGS/ 202688667 of Legend Valuers Ltd, professional independent valuers as at 31st December 2025.

Unquoted equity

The group invests in private companies which are not quoted in an active market. There has been recent traded prices of the shares of these companies. The group has adopted these recent traded prices in the valuation of the unquoted investment. These have been recognised as level two.

Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

4 CAPITAL MANAGEMENT

Capital includes ordinary shares and equity attributable to the shareholders of the Group.

Externally imposed capital requirements are set and regulated by various Insurance Regulatory Authorities in the countries of operations. These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Further, the Company currently has a paid-up capital of KShs 14 billion for the combined composite business, which meets the minimal requirement of KShs 800 million as per the Insurance Act.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- to maintain financial strength to support new business growth.
- to satisfy the requirements of its reinsured and rating agencies.
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- to allocate capital efficiently to support growth.
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Group has a number of sources of capital available to it and seeks to optimize its retention capacity in order to ensure that it can consistently maximize returns to shareholders. The Group considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital.

The Group manages as capital all items that are eligible to be treated as capital. The Group has no borrowings. During the year the Group held the minimum paid up capital required and also met the required solvency margins. The Group's lead regulator, Insurance Regulatory Authority (IRA) monitors capital requirements for the Group as a whole. The Company and its individual subsidiaries are directly supervised by their local regulators.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SEGMENTAL REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess performance.

Thus, under IFRS 8 the Group's reportable segments are long term business and short-term business. The short-term business segment includes among others motor, marine, aviation, fire, and accident. The long-term business segment includes individual and group life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Group's own accounts are also reported as part of the above segments. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest and investment income is credited to business segments based on segmental capital employed. The Group's main geographical segment of business is in Kenya.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the corporation's total revenue in 2025 or 2024.

The various products and services that the reporting segments derive their revenues from have been described as follows.

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Insurance Revenue				
Short term business	14,113,308	15,875,827	11,620,786	13,125,734
Long term business	2,956,210	2,973,349	2,901,080	2,940,423
Ceding commission	(4,488,196)	(4,697,717)	(3,874,985)	(3,930,043)
	<u>12,581,322</u>	<u>14,151,459</u>	<u>10,646,881</u>	<u>12,136,114</u>
Investment income:				
Short term business				
Rental income from investment properties	730,636	826,532	730,636	826,532
Interest on government securities held to maturity	2,476,438	2,110,015	2,308,799	1,979,919
Dividends receivable on quoted equity instruments	154,401	123,871	154,401	123,871
Interest on commercial mortgages	36,446	37,739	36,446	37,739
Interest on deposits with financial institutions- held to maturity	833,654	933,140	545,304	727,270
Interest on corporate bonds- held to maturity	5,892	5,924	5,892	5,924
Interest on staff mortgages and loans	17,636	25,764	16,963	24,955
	<u>4,255,103</u>	<u>4,062,985</u>	<u>3,798,441</u>	<u>3,726,210</u>
Long term business				
Rental income from investment properties	122,031	139,770	122,031	139,770
Interest on government securities held to maturity	879,425	901,723	879,425	901,723
Dividends receivable on available-for-sale quoted equity instruments	28,492	22,376	28,492	22,376
Interest on deposits with financial institutions- held to maturity	291,856	487,452	291,856	487,446
Interest on corporate bonds- held to maturity	1,037		1,037	
	<u>1,322,841</u>	<u>1,551,321</u>	<u>1,322,841</u>	<u>1,551,315</u>
Total investment income	<u>5,577,944</u>	<u>5,614,306</u>	<u>5,121,282</u>	<u>5,277,525</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SEGMENTAL REPORTING (Continued)

Other disclosures:

GROUP	Short term business KShs'000	Long term Business KShs'000	Total 2025 KShs'000	Total 2024 KShs'000
Reportable segment profits before tax	4,123,063	702,132	4,825,195	5,648,173
Income tax expense	(614,318)	(287,284)	(901,602)	(1,211,021)
Reportable segment profits after tax	3,508,745	414,848	3,923,593	4,437,152
Reportable segment total assets	58,838,258	13,366,459	72,204,717	66,813,069
	58,838,258	13,366,459	72,204,717	66,813,069
Reportable segment total liabilities	15,630,025	2,060,409	17,690,434	17,140,609
	15,630,025	2,060,409	17,690,434	17,140,609
Depreciation of property and equipment	(25,017)	(5,240)	(30,257)	(33,628)
Amortisation of intangible assets	(6,020)	-	(6,020)	(18,100)
Property and equipment additions	21,275	-	21,275	5,358
Intangible assets additions	36,023	-	36,023	23,145
Employee costs	976,570	62,334	1,038,904	944,190
Share of associates profit	816,498	-	816,498	610,186
COMPANY				
Reportable segment profits before tax	3,396,809	688,011	4,084,820	5,743,196
Income tax expense	(482,948)	(283,048)	(765,996)	(1,205,351)
Reportable segment profits after tax	2,913,861	404,963	3,318,824	4,537,845
Reportable segment total assets	55,271,175	13,278,484	68,549,659	64,108,039
Less:				
: Related party balances	(194,283)	-	(194,283)	(144,822)
: Investment in subsidiaries	(3,045,060)	-	(3,045,060)	(2,761,398)
Reportable segment total assets-Net	52,031,832	13,278,484	65,310,316	61,201,819
Reportable segment total liabilities	13,948,882	2,016,002	15,964,884	15,323,387
Less:				
: Related party balances	(363,718)	-	(363,718)	(292,843)
Net	13,585,164	2,016,002	15,601,166	15,030,544
Depreciation of property and equipment	(16,717)	(4,173)	(20,891)	(20,522)
Amortisation of intangible assets	(6,020)	-	(6,020)	(18,100)
Property and equipment additions	19,031	-	19,031	3,577
Intangible assets additions	36,023	-	36,023	23,145
Employee costs	837,033	53,428	890,461	792,925
Share of associates profit	816,498	-	816,498	610,186

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SEGMENTAL REPORTING (Continued)

	REVENUE		NON-CURRENT ASSETS	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Geographical Information				
Kenya	10,646,881	12,136,114	13,453,228	13,094,887
West Africa	710,099	476,886	9,263	10,694
Zambia	514,074	632,506	528	309
Uganda	710,268	905,952	32,792	36,694
Total	12,581,322	14,151,459	13,495,811	13,142,584

6. INSURANCE REVENUE AND NET EXPENSES FROM REINSURANCE CONTRACTS

The Group is organised into two main divisions, short term business and long-term business. Long term business relates to the underwriting of risks relating to death of an insured person. Short business relates to all other categories of short-term insurance business written by the Group, analysed into several sub-classes of business based on the nature of the assumed risks.

6 (a) Total insurance revenue

The total insurance revenue of the Group can be analysed between the main classes of business as shown below:

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Long-term business				
Group life	2,825,426	2,843,820	2,786,689	2,833,302
Ordinary life	130,784	129,529	114,391	107,121
Total	2,956,210	2,973,349	2,901,080	2,940,423
Short-term business				
Agriculture	92,089	(793,333)	84,302	(805,956)
Aviation	133,794	94,442	116,559	86,256
Engineering	1,700,747	2,299,719	1,368,254	1,878,347
Fire Domestic	120,203	2,073,005	110,856	1,527,846
Fire Industrial	5,239,909	3,129,556	4,365,974	2,738,678
Liability	264,827	281,296	119,287	182,078
Marine	758,263	853,065	640,764	710,495
Medical	3,093,340	4,328,603	2,599,593	3,506,464
Miscellaneous	1,612,106	3,010,947	1,377,788	2,778,171
Motor Commercial	227,255	504,996	201,935	426,806
Motor Private	247,900	24,138	154,922	35,765
Personal Accident	432,762	(9,308)	394,994	(26,368)
Theft	182,522	7,441	82,020	20,659
Workmen Compensation	7,591	71,260	3,538	66,493
Total	14,113,308	15,875,827	11,620,786	13,125,734
Total	17,069,518	18,849,176	14,521,866	16,066,157

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 INSURANCE REVENUE AND NET EXPENSES FROM REINSURANCE CONTRACTS

6 (b) Ceding commission

The ceding commission of the Group and company can be analysed between the main classes of business as shown below:

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Short term	3,589,384	3,918,939	2,990,649	3,161,434
Long term	<u>898,812</u>	<u>778,778</u>	<u>884,336</u>	<u>768,609</u>
Total	<u>4,488,196</u>	<u>4,697,717</u>	<u>3,874,985</u>	<u>3,930,043</u>

6 (c) Net expenses from reinsurance contracts

Short Term

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Allocation of reinsurance premiums	(1,541,399)	(1,635,344)	(1,478,834)	(1,520,064)
Recoveries of incurred claims and other insurance service expenses	225,246	552,984	200,150	404,021
Adjustments to assets for incurred claims	(102,127)	280,465	(85,218)	327,445
Amortization of insurance acquisition cash flows	47,607	220,832	39,365	195,935
Effect of changes in non-performance risk of reinsurers	<u>454</u>	<u>1,692</u>	<u>382</u>	<u>(542)</u>
Total	<u>(1,370,221)</u>	<u>(579,371)</u>	<u>(1,324,155)</u>	<u>(593,205)</u>

Long Term

Allocation of reinsurance premiums	(179,640)	(157,799)	(151,990)	(133,587)
Recoveries of incurred claims and other insurance service expenses	76,413	12,317	76,413	12,317
Adjustments to assets for incurred claims	12,047	(12,320)	12,299	(12,525)
Amortization of insurance acquisition cash flows	107,348	29,434	97,252	20,963
Effect of changes in non-performance risk of reinsurers	<u>883</u>	<u>(679)</u>	<u>885</u>	<u>(675)</u>
Total	<u>17,051</u>	<u>(129,047)</u>	<u>34,859</u>	<u>(113,507)</u>
Grand Total	<u>(1,353,170)</u>	<u>(708,418)</u>	<u>(1,289,296)</u>	<u>(706,712)</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 INVESTMENT INCOME

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
(a) Interest Income – Calculated using effective interest method				
Interest on Government securities.	3,355,863	3,011,738	3,188,224	2,881,642
Interest on corporate bonds	6,929	5,924	6,929	5,924
Interest on deposits with financial institutions	1,125,510	1,420,586	837,160	1,214,716
Interest on commercial mortgages	36,446	37,739	36,446	37,739
Interest on staff mortgages and loans	17,636	25,770	16,963	24,955
	<u>4,542,384</u>	<u>4,501,757</u>	<u>4,085,722</u>	<u>4,164,976</u>
(b) Other Investment Income				
Rental income from investment properties	852,667	966,302	852,667	966,302
Dividends receivable on quoted equity instruments at FVTOCI	182,893	146,247	182,893	146,247
	<u>1,035,560</u>	<u>1,112,549</u>	<u>1,035,560</u>	<u>1,112,549</u>
Total investment income	<u>5,577,944</u>	<u>5,614,306</u>	<u>5,121,282</u>	<u>5,277,525</u>

8 OTHER INCOME

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
COMESA Yellow Card income	54,432	62,226	54,432	62,226
HQ Management Support Income	45,842	46,713	45,842	46,713
Miscellaneous income	36,276	4,577	36,276	4,577
	<u>136,550</u>	<u>113,516</u>	<u>136,550</u>	<u>113,516</u>

9 INSURANCE SERVICE EXPENSES AND NET FINANCE EXPENSES FROM INSURANCE CONTRACTS

(a) Insurance service expense

Short Term

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Claims and benefits	9,322,000	9,775,017	8,099,098	8,130,717
Changes to Liability for Incurred Claims	(906,223)	(1,818,558)	(755,383)	(2,315,242)
Losses on onerous insurance contracts	56,301	(45,801)	48,323	(42,472)
Amortization of insurance acquisition cashflows	438,716	768,578	374,774	694,547
Total	<u>8,910,794</u>	<u>8,679,237</u>	<u>7,766,812</u>	<u>6,467,551</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. INSURANCE SERVICE EXPENSES AND NET FINANCE EXPENSES FROM INSURANCE CONTRACTS
(Continued)

(a) Insurance service expense (Continued)

Long Term

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Claims and benefits	2,044,963	1,507,969	2,042,809	1,507,939
Changes to Liability for Incurred Claims	159,576	292,042	159,597	284,197
Losses on onerous insurance contracts	4,301	(18,657)	4,301	(18,658)
Amortization of insurance acquisition cashflows	58	33,360	-	33,318
Total	2,208,898	1,814,714	2,206,707	1,806,796
Grand total	11,119,692	10,493,951	9,973,520	8,274,347

(b) Net finance income/(expenses) from insurance contracts

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Long-term business				
Group life	(120,995)	86,594	(118,055)	82,835
Ordinary life	1,792	(229)	143	(509)
Total	(119,203)	86,365	(117,912)	82,326
Short-term business				
Agriculture	5,389	(516,465)	5,058	(516,619)
Aviation	1,314	(1,801)	1,265	(1,724)
Engineering	(92,484)	(68,337)	(94,323)	(67,408)
Fire Domestic	(1,985)	4,422	(1,989)	4,631
Fire Industrial	(61,109)	131,007	(72,245)	139,237
Liability	(14,748)	21,898	(12,197)	23,810
Marine	(25,375)	(15,589)	(24,951)	(14,553)
Medical	36,280	(53,555)	19,275	(53,845)
Miscellaneous	76,039	2,066	65,615	3,604
Motor Commercial	(28,848)	(198,029)	(28,786)	(199,478)
Motor Private	(17,847)	(6,370)	(19,112)	(1,408)
Personal Accident	(1,771)	(16,375)	(2,197)	(16,524)
Theft	(4,941)	(14,079)	(5,388)	(12,984)
Workmen Compensation	(2,753)	7,770	(2,806)	8,005
Total	(132,839)	(723,437)	(172,781)	(705,256)
Grand total	(252,042)	(637,072)	(290,693)	(622,930)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. INSURANCE SERVICE EXPENSES AND NET FINANCE EXPENSES FROM INSURANCE CONTRACTS
(Continued)

(c) Net finance (expense)/income from reinsurance contracts

	GROUP		COMPANY	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
Long-term business				
Group life	2,374	234	2,303	318
Ordinary life	-	154	-	154
Total	2,374	388	2,303	472
Short-term business				
Agriculture	-	572	-	566
Aviation	(49)	(51)	(49)	(62)
Engineering	13,415	(30,429)	13,777	(30,242)
Fire Domestic	-	234	-	142
Fire Industrial	13,580	(48,499)	13,869	(47,652)
Liability	(8)	9	-	-
Marine	642	(2,369)	642	(2,369)
Medical	1,019	634	-	-
Miscellaneous	(1,317)	(986)	(1,316)	(988)
Motor Commercial	-	-	-	-
Motor Private	-	56	-	54
Personal Accident	167	1,268	167	1,258
Theft	-	19	-	17
Workmen Compensation	-	25	-	24
Total	27,449	(79,519)	27,090	(79,252)
Grand total	29,823	(79,131)	29,393	(78,780)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 OPERATING AND OTHER EXPENSES

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Staff costs	1,038,904	944,190	890,461	792,925
Depreciation (note 15)	30,258	33,627	20,890	20,522
Amortisation (note 19)	6,020	18,100	6,020	18,100
Auditors' remuneration	48,661	49,174	22,883	18,576
Directors' – emoluments	67,470	49,147	19,175	14,718
Directors' – fees	18,358	20,577	9,600	9,600
Directors' – training	6,755	10,363	1,212	1,196
Rent provisions	14,930	22,629	14,930	22,629
Annual General Meeting expenses	10,616	16,254	10,616	16,254
Investment property direct operating expenses	230,387	213,098	230,387	213,098
Travel and accommodation	241,955	100,840	199,112	68,175
Advertisement	11,343	12,315	11,063	11,962
Professional and consultancy fees	87,737	112,943	74,543	104,562
Rent and rates	12,152	10,090	12,152	10,090
Hardware and software maintenance	116,042	92,157	115,943	92,035
Donations, sponsorship and CSR activities	20,226	6,768	21,813	6,750
Utilities	-	-	-	-
Bank charges	20,645	19,359	12,132	12,394
Impairment of receivables	-	-	-	-
Taxation expenses in subsidiaries	6,670	9,561	-	-
Provision for un-reconciled inventory	-	3,571	-	3,571
Other expenses*	506,352	416,304	372,937	307,683
Attributed expenses	(701,983)	(796,411)	(611,898)	(638,085)
	1,793,498	1,364,656	1,433,972	1,106,755
**Impairment (gains)/losses on financial assets	(143,287)	217,229	(144,794)	218,120
Operating expenses	1,650,211	1,581,885	1,289,178	1,324,875
Staff costs consist:				
Salaries and wages	623,804	580,432	522,037	488,765
Retirement benefit costs (note 30)	1,382	(1,960)	1,382	(1,960)
Medical expenses	62,300	58,693	56,275	50,649
Leave allowance	43,486	41,423	35,376	36,452
National social security benefit costs	12,262	7,782	8,734	4,248
Gratuity accrual	15,615	11,478	4,552.00	-
Bonus	130,860	120,289	124,888	108,496
Housing levy	7,313	5,857	7,313	5,857
Staff welfare expenses	59,006	35,710	51,997	27,081
Training and recruitment	40,785	33,401	39,638	31,702
Leave pay provision	1,705	3,732	1,232	1,720
Pension contributions to defined contribution scheme	40,386	47,353	37,037	39,915
	1,038,904	944,190	890,461	792,925

Other expenses*- Included here are Corporate and other sundry expenses rating fees and legal expenses.

** Impairment of losses on financial assets relates to ECL on government securities, corporate bonds, cash at bank and deposit with financial institutions.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 TAXATION

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
(a) Income tax expense				
Current tax on the taxable profit for the year	689,114	1,912,908	482,948	1,823,653
	<u>689,114</u>	<u>1,912,908</u>	<u>482,948</u>	<u>1,823,653</u>
Deferred tax charge/ (credit) (note 29)	283,048	(618,302)	283,048	(618,302)
Deferred tax credit (note 29)	(70,560)	(83,585)	-	-
	<u>901,602</u>	<u>1,211,021</u>	<u>765,996</u>	<u>1,205,351</u>

The Group's current tax charge is computed in accordance with income tax rules applicable to composite insurance and reinsurance companies. A reconciliation of the tax charge is shown below:

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
(b) Profit before tax	4,825,195	5,648,173	4,084,820	5,743,196
Tax calculated at the statutory income tax rate of 30% (2024: 30%)	1,447,559	1,694,452	1,225,446	1,722,959
Tax effects of non-taxable income	(736,004)	(755,900)	(692,751)	(790,077)
Tax effect of non-deductible expenses	190,047	272,469	233,301	272,469
	<u>901,602</u>	<u>1,211,021</u>	<u>765,996</u>	<u>1,205,351</u>
Attributable to:				
Long term business	283,048	(618,302)	283,048	(618,302)
Short term business	618,554	1,829,323	482,948	1,823,653
	<u>901,602</u>	<u>1,211,021</u>	<u>765,996</u>	<u>1,205,351</u>
(c) Income tax payable				
At 1 January-	-	772,624	(273,902)	382,085
Charge for the year	-	1,912,908	482,948	1,823,653
Paid in the year	-	(2,655,723)	(2,209,225)	(2,479,641)
Translation differences	-	(29,809)	-	-
	<u>-</u>	<u>-</u>	<u>(2,000,179)</u>	<u>(273,902)</u>
Income tax recoverable				
At 1 January	166,719	61,778		
Tax charge	(689,114)	-		
Paid in the year	2,411,144	104,941		
Translation differences	10,627	-		
	<u>1,899,376</u>	<u>166,719</u>		

*Non taxable income include life business profit (taxed separately, share of profit from associate and revaluation gain on offshore bonds.

*Non deductible expenses include expenses disallowed as per income tax act.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Profit attributable to shareholders	3,923,593	4,437,152	3,318,824	4,537,845
Weighted average number of ordinary shares in issue	<u>5,599,592</u>	<u>5,599,592</u>	<u>5,599,592</u>	<u>5,599,592</u>
Basic and diluted earnings per share	<u>0.70</u>	<u>0.79</u>	<u>0.59</u>	<u>0.81</u>
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January	5,599,592	2,799,796	5,599,592	2,799,796
Effect of bonus issue in August 2024	<u>-</u>	<u>2,799,796</u>	<u>-</u>	<u>2,799,796</u>
Weighted average number of shares during the year	<u>5,599,592</u>	<u>5,599,592</u>	<u>5,599,592</u>	<u>5,599,592</u>

13. SHARE CAPITAL

	2025 KShs '000	2024 KShs '000
(i) Authorized: share capital (2024 -6,400,000,000 ordinary shares of KShs 2.50 each)		
	Number of shares	
(ii) Issued and fully paid	<u>5,599,592,544</u>	<u>13,998,982</u>

14. RESERVES

Retained earnings

The retained earnings balance represents the amounts available for distribution to the shareholders of the Group, except for cumulative fair value gains on the Group's investment properties amounting to KShs 8,713,099,738 (2024: KShs 8,407,276,087) whose distribution is subject to restrictions imposed by legislation.

Revaluation reserve

The revaluation reserve relates to property and equipment of the foreign associate which carries property and equipment at the revalued amount. Although the groups policy is to measure property and equipment at cost, the revaluation reserve of the foreign associate is immaterial for group purposes and has thus not been adjusted to reflect the cost model. The reserve is non-distributable.

The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

Fair value reserve

The fair value reserve include cumulative changes in the fair value of financial instruments at fair value through OCI until the investment is derecognised. Movements in the fair value reserve are shown in the statement of changes in equity.

Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in ZEP RE, an associate company accounted for under the equity method and cumulative foreign exchange movement on the subsidiaries. Movements in the translation reserve are shown in the statement of changes in equity.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROPERTY AND EQUIPMENT

GROUP	Motor Vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
31 December 2025				
COST				
At 1 January 2025	51,239	249,691	192,714	493,645
Additions	-	13,747	7,433	21,180
Effect of movements in exchange rates	<u>3,087</u>	<u>2,063</u>	<u>4,599</u>	<u>9,749</u>
At 31 December 2025	<u>54,326</u>	<u>265,501</u>	<u>204,746</u>	<u>524,574</u>
ACCUMULATED DEPRECIATION				
At 1 January 2025	51,239	222,557	138,066	411,861
Charge for the year	-	19,007	11,251	30,258
Effect of movements in exchange rates	<u>3,034</u>	<u>1,685</u>	<u>2,924</u>	<u>7,642</u>
At 31 December 2025	<u>54,272</u>	<u>243,249</u>	<u>152,241</u>	<u>449,762</u>
CARRYING VALUE				
At 31 December 2025	<u>54</u>	<u>22,252</u>	<u>52,506</u>	<u>74,812</u>
31-December-2024				
COST				
At 1 January 2024	58,790	248,606	203,509	510,905
Additions	-	4,912	446	5,358
Effect of movements in exchange rates	<u>(7,551)</u>	<u>(3,827)</u>	<u>(11,241)</u>	<u>(22,618)</u>
At 31 December 2024	<u>51,239</u>	<u>249,691</u>	<u>192,714</u>	<u>493,645</u>
ACCUMULATED DEPRECIATION				
At 1 January 2024	56,032	205,142	127,892	389,066
Charge for the year	2,368	20,313	10,946	33,627
Effect of movements in exchange rates	<u>(7,161)</u>	<u>(2,897)</u>	<u>(773)</u>	<u>(10,832)</u>
At 31 December 2024	<u>51,239</u>	<u>222,557</u>	<u>138,066</u>	<u>411,861</u>
CARRYING VALUE				
At 31 December 2024	<u>-</u>	<u>29,169</u>	<u>52,615</u>	<u>81,784</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROPERTY AND EQUIPMENT (Continued)

COMPANY	Motor Vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
31 December 2025				
COST				
At 1 January 2025	22,803	237,020	119,966	379,789
Additions	-	12,702	6,329	19,031
At 31 December 2025	22,803	249,722	126,295	398,820
ACCUMULATED DEPRECIATION				
At 1 January 2025	22,803	210,543	112,357	345,702
Charge for the year	-	17,785	3,105	20,890
31 December 2025	22,803	228,328	115,460	366,591
CARRYING VALUE				
At 31 December 2025	-	21,394	10,835	32,229
COMPANY				
31 December 2024				
COST				
At 1 January 2024	22,803	233,704	119,705	376,212
Additions	-	3,316	261	3,577
At 31 December 2024	22,803	237,020	119,966	379,789
ACCUMULATED DEPRECIATION				
At 1 January 2024	22,803	192,656	109,720	325,179
Charge for the year	-	17,886	2,636	20,522
31 December 2024	22,803	210,543	112,357	345,702
CARRYING VALUE				
At 31 December 2024	-	26,477	7,610	34,087

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Reinsurance Plaza Nairobi L.R. No. 209/8770 Kshs '000'	Reinsurance Plaza Kisumu- Kisumu Municipality/ Block 7/378 Kshs '000'	Anniversary Towers Nairobi -LR No. 209/9744 Kshs '000'	Kenya Re Towers Nairobi- LR No. 209/11260 Kshs '000'	Upper Hill Plot -L.R. No.209/12922 Kshs '000'	JKIA Plot- LR No. 9042/222 Kshs '000'	Mbagathi plot- L.R. no:209/11976 Kshs '000'	Total Kshs '000'
At 1 January	3,250,000	1,082,300	3,328,100	1,889,400	989,000	813,000	1,709,000	13,060,800
Additions	12,995	(139)	2,114	39,407	-	-	-	54,376
Fair value gains/losses	41,005	19,839	18,786	(7,807)	-	234,000	-	305,824
At 31 December 2025	3,304,000	1,102,000	3,349,000	1,921,000	989,000	1,047,000	1,709,000	13,420,999
2024								
At 1 January	3,134,000	1,054,000	3,245,000	1,829,500	985,000	780,000	1,675,000	12,702,500
Additions	7,225	4,752	-	3,302	10	-	-	15,289
Fair value gains	108,775	23,548	83,100	56,598	3,990	33,000	34,000	343,011
At 31 December 2024	3,250,000	1,082,300	3,328,100	1,889,400	989,000	813,000	1,709,000	13,060,800

i. The revalued properties consist of office properties situated in Nairobi and Kisumu held to earn rentals and/or capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.

a. The valuation of investment properties was carried out by Geoffrey Kiprotich Koros - P/No. ISK/CGS/ 202688667 of Legend Valuers Ltd, professional independent valuers as at 31 December 2025.

ii. Fair value of the properties was determined using the open market basis and depreciated cost replacement method. Open market basis means that valuations performed by the valuer are based on active market prices, adjusted for differences in the nature, location, or condition of the specific property.

iii. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss.

*The Company is the registered owner of Land LR No. 9042/222 within the precinct of Jomo Kenyatta International Airport (JKIA) valued at Kshs.1,047,000,000 as at 31 December 2025. However, the company has restricted access to the land as imposed by Kenya Airport Authority (KAA) mainly due to security reasons. The Company is entitled to transact with the land as it owns the title documents. The company only requires the approval of The National Treasury if they decide to sell the property. To develop the property, the Company requires the approval of the Kenya Airports Authority.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. INVESTMENT PROPERTIES – GROUP AND COMPANY (Continued)

Future minimum rentals receivable under non-cancellable operating leases

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings. These leases have terms of 6 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lease does not have an option to purchase the property at the expiry of the lease period.

The total actual rents recognised as income during the year is KShs 853 million (2024: KShs 966 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

Maturity analysis of operating lease payments

	2025 KShs'000	2024 KShs'000
Year 1	829,802	852,385
Year 2	863,856	883,945
Year 3	924,274	927,821
Year 4	1,000,515	980,798
Year 5	1,092,702	1,045,768
Year 6	1,194,079	1,107,096
	<u>5,905,228</u>	<u>5,797,813</u>

The following table presents the amounts reported in profit or loss:

	2025 KShs'000	2024 KShs'000
Lease Income on operating leases	<u>852,667</u>	<u>966,302</u>

17. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY

The group has a 20.20% (2024:19.70%) interest in ZEP-Re, a reinsurance company that underwrites all classes of life and non-life reinsurance risks. ZEP Re Limited is a private entity that is not listed on any public exchange. The Company was established on 23rd November 1990 in Mbabane, Swaziland through an Agreement of Heads of State and Governments. The current signatories to the Company's charter include Angola, Burundi, Comoros, D.R. Congo, Djibouti, Kenya, Eritrea, Ethiopia, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Somali, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe. The Group's interest in ZEP Re Limited is accounted for using the equity method in both separate and consolidated financial statements.

	2025 KShs '000	2024 KShs '000
At 1 January	9,161,534	10,407,449
Share of profit for the year	816,498	610,186
Less dividends received	<u>(416,775)</u>	<u>-</u>
	<u>9,561,258</u>	<u>11,017,635</u>
Share of revaluation reserve-net of tax	993	10,603
Share of fair value reserve-net of tax	269,209	99,963
Currency translation adjustment-net of tax	<u>157,655</u>	<u>(1,966,666)</u>
	<u>427,857</u>	<u>(1,856,101)</u>
Net carrying amount of the investment	<u>9,989,115</u>	<u>9,161,534</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENT IN ASSOCIATE – GROUP AND COMPANY (Continued)

Summary financial information for ZEP-Re

The presentation and functional currency for ZEP-Re is US Dollars. The following exchange rates have been applied in converting the balances to Kenya shillings:

	2025 KShs	2024 KShs
Closing rate	129.01	129.29
Average rate	<u>129.31</u>	<u>134.70</u>
Ownership	<u>20.20%</u>	<u>19.70%</u>
Summary financial information for ZEP-Re		
Current assets	19,099,221	16,914,472
Non- current assets	55,129,500	49,044,500
Current liabilities	(1,937,769)	(2,195,413)
Non- current liabilities	<u>(22,398,317)</u>	<u>(17,258,312)</u>
Equity	<u>49,892,635</u>	<u>46,505,247</u>
Group's share of net assets of associate	<u>10,078,313</u>	<u>9,161,534</u>
Total Income	43,351,926	40,164,238
Total expense	39,309,856	37,071,873
Profit	4,042,070	3,092,365
Other comprehensive income for the year	<u>1,337,633</u>	<u>560,337</u>
Total Comprehensive income	<u>5,379,703</u>	<u>3,652,702</u>
Group's share of profit for the year	<u>816,498</u>	<u>610,186</u>

* The associate company is exempt from all forms of taxation.

18. INVESTMENT IN SUBSIDIARY – COMPANY

Details of the company's subsidiaries at the end of the reporting year are as follows:

	Country of incorporation	Proportion of ownership interest and voting power held at		Investment at cost:	
		2025	2024	2025 KShs '000	2024 KShs '000
Kenya Reinsurance Corporation Côte d'Ivoire	Ivory Coast	100%	100%	1,962,318	1,962,318
Kenya Reinsurance Corporation Zambia*	Zambia	100%	100%	498,534	214,872
Kenya Reinsurance Corporation Uganda Limited-SMC	Uganda	100%	100%	<u>584,208</u>	<u>584,208</u>
Initial investment				<u>3,045,060</u>	<u>2,761,398</u>

The primary business of the three subsidiaries is reinsurance.

*The head office injected additional capital to Zambia subsidiary of KSh 284 million.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INTANGIBLE ASSETS – GROUP AND COMPANY

	Intangible Assets KShs'000	Total KShs'000
31 December 2025		
COST		
At 1 January 2025	1,070,997	1,070,997
Additions	<u>36,023</u>	<u>36,023</u>
At 31 December 2025	<u>1,107,020</u>	<u>1,107,020</u>
AMORTISATION		
At 1 January 2025	1,024,717	1,024,717
Charge for the year	<u>6,020</u>	<u>6,020</u>
At 31 December 2025	<u>1,030,737</u>	<u>1,030,737</u>
NET CARRYING AMOUNT		
At 31 December 2025	<u>76,283</u>	<u>76,283</u>
31 December 2024		
COST		
At 1 January 2024	1,047,852	1,047,852
Additions	<u>23,145</u>	<u>23,145</u>
At 31 December 2024	1,070,997	1,070,997
AMORTISATION		
At 1 January 2024	1,006,617	1,006,617
Charge for the year	<u>18,100</u>	<u>18,100</u>
At 31 December 2024	1,024,717	1,024,717
NET CARRYING AMOUNT		
At 31 December 2024	<u>46,280</u>	<u>46,280</u>

20. MORTGAGE LOANS

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Staff mortgages	636,071	534,124	603,567	525,093
Commercial mortgages	<u>308,899</u>	<u>332,462</u>	<u>308,899</u>	<u>332,462</u>
	<u>944,970</u>	<u>866,586</u>	<u>912,466</u>	<u>857,555</u>
Less: impairment provision ECL	<u>(38,527)</u>	<u>(42,027)</u>	<u>(38,527)</u>	<u>(42,027)</u>
	<u>906,443</u>	<u>824,558</u>	<u>873,939</u>	<u>815,527</u>
Maturity analysis:				
Within 1 year	36,847	24,743	36,847	24,743
Within 1 to 5 years	50,764	112,446	50,764	112,446
Over 5 years	<u>818,832</u>	<u>687,369</u>	<u>786,328</u>	<u>678,338</u>
	<u>906,443</u>	<u>824,558</u>	<u>873,939</u>	<u>815,527</u>
Impairment provision analysis:				
Balance brought forward	(42,027)	(36,511)	(42,027)	(36,511)
Impairment provision	<u>3,500</u>	<u>(5,516)</u>	<u>3,500</u>	<u>(5,516)</u>
Balance carried forward	<u>(38,527)</u>	<u>(42,027)</u>	<u>(38,527)</u>	<u>(42,027)</u>

The weighted average effective interest rate on the mortgages was 7.48% (2024 – 7.18%). Mortgage loans are fully secured.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. UNQUOTED EQUITY INSTRUMENTS

		GROUP		COMPANY	
		2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
At 1 January		603,113	355,505	603,113	355,505
Additions		209,468	12,284	209,468	12,284
Fair value gain		<u>122,131</u>	<u>235,324</u>	<u>122,131</u>	<u>235,324</u>
At 31 December		<u>934,712</u>	<u>603,113</u>	<u>934,712</u>	<u>603,113</u>
	Shareholding				
Family bank	1%	252,000	-	252,000	-
Africa Reinsurance Limited	0.23%	235,226	186,956	235,226	186,956
African Trade Insurance Agency (ATIA)	0.26%	257,912	228,290	257,912	228,290
Uganda Reinsurance Company Limited (Uganda Re)	10.90%	<u>189,574</u>	<u>187,867</u>	<u>189,574</u>	<u>187,867</u>
		<u>934,712</u>	<u>603,113</u>	<u>934,712</u>	<u>603,113</u>

The above unquoted instruments relate to investments in the financial markets, notably the banking and insurance sectors. The unquoted equities are not actively traded, and management does not intend to dispose them in the immediate future.

The fair value measurement of the above unquoted equity instruments has been disclosed at fair value through OCI.

22. QUOTED EQUITY INSTRUMENTS

GROUP and COMPANY	2025 KShs '000	2024 KShs '000
At 1 January	1,409,983	1,041,400
Fair value gain	669,524	368,583
Gain on sale of quoted equity	(17,815)	-
Disposals	<u>(6,391)</u>	<u>-</u>
At 31 December	<u>2,055,301</u>	<u>1,409,983</u>

23. CORPORATE BONDS HELD TO MATURITY

		GROUP		COMPANY	
		2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
At 1 January		44,820	44,747	44,820	44,747
Purchases during the year		181,910	-	181,910	-
Interest received		(5,876)	(5,875)	(5,876)	(5,875)
Interest earned		6,929	5,924	6,929	5,924
Opening ECL Impairment		557	581	557	581
Closing ECL Impairment		<u>(2,745)</u>	<u>(557)</u>	<u>(2,745)</u>	<u>(557)</u>
		<u>225,595</u>	<u>44,820</u>	<u>225,595</u>	<u>44,820</u>
Made up as below:	Maturity				
Safaricom Ltd	11-Dec-2030	181,910	-	181,910	-
Family Bank Limited	18-Dec-2026	<u>225,595</u>	<u>44,820</u>	<u>43,685</u>	<u>44,820</u>
		<u>225,595</u>	<u>44,820</u>	<u>225,595</u>	<u>44,820</u>

The average effective interest rate on the corporate bonds at 31 December 2025 was 11.70% (2024: 13 %).

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. (a) GOVERNMENT SECURITIES – GROUP AND COMPANY

FVOCI	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
At 1 January	1,297,604	1,155,352	1,297,604	1,155,352
Maturities during the year	-	-	-	-
Fair value gain on government securities at FVTOCI	63,973	152,225	63,973	152,225
Interest received	(166,824)	(166,824)	(166,824)	(166,824)
Interest earned	166,824	166,824	166,824	166,824
Opening ECL Impairment	12,864	2,891	12,864	2,891
Closing ECL Impairment	(3,233)	(12,864)	(3,233)	(12,864)
	<u>1,371,208</u>	<u>1,297,604</u>	<u>1,371,208</u>	<u>1,297,604</u>
Maturing:				
Within 3 months		-		-
Within 4 to 12 months		-		-
Within 1 to 5 years	219,753	209,610	219,753	209,610
Over 5 years	1,151,455	1,087,994	1,151,455	1,087,994
At 31 December	<u>1,371,208</u>	<u>1,297,604</u>	<u>1,371,208</u>	<u>1,297,604</u>
AMORTISED COST				
At 1 January	23,942,835	19,893,748	23,112,753	19,075,084
Purchases during the year	4,107,279	5,825,609	3,197,410	5,411,135
Maturities during the year	(3,158,138)	(1,580,353)	(2,831,859)	(1,312,200)
Amortisation of discount/premium on bonds	(1,858)	(209,421)	(1,858)	(209,421)
Interest received	(3,135,142)	(2,515,702)	(2,988,656)	(2,401,749)
Interest earned	3,194,436	2,838,770	3,021,400	2,714,818
Opening ECL Impairment	210,184	45,421	209,041	44,127
Closing ECL Impairment	(57,816)	(210,185)	(54,945)	(209,041)
Translation differences	37,507	(145,052)	-	-
	<u>25,139,287</u>	<u>23,942,835</u>	<u>23,663,286</u>	<u>23,112,753</u>
Maturing:				
Within 3 months	117,447	99,528		-
Within 4 to 12 months	415,202	2,971,703	119,934	2,742,810
Within 1 to 5 years	12,405,433	10,844,628	12,191,431	10,682,832
Over 5 years	12,201,205	10,026,976	11,351,921	9,687,111
At 31 December	<u>25,139,287</u>	<u>23,942,835</u>	<u>23,663,286</u>	<u>23,112,753</u>
Total	<u>26,510,495</u>	<u>25,240,439</u>	<u>25,034,494</u>	<u>24,410,357</u>

Treasury bonds amounting to Kshs 4,493,700,000 (2024 – KShs 4,493,700,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 12.99% (2024 – 12.95%). The amortised cost and FVOCI were combined previously, but has been split in these financial statements to comply with IFRS 7 disclosures

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 (b) EQUITY AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The breakdown of equity and debt instruments measured at FVOCI is, as follows.

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Fair value.				
Unquoted equity instruments	934,712	603,113	934,712	603,113
Quoted equity instruments	2,055,301	1,409,983	2,055,301	1,409,983
Government debt instruments	<u>1,371,208</u>	<u>1,297,604</u>	<u>1,371,208</u>	<u>1,297,604</u>
Total equity and debt instruments at FVOCI	<u>4,361,221</u>	<u>3,310,700</u>	<u>4,361,221</u>	<u>3,310,700</u>

24 (c) DEBT INSTRUMENTS AT AMORTISED COST

The breakdown of debt instruments measured at amortised cost is as follows.

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Debt instruments at amortised cost				
Government debt instruments	25,139,284	23,942,835	23,663,286	23,112,753
Corporate Bond	<u>225,595</u>	<u>44,820</u>	<u>225,595</u>	<u>44,820</u>
Total debt instruments at amortised cost	<u>25,364,879</u>	<u>23,987,655</u>	<u>23,888,881</u>	<u>23,157,573</u>

Maturing:

25. INVENTORY

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
As 31 December	<u>26,205</u>	<u>18,529</u>	<u>19,911</u>	<u>12,953</u>

26. OTHER RECEIVABLES

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Staff advances	87,705	58,358	72,909	45,937
Prepayments	77,394	47,539	61,455	38,581
Gross rental receivables	380,954	366,193	380,954	366,193
Dividend's receivable	5,764	4,769	5,764	4,769
Receivable from KURA*	300,150	300,150	300,150	300,150
Impairment of KURA	(127,459)	(96,907)	(127,459)	(96,907)
IDB asset**	21,278	21,278	21,278	21,278
Impairment of IDB	(9,036)	(6,870)	(9,036)	(6,870)
Other receivables	197,582	149,963	184,909	144,262
Rental receivables provisions	<u>(380,954)</u>	<u>(366,193)</u>	<u>(380,954)</u>	<u>(366,193)</u>
	<u>553,378</u>	<u>478,280</u>	<u>509,970</u>	<u>451,200</u>

* The balance from KURA (Kenya Urbans Roads Authority) of KShs 300,150,000 relates to the sale of a portion of Mbagathi land to KURA for a road construction.

** The balance from IDB (Industrial Development Bank) of KShs 21,277,500 relates to divesture from that investment.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. OTHER RECEIVABLES (Continued)

The movement in Rental receivables provisions is as below:

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
At 1 January	(366,193)	(343,564)	(366,193)	(343,564)
Additional provision	<u>(14,761)</u>	<u>(22,629)</u>	<u>(14,761)</u>	<u>(22,629)</u>
At 31 December	<u>(380,954)</u>	<u>(366,193)</u>	<u>(380,954)</u>	<u>(366,193)</u>

Other trade receivables are non-interest bearing and generally on terms of 30 to 120 days.

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Deposit with financial institutions	14,083,729	14,436,725	9,430,798	10,125,838
Expected credit losses.	<u>(86,818)</u>	<u>(115,796)</u>	<u>(46,143)</u>	<u>(78,110)</u>
	<u>13,996,911</u>	<u>14,320,929</u>	<u>9,384,655</u>	<u>10,047,728</u>

The weighted average effective interest rate on deposits with financial institutions was 7.9 % (2024– 9.11 %).

28. INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance contracts issued and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

GROUP

	2025			2024		
	Assets KShs '000	Liabilities KShs '000	Net KShs '000	Assets KShs '000	Liabilities KShs '000	Net KShs '000
Insurance contracts issued						
Long Term		2,060,409	2,060,409	-	2,849,770	2,849,770
Short Term	<u>-</u>	<u>11,891,777</u>	<u>11,891,777</u>	<u>-</u>	<u>10,926,867</u>	<u>10,926,867</u>
Total insurance contracts issued	<u>-</u>	<u>13,952,186</u>	<u>13,952,186</u>	<u>-</u>	<u>13,776,637</u>	<u>13,776,637</u>
Reinsurance contracts held						
Long Term	102,736	-	102,736	122,279	-	122,279
Short Term	<u>89,500</u>	<u>1,060,287</u>	<u>(970,787)</u>	<u>483,879</u>	<u>1,022,809</u>	<u>(538,930)</u>
Total reinsurance contracts held	<u>192,236</u>	<u>1,060,287</u>	<u>(868,051)</u>	<u>606,158</u>	<u>1,022,809</u>	<u>(416,651)</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY

	Assets KShs '000	2025 Liabilities KShs '000	Net KShs '000	Assets KShs '000	2024 Liabilities KShs '000	Net KShs '000
Insurance contracts issued						
Long Term	-	2,016,002	2,016,002	-	2,889,455	2,889,455
Short Term	-	10,170,994	10,170,994	-	9,053,305	9,053,305
Total insurance contracts issued	-	12,186,996	12,186,996	-	11,942,760	11,942,760
Reinsurance contracts held						
Long Term	102,499	-	102,499	121,877	-	121,877
Short Term	77,088	884,555	(807,467)	473,358	881,551	(408,193)
Total reinsurance contracts issued	179,587	884,555	(704,968)	595,235	881,551	(286,316)

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss.

For each segment, the Corporation presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Insurance contracts issued

Analysis by remaining coverage and incurred claims - Short Term Business 2025.

	Liabilities for remaining coverage			Liabilities for incurred claims	
	Excluding loss component KSh '000	Loss component KSh '000	Estimates of Present Value of Future Cash Flows KSh '000	Risk adjustment for non-financial risk KSh '000	Total KSh '000
Opening assets	(546,035)	103	298,214	19,099	(228,619)
Opening liabilities	(5,841,896)	135,128	15,169,761	1,692,493	11,155,486
Net opening balance	(6,387,931)	135,231	15,467,975	1,711,592	10,926,867
Changes in the statement of profit or loss and OCI					
Insurance revenue	(14,113,308)	-	-	-	(14,113,308)
Insurance service expense					
Incurred claims and other insurance service expense	-	-	9,322,000	-	9,322,000
Amortisation of insurance acquisition cash flows	438,716	-	-	-	438,716
Ceding commissions	3,589,384	-	-	-	3,589,384
Losses and reversals of losses on onerous contracts	-	56,301	-	-	56,301
Adjustments to liabilities for incurred claims	-	-	(803,303)	(102,920)	(906,223)
	4,028,100	56,301	8,518,697	(102,920)	12,500,178
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(10,085,208)	56,301	8,518,697	(102,920)	(1,613,130)
Net finance expenses from insurance contracts	-	-	132,839	-	132,839
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(10,085,208)	56,301	8,651,536	(102,920)	(1,480,291)
Cash flows					
Premiums received	14,151,919	-	-	-	14,151,919
Claims and other insurance service expenses paid, including investment components	-	-	(8,580,220)	-	(8,580,220)
Insurance acquisition cash flows	256,403	-	-	-	256,403
Ceding acquisition cashflows	3,589,384	-	-	-	3,589,384
Total cash flows	10,818,938	-	(8,580,220)	-	2,238,718
Transfer to other items in the statement of financial position	-	-	-	-	-
Translation differences	(194,755)	4,224	375,380	21,634	206,483
Net closing balance	(5,848,957)	195,756	15,914,671	1,630,306	11,891,777
Closing assets	(772,484)	-	244,449	17,430	(510,605)
Closing liabilities	(5,076,473)	195,756	15,670,222	1,612,876	12,402,381
Net closing balance	(5,848,957)	195,756	15,914,671	1,630,306	11,891,777

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Insurance contracts issued

Analysis by remaining coverage and incurred claims - Short Term Business 2024.

	Liabilities for remaining coverage		Liabilities for incurred claims		Total KShs '000
	Excluding loss component KShs '000	Loss component KShs '000	Estimates of Present Value of Future Cash Flows KShs '000	Risk adjustment for non-financial risk KShs '000	
Opening assets	(511,621)	-	200,404	11,766	(299,451)
Opening liabilities	(6,092,198)	189,070	15,475,679	2,493,707	12,066,258
Net opening balance	(6,603,819)	189,070	15,676,083	2,505,473	11,766,807
Changes in the statement of profit or loss and OCI					
Insurance revenue	(15,875,827)	-	-	-	(15,875,827)
Insurance service expense					
Incurred claims and other insurance service expense	-	-	9,775,017	-	9,775,017
Amortisation of insurance acquisition cash flows	768,578	-	-	-	768,578
Ceding commission	3,918,939	-	-	-	3,918,939
Losses and reversals of losses on onerous contracts	-	(45,801)	-	-	(45,801)
Adjustments to liabilities for incurred claims	-	-	(1,067,612)	(750,944)	(1,818,556)
	4,687,517	(45,801)	8,707,405	(750,944)	12,598,177
Investment components and premium refunds					
Insurance service result	(11,188,310)	(45,801)	8,707,405	(750,944)	(3,277,650)
Net finance expenses from insurance contracts	-	-	723,437	-	723,437
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(11,188,310)	(45,801)	9,430,842	(750,944)	(2,554,213)
Cash flows					
Premiums received	15,741,243	-	-	-	15,741,243
Claims and other insurance service expenses paid, including investment components	-	-	(8,985,117)	-	(8,985,117)
Insurance acquisition cash flows	(766,723)	-	-	-	(766,723)
Ceding acquisition cashflows	(3,909,483)	-	-	-	(3,909,483)
Total cash flows	11,065,037	-	(8,985,117)	-	2,079,920
Transfer to other items in the statement of financial position					
Translation differences	339,161	(8,038)	(653,833)	(42,937)	(365,647)
Net closing balance	(6,387,931)	135,231	15,467,975	1,711,592	10,926,867
Closing assets	(546,035)	103	298,214	19,099	(228,619)
Closing liabilities	(5,841,896)	135,128	15,169,761	1,692,493	11,155,486
Net closing balance	(6,387,931)	135,231	15,467,975	1,711,592	10,926,867

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Insurance contracts issued

Analysis by remaining coverage and incurred claims - Short Term Business – 2025.

	Liabilities for remaining coverage		Liabilities for incurred claims		Total KSh '000
	Excluding loss component	Loss component	Estimates of Present Value of Future Cash Flows	Risk adjustment for non-financial risk	
	KSh '000	KSh '000	KSh '000	KSh '000	
Opening assets	-	-	-	-	-
Opening liabilities	(5,063,602)	99,504	12,513,382	1,504,021	9,053,305
Net opening balance	(5,063,602)	99,504	12,513,382	1,504,021	9,053,305
Changes in the statement of profit or loss and OCI					
Insurance revenue	(11,620,786)	-	-	-	(11,620,786)
Insurance service expense					
Incurred claims and other insurance service expense	-	-	8,099,098	-	8,099,098
Amortisation of insurance acquisition cash flows	374,774	-	-	-	374,774
Ceding commissions	2,990,649	-	-	-	2,990,649
Losses and reversals of losses on onerous contracts	-	48,323	-	-	48,323
Adjustments to liabilities for incurred claims	-	-	(676,127)	(79,255)	(755,383)
	3,365,423	48,323	7,422,971	(79,255)	10,757,462
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(8,255,363)	48,323	7,422,971	(79,255)	(863,324)
Net finance expenses from insurance contracts	-	-	172,781	-	172,781
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(8,255,363)	48,323	7,595,752	(79,255)	(690,543)
Cash flows	-	-	-	-	-
Premiums received	12,017,082	-	-	-	12,017,082
Claims and other insurance service expenses paid, including investment components	-	-	(7,487,205)	-	(7,487,205)
Insurance acquisition cash flows	269,004	-	-	-	269,004
Ceding acquisition cashflows	(2,990,649)	-	-	-	(2,990,649)
Total cash flows	9,295,437	-	(7,487,205)	-	1,808,232
Transfer to other items in the statement of financial position	-	-	-	-	-
Translation differences	-	-	-	-	-
Net closing balance	(4,023,528)	147,827	12,621,929	1,424,766	10,170,994
Closing assets	-	-	-	-	-
Closing liabilities	(4,023,528)	147,827	12,621,929	1,424,766	10,170,994
Net closing balance	(4,023,528)	147,827	12,621,929	1,424,766	10,170,994

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Insurance contracts issued

Analysis by remaining coverage and incurred claims – Short Term Business – 2024

	Liabilities for remaining coverage		Liabilities for incurred claims		Total KShs '000
	Excluding loss component KShs '000	loss component KShs '000	Estimates of Present value of future cash flows KShs '000	Risk adjustment for non-financial risk KShs '000	
Opening assets	-	-	-	-	-
Opening liabilities	(5,102,931)	141,975	12,863,939	2,307,906	10,210,889
Net opening balance	(5,102,931)	141,975	12,863,939	2,307,906	10,210,889
Changes in the statement of profit or loss and OCI					
Insurance revenue	(13,125,734)	-	-	-	(13,125,734)
Insurance service expense					
Incurred claims and other insurance service expense	-	-	8,130,717	-	8,130,717
Amortisation of insurance acquisition cash flows	694,547	-	-	-	694,547
Ceding commissions	3,161,434	-	-	-	3,161,434
Losses and reversals of losses on onerous contracts	-	(42,472)	-	-	(42,472)
Adjustments to liabilities for incurred claims	-	-	(1,511,357)	(803,885)	(2,315,242)
	3,855,981	(42,472)	6,619,360	(803,885)	9,628,985
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(9,269,753)	(42,472)	6,619,360	(803,885)	(3,496,750)
Net finance expenses from insurance contracts	-	-	705,256	-	705,256
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(9,269,753)	(42,472)	7,324,616	(803,885)	(2,791,494)
Cash flows					
Premiums received	13,160,360	-	-	-	13,160,360
Claims and other insurance service expenses paid, including investment components	-	-	(7,675,172)	-	(7,675,172)
Insurance acquisition cash flows	(693,700)	-	-	-	(693,700)
Ceding acquisition cashflows	(3,157,578)	-	-	-	(3,157,578)
Total cash flows	9,309,082	-	(7,675,172)	-	1,633,910
Transfer to other items in the statement of financial position	-	-	-	-	-
Contracts derecognised on disposal of subsidiary	-	-	-	-	-
Net closing balance	(5,063,602)	99,504	12,513,382	1,504,021	9,053,305
Closing assets	-	-	-	-	-
Closing liabilities	(5,063,602)	99,504	12,513,382	1,504,021	9,053,305
Net closing balance	(5,063,602)	99,504	12,513,382	1,504,021	9,053,305

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Insurance contracts issued

Analysis by remaining coverage and incurred claims – Long Term Business – 2025

	Liabilities for remaining coverage			Liabilities for incurred claims	
	Excluding loss component	Loss component	Estimates of Present Value of Future Cash Flows	Risk adjustment for non-financial risk	Total
	KSh '000	KSh '000	KSh '000	KSh '000	KSh '000
Opening assets	-	-	-	-	-
Opening liabilities	185,148	101,034	2,261,449	302,139	2,849,770
Net opening balance	185,148	101,034	2,261,449	302,139	2,849,770
Changes in the statement of profit or loss and OCI					
Insurance revenue	(2,956,210)	-	-	-	(2,956,210)
Insurance service expense					
Incurred claims and other insurance service expense	-	-	2,044,963	-	2,044,963
Amortisation of insurance acquisition cash flows	58	-	-	-	58
Ceding commissions	898,812	-	-	-	898,812
Losses and reversals of losses on onerous contracts	-	4,301	-	-	4,301
Adjustments to liabilities for incurred claims	-	-	101,216	58,360	159,576
	898,870	4,301	2,146,179	58,360	3,107,710
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(2,057,340)	4,301	2,146,179	58,360	151,500
Net finance expenses from insurance contracts	-	-	119,203	-	119,203
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(2,057,340)	4,301	2,265,382	58,360	270,703
Cash flows	-	-	-	-	-
Premiums received	2,824,070	-	-	-	2,824,070
Claims and other insurance service expenses paid, including investment components	-	-	(2,728,618)	-	(2,728,618)
Insurance acquisition cash flows	(2,109,859)	-	-	-	(2,109,859)
Ceding acquisition cashflows	869,860	-	-	-	869,860
Total cash flows	1,584,070	-	(2,728,618)	-	(1,144,548)
Transfer to other items in the statement of financial position	-	-	-	-	-
Translation differences	22,518	-	54,147	7,818	84,483
Net closing balance	(265,603)	105,335	1,852,360	368,318	2,060,409
Closing assets	-	-	-	-	-
Closing liabilities	(265,603)	105,335	1,852,360	368,318	2,060,409
Net closing balance	(265,603)	105,335	1,852,360	368,318	2,060,409

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Insurance contracts issued

Analysis by remaining coverage and incurred claims – Long Term Business – 2024

	Liabilities for remaining coverage		Liabilities for incurred claims		Total KShs '000
	Excluding loss component KShs '000	Loss component KShs '000	Estimates of present value of future cash flows KShs '000	Risk adjustment for non-financial risk KShs '000	
Opening assets	-	-	-	-	-
Opening liabilities	(126,809)	119,692	2,028,819	235,634	2,257,336
Net opening balance	(126,809)	119,692	2,028,819	235,634	2,257,336
Changes in the statement of profit or loss and OCI					
Insurance revenue	(2,973,349)	-	-	-	(2,973,349)
Insurance service expense					
Incurred claims and other insurance service expense	-	-	1,507,969	-	1,507,969
Amortisation of insurance acquisition cash flows	33,360	-	-	-	33,360
Ceding commissions	778,778	-	-	-	778,778
Losses and reversals of losses on onerous contracts	-	(18,657)	-	-	(18,657)
Adjustments to liabilities for incurred claims	-	-	217,302	74,740	292,042
	812,138	(18,657)	1,725,271	74,740	2,593,492
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(2,161,211)	(18,657)	1,725,271	74,740	(379,857)
Net finance expenses from insurance contracts	-	-	(86,365)	-	(86,365)
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(2,161,211)	(18,657)	1,638,906	74,740	(466,222)
Cash flows					
Premiums received	3,261,940	-	-	-	3,261,940
Claims and other insurance service expenses paid, including investment components	-	-	(1,349,613)	-	(1,349,613)
Insurance acquisition cash flows	(31,319)	-	-	-	(31,319)
Ceding acquisition cashflows	(731,134)	-	-	-	(731,134)
Total cash flows	2,499,487	-	(1,349,613)	-	1,149,874
Transfer to other items in the statement of financial position					
Translation differences	(26,319)	-	(56,663)	(8,236)	(91,218)
Net closing balance	185,148	101,034	2,261,449	302,139	2,849,770
Closing assets	-	-	-	-	-
Closing liabilities	185,148	101,034	2,261,449	302,139	2,849,770
Net closing balance	185,148	101,034	2,261,449	302,139	2,849,770

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Insurance contracts issued

Analysis by remaining coverage and incurred claims – Long Term Business – 2025

	Liabilities for remaining coverage			Liabilities for incurred claims	
	Excluding loss component	Loss component	Estimates of Present Value of Future Cash Flows	Risk adjustment for non-financial risk	Total
	KSh '000	KSh '000	KSh '000	KSh '000	KSh '000
Opening assets	-	-	-	-	-
Opening liabilities	195,641	101,034	2,286,950	305,830	2,889,455
Net opening balance	195,641	101,034	2,286,950	305,830	2,889,455
Changes in the statement of profit or loss and OCI					
Insurance revenue	(2,901,080)	-	-	-	(2,901,080)
Insurance service expense	-	-	-	-	-
Incurred claims and other insurance service expense	-	-	2,042,809	-	2,042,809
Amortisation of insurance acquisition cash flows	-	-	-	-	-
Ceding commissions	884,336	-	-	-	884,336
Losses and reversals of losses on onerous contracts	-	4,301	-	-	4,301
Adjustments to liabilities for incurred claims	-	-	100,207	59,390	159,597
	884,336	4,301	2,143,016	59,390	3,091,043
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(2,016,744)	4,301	2,143,016	59,390	189,963
Net finance expenses from insurance contracts	-	-	117,912	-	117,912
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(2,016,744)	4,301	2,260,928	59,390	307,875
Cash flows	-	-	-	-	-
Premiums received	2,753,653	-	-	-	2,753,653
Claims and other insurance service expenses paid, including investment components	-	-	(2,720,270)	-	(2,720,270)
Insurance acquisition cash flows	(2,099,047)	-	-	-	(2,099,047)
Ceding acquisition cashflows	884,336	-	-	-	884,336
Total cash flows	1,538,942	-	(2,720,270)	-	(1,181,328)
Transfer to other items in the statement of financial position	-	-	-	-	-
Translation differences	-	-	-	-	-
Net closing balance	(282,161)	105,335	1,827,608	365,220	2,016,002
Closing assets	-	-	-	-	-
Closing liabilities	(282,161)	105,335	1,827,608	365,220	2,016,002
Net closing balance	(282,161)	105,335	1,827,608	365,220	2,016,002

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Insurance contracts issued

Analysis by remaining coverage and incurred claims – Long Term Business – 2024

	Liabilities for remaining coverage		Liabilities for incurred claims		Total KShs '000
	Excluding loss component KShs '000	Loss component KShs '000	Estimates of present value of future cash flows KShs '000	Risk adjustment for non-financial risk KShs '000	
Opening assets	-	-	-	-	-
Opening liabilities	(154,375)	119,692	2,006,488	232,203	2,204,008
Net opening balance	(154,375)	119,692	2,006,488	232,203	2,204,008
Changes in the statement of profit or loss and OCI					
Insurance revenue	(2,940,423)	-	-	-	(2,940,423)
Insurance service expense	-	-	-	-	-
Incurred claims and other insurance service expense	-	-	1,507,939	-	1,507,939
Amortisation of insurance acquisition cash flows	33,318	-	-	-	33,318
Ceding commissions	768,609	-	-	-	768,609
Losses and reversals of losses on onerous contracts	-	(18,658)	-	-	(18,658)
Adjustments to liabilities for incurred claims	-	-	210,570	73,627	284,197
	801,927	(18,658)	1,718,509	73,627	2,575,405
Investment components and premium refunds	-	-	-	-	-
Insurance service result	(2,138,496)	(18,658)	1,718,509	73,627	(365,018)
Net finance expenses from insurance contracts	-	-	(82,326)	-	(82,326)
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(2,138,496)	(18,658)	1,636,513	73,627	(447,344)
Cash flows					
Premiums received	3,238,582	-	-	-	3,238,582
Claims and other insurance service expenses paid, including investment components	-	-	(1,355,721)	-	(1,355,721)
Insurance acquisition cash flows	(31,163)	-	-	-	(31,163)
Ceding acquisition cashflows	(718,907)	-	-	-	(718,907)
Total cash flows	2,488,512	-	(1,355,721)	-	1,132,791
Transfer to other items in the statement of financial position					
Contracts derecognised on disposal of subsidiary	-	-	-	-	-
Net closing balance	195,641	101,034	2,286,950	305,830	2,889,455
Closing assets	-	-	-	-	-
Closing liabilities	195,641	101,034	2,286,950	305,830	2,889,455
Net closing balance	195,641	101,034	2,286,950	305,830	2,889,455

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Reinsurance contracts held

Analysis by remaining coverage and incurred claims – Short Term Business – 2025

	Assets for remaining coverage			Assets for incurred claims	
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	Total
	KSh '000	KSh '000	KSh '000	KSh '000	KSh '000
Opening assets	(10,346)	-	484,978	353	474,985
Opening liabilities	(1,493,337)	-	440,862	38,560	(1,013,915)
Net opening balance	(1,503,683)	-	925,840	38,913	(538,930)
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(1,541,399)	-	-	-	(1,541,399)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	225,246	-	225,246
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(92,726)	(9,401)	(102,127)
	(1,541,399)	-	132,520	(9,401)	(1,418,280)
Effect of changes in non-performance risk of reinsurers	-	-	454	-	454
Amortisation of insurance acquisition cash flows	47,607	-	-	-	47,607
Net expenses from reinsurance contracts	(1,493,792)	-	132,974	(9,401)	(1,370,221)
Net finance income from reinsurance contracts	-	-	27,449	-	27,449
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(1,493,792)	-	160,423	(9,401)	(1,342,772)
Cash flows					
Premiums paid	1,927,093	-	-	-	1,927,093
Other amount paid	-	-	-	-	-
Amounts received	(123,639)	-	(875,671)	-	(999,310)
Total cash flows	1,803,454	-	(875,671)	-	927,783
Transfer to other items in the statement of financial position	-	-	-	-	-
Contracts derecognised on disposal of subsidiary	-	-	-	-	-
Translation differences	(22,905)	-	5,449	587	(16,868)
Net closing balance	(1,216,926)	-	216,040	30,099	(970,787)
Closing assets	(52,600)	-	118,862	14,210	80,472
Closing liabilities	(1,164,326)	-	97,178	15,889	(1,051,259)
Net closing balance	(1,216,926)	-	216,040	30,099	(970,787)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Reinsurance contracts held

Analysis by remaining coverage and incurred claims - Short Term Business – 2024

	Assets for remaining coverage		Assets for incurred claims		Total KShs '000
	Excluding loss-recovery component KShs '000	Loss- recovery component KShs '000	Estimates of present value of future cash flows KShs '000	Risk adjustment for non- financial risk KShs '000	
Opening assets	(67,268)	-	709,844	20,767	663,343
Opening liabilities	(85,968)	-	2,543	350	(83,075)
Net opening balance	(153,236)	-	712,387	21,117	580,268
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(1,635,344)	-	-	-	(1,635,344)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	552,984	-	552,984
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	259,625	20,840	280,465
	(1,635,344)	-	812,609	20,840	(801,895)
Investment components and premium refunds	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	-	-	1,692	-	1,692
Amortisation of insurance acquisition cash flows	220,832	-	-	-	220,832
Net expenses from reinsurance contracts	(1,414,512)	-	814,301	20,840	(579,371)
Net finance income from reinsurance contracts	-	-	(79,519)	-	(79,519)
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(1,414,512)	-	734,782	20,840	(658,890)
Cash flows					
Premiums paid	350,036	-	-	-	1,516,299
Other amount paid	-	-	-	-	-
Amounts received	(302,799)	-	(499,150)	-	(1,968,212)
Total cash flows	47,237	-	(499,150)	-	(451,913)
Transfer to other items in the statement of financial position					
Translation differences	16,827	-	(22,177)	(3,044)	(8,395)
Net closing balance	(1,503,683)	-	925,840	38,913	(538,930)
Closing assets	(10,346)	-	484,978	353	474,985
Closing liabilities	(1,493,337)	-	440,862	38,560	(1,013,915)
Net closing balance	(1,503,683)	-	925,840	38,913	(538,930)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Reinsurance contracts held

Analysis by remaining coverage and incurred claims – Short Term Business – 2025

	Assets for remaining coverage			Assets for incurred claims	
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	KSh '000	KSh '000	KSh '000	KSh '000	KSh '000
Opening assets	(9,138)	-	482,495	-	473,359
Opening liabilities	(1,327,162)	-	410,703	34,908	(881,551)
Net opening balance	(1,336,300)	-	893,198	34,908	(408,193)
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(1,478,834)	-	-	-	(1,478,834)
Amounts recoverable from reinsurers	-	-	-	-	-
Recoveries of incurred claims and other insurance service expenses	-	-	200,150	-	200,150
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(77,793)	(7,425)	(85,218)
	(1,478,834)	-	122,357	(7,425)	(1,363,902)
Investment components and premium refunds	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	-	-	381	-	382
Amortisation of insurance acquisition cash flows	39,365	-	-	-	39,365
Net expenses from reinsurance contracts	(1,439,469)	-	122,738	(7,425)	(1,324,155)
Net finance income from reinsurance contracts	-	-	27,090	-	27,090
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(1,439,469)	-	149,828	(7,425)	(1,297,065)
Cash flows					
Premiums paid	1,843,092	-	-	-	1,843,092
Other amount paid	-	-	-	-	-
Amounts received	(95,025)	-	(850,274)	-	(945,299)
Total cash flows	1,748,067	-	(850,274)	-	897,793
Transfer to other items in the statement of financial position	-	-	-	-	-
Contracts derecognised on disposal of subsidiary	-	-	-	-	-
Net closing balance	(1,027,702)	-	192,752	27,483	(807,467)
Closing assets	(50,810)	-	114,388	13,511	77,091
Closing liabilities	(976,892)	-	78,364	13,972	(884,556)
Net closing balance	(1,027,702)	-	192,752	27,483	(807,467)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Reinsurance contracts held

Analysis by remaining coverage and incurred claims - Short Term Business – 2024

	Assets for remaining coverage		Assets for incurred claims		Total KShs '000
	Excluding loss-recovery component KShs '000	Loss- recovery component KShs '000	Estimates of present value of future cash flows KShs '000	Risk adjustment for non- financial risk KShs '000	
Opening assets	(70,164)	-	586,008	4,222	520,066
Opening liabilities	(59,382)	-	2,155	309	(56,918)
Net opening balance	(129,546)	-	588,163	4,531	463,148
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(1,520,064)	-	-	-	(1,520,064)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	404,021	-	404,021
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	297,068	30,377	327,445
	(1,520,064)		701,089	30,377	(788,598)
Effect of changes in non-performance risk of reinsurers	-	-	(542)	-	(542)
Amortisation of insurance acquisition cash flows	195,935	-	-	-	195,935
Net expenses from reinsurance contracts	(1,324,129)	-	700,547	30,377	(593,205)
Net finance income from reinsurance contracts	-	-	(79,252)	-	(79,252)
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(1,324,129)	-	621,295	30,377	(672,457)
Cash flows					
Premiums paid	236,364	-	-	-	1,402,627
Other amount paid	-	-	-	-	-
Amounts received	(118,989)	-	(316,260)	-	(1,601,512)
Total cash flows	117,375	-	(316,260)	-	(198,885)
Transfer to other items in the statement of financial position	-	-	-	-	-
Contracts derecognised on disposal of subsidiary	-	-	-	-	-
Net closing balance	(1,336,300)	-	893,198	34,908	(408,193)
Closing assets	(9,138)	-	482,495	-	473,359
Closing liabilities	(1,327,162)	-	410,703	34,908	(881,551)
Net closing balance	(1,336,300)	-	893,198	34,908	(408,193)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Reinsurance contracts held

Analysis by remaining coverage and incurred claims - Long Term – 2025

	Assets for remaining coverage			Assets for incurred claims	
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	KSh '000	KSh '000	KSh '000	KSh '000	KSh '000
Opening assets	57,585	-	56,664	8,030	122,279
Opening liabilities	-	-	-	-	-
Net opening balance	57,585	-	56,664	8,030	122,279
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(179,640)	-	-	-	(179,640)
Amounts recoverable from reinsurers	-	-	-	-	-
Recoveries of incurred claims and other insurance service expenses	-	-	76,413	-	76,413
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	9,208	2,839	12,047
	(179,640)	-	85,621	2,839	(91,180)
Investment components and premium refunds	-	-	-	-	-
Effect of changes in non-performance risk of reinsurers	-	-	883	-	883
Amortisation of insurance acquisition cash flows	107,348	-	-	-	107,348
Net expenses from reinsurance contracts	(72,292)	-	86,504	2,839	17,051
Net finance income from reinsurance contracts	-	-	2,374	-	2,374
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(72,292)	-	88,878	2,839	17,051
Cash flows					
Premiums paid	157,134	-	-	-	157,134
Other amount paid	-	-	-	-	-
Amounts received	(100,257)	-	(95,984)	-	(196,241)
Total cash flows	56,877	-	(95,984)	-	(39,107)
Transfer to other items in the statement of financial position	-	-	-	-	-
Contracts derecognised on disposal of subsidiary	-	-	-	-	-
Translation differences	90	-	42	9	141
Net closing balance	42,259	-	49,600	10,877	102,736
Closing assets	42,259	-	49,600	10,877	102,736
Closing liabilities	-	-	-	-	-
Net closing balance	42,259	-	49,600	10,877	102,736

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

GROUP – Reinsurance contracts held

Analysis by remaining coverage and incurred claims - Long Term – 2024

	Assets for remaining coverage		Assets for incurred claims		Total KShs '000
	Excluding loss- recovery component KShs '000	Loss- recovery component KShs '000	Estimates of present value of future cash flows KShs '000	Risk adjustment for non- financial risk KShs '000	
Opening assets	71,336	-	68,947	8,464	148,747
Opening liabilities	-	-	-	-	-
Net opening balance	71,336	-	68,947	8,464	148,747
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(157,799)	-	-	-	(157,799)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	12,317	-	12,317
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(11,901)	(419)	(12,320)
	(157,799)	-	416	(419)	(157,802)
Investment components and premium refunds					
Effect of changes in non-performance risk of reinsurers	-	-	(679)	-	(679)
Amortisation of insurance acquisition cash flows	29,434	-	-	-	29,434
Net expenses from reinsurance contracts	(128,365)	-	(263)	(419)	(129,047)
Net finance income from reinsurance contracts	-	-	388	-	388
Effect of movement in exchange rates	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(128,430)	-	125	(419)	(128,659)
Cash flows					
Premiums paid	172,797	-	-	-	172,797
Other amount paid	-	-	-	-	-
Amounts received	(58,189)	-	(12,317)	-	(70,506)
Total cash flows	114,608	-	(12,317)	-	102,291
Transfer to other items in the statement of financial position					
Translation differences	6	-	(91)	(15)	(100)
Net closing balance	57,585	-	56,664	8,030	122,279
Closing assets	57,585	-	56,664	8,030	122,279
Closing liabilities	-	-	-	-	-
Net closing balance	57,585	-	56,664	8,030	122,279

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Reinsurance contracts held

Analysis by remaining coverage and incurred claims - Long Term – 2025

	Assets for remaining coverage			Assets for incurred claims	
	Excluding loss-recovery component KSh '000	Loss-recovery component KSh '000	Estimates of present value of future cash flows KSh '000	Risk adjustment for non-financial risk KSh '000	Total KSh '000
Opening assets	57,625	-	56,298	7,953	121,877
Opening liabilities	-	-	-	-	-
Net opening balance	57,625	-	56,298	7,953	121,877
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(151,990)	-	-	-	(151,990)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	76,413	-	76,413
Recoveries and reversals of recoveries of losses on onerous contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	9,431	2,867	12,299
	(151,990)	-	85,844	2,867	(63,278)
Effect of changes in non-performance risk of reinsurers	-	-	885	-	885
Amortisation of insurance acquisition cash flows	97,252	-	-	-	97,252
Net expenses from reinsurance contracts	(54,738)	-	86,729	2,867	34,859
Net finance income from reinsurance contracts	-	-	2,303	-	2,303
Total changes in the statement of profit or loss and OCI	(54,738)	-	89,032	2,867	37,162
Cash flows					
Premiums paid	129,663	-	-	-	129,663
Amounts received	(90,218)	-	(95,984)	-	(186,202)
Total cash flows	39,445	-	(95,984)	-	(56,539)
Net closing balance	42,332	-	49,346	10,820	102,499
Closing assets	42,332	-	49,346	10,821	102,499
Closing liabilities	-	-	-	-	-
Net closing balance	42,332	-	49,346	10,821	102,499

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. INSURANCE AND REINSURANCE CONTRACTS (Continued)

COMPANY – Reinsurance contracts held

Analysis by remaining coverage and incurred claims - Long Term – 2024

	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component KShs '000	Loss-recovery component KShs '000	Estimates of present value of future cash flows KShs '000	Risk adjustment for non-financial risk KShs '000	Total KShs '000
Opening assets	71,363	-	68,571	8,409	148,343
Opening liabilities	-	-	-	-	-
Net opening balance	71,363	-	68,571	8,409	148,343
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(133,587)	-	-	-	(133,587)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	12,317	-	12,317
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(12,069)	(456)	(12,525)
	(133,587)	-	248	(456)	(133,795)
Investment components and premium refunds					
Effect of changes in non-performance risk of reinsurers	-	-	(675)	-	(675)
Amortisation of insurance acquisition cash flows	20,963	-	-	-	20,963
Net expenses from reinsurance contracts	(112,689)	-	(427)	(456)	(113,507)
Net finance income from reinsurance contracts	-	-	472	-	472
Total changes in the statement of profit or loss and OCI	(112,624)	-	45	(456)	(113,035)
Cash flows					
Premiums paid	147,837	-	-	-	147,837
Other amount paid	(48,951)	-	(12,317)	-	(61,268)
Total cash flows	98,886	-	(12,317)	-	86,569
Net closing balance	57,625	-	56,298	7,953	121,877
Closing assets	57,625	-	56,298	7,953	121,877
Closing liabilities	-	-	-	-	-
Net closing balance	57,625	-	56,298	7,953	121,877

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. DEFERRED TAX LIABILITY

i. Deferred tax liability

Deferred income taxes are calculated on all temporary differences using the enacted tax rate of 30%.

The net deferred tax liability is attributable to the following items:

GROUP and COMPANY	Group		Company	
	2025	2024	2025	2024
	KShs '000	KShs '000	KShs '000	KShs '000
Excess depreciation over capital allowances	(49,203)	(99,108)	(49,203)	(99,108)
Leave pay provision	(9,659)	(9,669)	(9,659)	(9,669)
KURA provision	(40,949)	(31,133)	(40,949)	(31,133)
unrealised exchange gain	-	-	-	-
Provision for bonus	(39,058)	(34,286)	(39,058)	(34,286)
Defined benefit liability	(36,927)	(36,513)	(36,927)	(36,513)
Gratuity	(6,101)	(4,735)	(6,101)	(4,735)
ECL provision	(41,898)	(95,151)	(41,898)	(95,151)
Provision for asset valuation	(10,500)	(9,000)	(10,500)	(9,000)
Inventory Provision	(1,190)	(1,190)	(1,190)	(1,190)
Other provisions	(547,612)	(370,894)	(547,612)	(370,894)
Unrealised exchange loss	(32,711)	(207,464)	(32,711)	(207,464)
Onerous losses provision	(44,348)	(29,851)	(44,348)	(29,851)
Bad debts provisions	(1,324,604)	(1,334,997)	(1,324,604)	(1,334,997)
	<u>(2,184,760)</u>	<u>(2,263,991)</u>	<u>(2,184,760)</u>	<u>(2,263,991)</u>
Life fund actuarial surplus	3,892,146	3,683,525	3,892,146	3,683,525
Prior year under provision	(4,804)	-	(4,804)	-
Net deferred tax liability	<u>1,702,582</u>	<u>1,419,534</u>	<u>1,702,582</u>	<u>1,419,534</u>

The movement on the deferred tax account during the year was as follows:

GROUP and COMPANY	Group		Company	
	2025	2024	2025	2024
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	1,419,534	2,037,836	1,419,534	2,037,836
Charge/(credit) for the year (note 11)	<u>283,048</u>	<u>(618,302)</u>	<u>283,048</u>	<u>(618,302)</u>
At 31 December	<u>1,702,582</u>	<u>1,419,534</u>	<u>1,702,582</u>	<u>1,419,534</u>

ii. Deferred tax asset

Deferred income taxes are calculated on all temporary differences using the enacted tax rate of 30%.

The net deferred tax asset is attributable to the following items:

GROUP	2025	2024
	KShs '000	KShs '000
Leave pay provision	396	20
Provision for Bonus	1,835	(1,008)
Unrealised exchange (gains)/loss	(386)	11,045
Bad debts provisions	18,278	8,799
Other provisions	<u>205,227</u>	<u>82,651</u>
Net deferred tax asset	<u>225,350</u>	<u>101,507</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. DEFERRED TAX LIABILITY (Continued)

ii. Deferred tax asset (Continued)

The movement on the deferred tax account during the year was as follows:

GROUP	2025 KShs '000	2024 KShs '000
At 1 January	101,507	33,918
Credit for the year.	70,560	83,585
Translation differences	<u>53,283</u>	<u>(15,996)</u>
At 31 December	<u>225,350</u>	<u>101,507</u>

30. RETIREMENT BENEFIT OBLIGATION – GROUP AND COMPANY

Defined Benefit Scheme

The Company operates a defined benefit pension plan (the "Fund") for some of its employees. The Company's defined benefit pension plan is a final salary plan for its employees, which requires contributions to be made to a separately administered fund.

The Fund is registered under irrevocable trust with the Retirement Benefits Authority, which requires final salary payments to be adjusted for the consumer price index upon payment during retirement. The Retirement Benefits Act, 1997 and the Regulations under the Act require the Fund to maintain a funding level of 100%. Where the funding level is below 100%, such deficits are required to be amortised over a period not exceeding 6 years.

The level of benefits provided depends on the member's length of service and salary at retirement age. Scheme members' contributions are a fixed percentage of pensionable pay with the Company responsible for the balance of the cost of benefits accruing.

The Fund is managed by a Board of Trustees. The Board of Trustees is responsible for the overall operation and investments of the Fund. The Board of Trustees decides the investment portfolio mix based on the results of this annual review. Generally, it aims to have a portfolio mix of a variety of asset classes comprising quoted equities, government securities, property, and shares.

The weighted average duration of the liability as at 31 December 2025 is 5.96 (2024: 6.4).

During the reading of the budget statement for 2017/2018 by the Cabinet Secretary, National Treasury, amendments to the Retirement Benefit Regulations now provide for an equal 50/50 sharing of surplus between members and the Fund sponsor upon wind up of a Fund.

Effective 30 September 2010, the Fund was closed to new entrants and to future accrual of benefits and a new defined contribution plan ("DC Plan") was established in respect of new entrants and existing in-service members who opted to join the new DC Plan. As part of the terms of closure of the Fund, active in-service members and pensioners (including deferred pensioners) were entitled to annual pension increases of 3% per annum. Further, for existing in-service members, members' pensionable salaries for the purpose of determining their retirement or earlier benefits will increase at the lower of the actual increase granted and 5% per annum.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. RETIREMENT BENEFIT OBLIGATION – GROUP AND COMPANY (Continued)

The major categories of plan assets of the fair value of the total plan assets are, as follows:

Asset Class	2025		2024	
	Amount KShs'000	Proportion %	Amount KShs'000	Proportion %
Quoted equity investments	146,999	12%	108,029	9.96%
Fixed deposits, commercial papers and government securities	896,142	73%	733,482	67.63%
Net current assets	5,453	0.4%	19,714	1.82%
Properties and other fixed assets	185,000	15%	223,254	20.59%
Total	1,233,594	100%	1,084,479	100%

Sensitivity of the Scheme

The scheme is more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In assessing sensitivity analysis of the scheme to the discount rate used, the duration of the liability was considered. The results of the sensitivity analysis are summarized in the table below:

	At 31 December 2025		At 31 December 2024	
	Current discount rate (11.50% per annum) KShs'000	Discount rate less (11.50% per annum) KShs'000	Current discount rate (14% per annum) KShs'000	Discount rate less (14% per annum) KShs'000
Present Value of Obligation	576,019	656,621	547,807	624,500

As the bulk of the benefits payable under the Fund are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liabilities would not be affected by a change in the salary escalation rate.

GROUP AND COMPANY

	2025 KShs '000	2024 KShs '000
The actuarial valuation results were as follows:		
Present value of funded obligations	(620,246)	(546,508)
IFRIC 14 Additional Liability	(516,443)	(477,433)
Fair value of scheme assets	1,233,594	1,084,479
Net (asset) in the statement of financial position	96,905	60,538
Movement in present value of funded obligation:		
As at 1 January	546,508	465,576
Current service costs	9,300	4,974
Administration costs		
Interest cost	72,207	72,070
Actuarial gain	63,002	66,435
Benefits payment	(70,771)	(62,547)
At 31 December	620,246	546,508

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. RETIREMENT BENEFIT OBLIGATION – GROUP AND COMPANY (Continued)

Sensitivity of the Scheme: (Continued)

	2025 KShs '000	2024 KShs '000
Movement in fair value of plan assets		
As at 1 January	1,084,479	941,487
Interest income on plan assets	146,884	150,185
Return on plan assets (excluding amount in interest income)	72,920	55,354
Benefits and expenses paid	(70,771)	(62,547)
Prior year adjustments	82	-
At 31 December	<u>1,233,594</u>	<u>1,084,479</u>
Movement in net assets		
As at 1 January	60,538	44,511
Net expense recognised in profit or loss	(1,382)	1,960
Company contributions		
Net charge recognised in other comprehensive income	<u>37,749</u>	<u>14,067</u>
At 31 December	<u>96,905</u>	<u>60,538</u>
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	9,300	4,974
Net interest on obligation and plan assets	<u>(7,918)</u>	<u>(6,934)</u>
Total included in "staff costs" in respect of scheme	<u>1,382</u>	<u>(1,960)</u>
Amount recognised in other comprehensive income:		
Actuarial (gains)/loss-Financial	(89,419)	(25,148)
Change in additional IFRIC 14 liability	(27,831)	(55,353)
Return on plan assets (excluding amount in interest income)	<u>72,920</u>	<u>66,434</u>
Total (credit) to other comprehensive income	<u>(44,330)</u>	<u>(14,067)</u>
Actuarial assumptions		
Discount rate (% p.a.)	11.5%	14%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%
Retirement age (years)	<u>60</u>	<u>60</u>

Defined contribution scheme

The Company also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2025, the Group contributed KShs 40,386,000 (2024 – KShs 47,353,000) to the defined contribution pension scheme and KShs 12,262,000 (2024 – KShs 7,782,000) for NSSF which has been charged to the statement of profit or loss. The Company contributed KShs 37,037,000 (2024 – KShs 35,915,000) to the defined contribution pension scheme and KShs 8,734,000 (2024 – KShs 4,248,000) to the NSSF.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. DUE TO/FROM RELATED PARTIES

The Group has various related parties, primarily by virtue of being shareholders and common directorships. The other related parties include the staff of the Group. The following transactions were carried out with related parties.

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
(a) Transactions and balances with directors and staff				
(i) Directors' remuneration				
Fees	18,358	20,347	9,600	9,600
Other emoluments	67,470	17,044	19,175	9,920
	<u>85,828</u>	<u>37,391</u>	<u>28,775</u>	<u>19,520</u>
(ii) Key management remuneration				
Salaries and other short-term benefits	159,734	134,175	159,734	134,175
Post-employment benefits	-	-	-	-
	<u>159,734</u>	<u>47,353</u>	<u>159,734</u>	<u>39,915</u>
(iii) Loans to staff	<u>660,288</u>	<u>534,124</u>	<u>627,784</u>	<u>525,093</u>

Interest income on these loans was KShs 25,759,000 (2024: KShs 29,902,000). The effective interest on the loans is 3 % (2024 – 5%). Staff mortgages and car loans are fully secured.

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
(b) Transaction with associate company, ZEP Re				
(i) Net premium written	38,660	4,007	38,660	4,007
(ii) Claims incurred	(5)	-	(5)	-
	<u>38,655</u>	<u>4,007</u>	<u>38,655</u>	<u>4,007</u>

(c) Outstanding balances with related parties:

	Relationship	COMPANY	
		2025 KShs '000	2024 KShs '000
Due from:			
Amount due from Kenya Reinsurance Corporation Cote d'Ivoire	Subsidiary	86,111	63,100
Amount due from Kenya Reinsurance Corporation Zambia	Subsidiary	49,057	37,140
Amount due from Kenya Reinsurance Corporation Uganda	Subsidiary	59,114	44,582
		<u>194,283</u>	<u>144,822</u>
Due to:			
Amount due to Kenya Reinsurance Corporation Cote d'Ivoire	Subsidiary	363,718	292,843

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Outstanding balances are current and payable on demand.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. OTHER PAYABLES

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Legal fees deposits	12,022	2,297	12,022	2,297
Rental deposits	179,956	178,654	179,956	178,654
Accrued leave pay	41,710	38,173	32,198	32,230
Accounts payable	247,226	279,767	180,316	221,264
Other creditors and accruals	494,465	422,743	422,541	352,254
	<u>975,379</u>	<u>921,634</u>	<u>827,033</u>	<u>786,699</u>

Other payables are non-interest bearing and have an average term of not more than 1 year.

33. (a) NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Profit before tax	4,825,195	5,648,173	4,084,820	5,743,196
Adjustment for:				
Depreciation (note 15)	30,258	33,627	20,890	20,522
Interest income	(4,542,384)	(4,824,876)	(4,085,722)	(4,164,976)
Impairment (gain)/loss on financial asset	(143,287)	217,229	(144,794)	218,120
Dividend income	(182,893)	(146,247)	(182,893)	(146,247)
Amortization of software (note 19)	6,020	18,101	6,020	18,100
Revaluation of bonds at fair value	1,858	209,421	1,858	209,421
Fair value gain on investment properties	(305,824)	(349,294)	(305,824)	(349,294)
Foreign exchange gains and losses, net	150,547	373,647	101,284	85,932
Share of profit of associate	(816,498)	(610,186)	(816,498)	(610,186)
Operating profit before working capital changes	(977,008)	569,595	(1,320,859)	1,024,588
Decrease in reinsurance contract assets	413,923	125,342	415,648	16,256
Increase/(decrease) in insurance contract liabilities	(175,549)	(247,506)	244,236	(472,137)
Increase/(decrease) in reinsurance contract liabilities	(37,483)	1,020,320	3,004	881,551
Increase in other payables	(53,746)	(44,606)	40,335	(13,900)
Increase in deposit with financial institutions	962,507	6,330,738	2,045,617	2,646,086
Increase in mortgage loans	(78,384)	41,398	(54,912)	34,502
Decrease in other receivables	(42,380)	(138,888)	(26,052)	(160,885)
Decrease in Inventories	(7,676)	(548)	(6,958)	(898)
Defined benefit asset	-	(1,960)	-	(1,960)
Movement in due from related party	-	-	(49,461)	(34,909)
Movement in due to related party	-	-	70,875	(44,410)
Purchase of government securities	(4,107,279)	(5,825,609)	(3,197,410)	(5,411,135)
Proceeds on maturity of government securities	3,158,138	1,580,353	2,831,859	1,312,200
Effect of exchange rate on foreign entities	(436,930)	(870,611)	-	-
Decrease in defined benefit liability	(1,382)	-	(1,382)	-
Net cash generated from (used in)/generated from operations	(1,383,249)	2,538,018	994,540	(225,051)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33(b) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Cash and bank balances	<u>1,020,600</u>	<u>587,098</u>	<u>476,441</u>	<u>173,762</u>

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

	GROUP		COMPANY	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Short term bank deposits	6,383,713	6,863,608	4,769,231	3,275,553
Cash and bank balances	<u>1,020,600</u>	<u>587,098</u>	<u>476,441</u>	<u>173,762</u>
	<u>7,404,313</u>	<u>7,450,706</u>	<u>5,245,672</u>	<u>3,449,315</u>

34. DIVIDENDS – GROUP AND COMPANY

The directors propose the payment of a first and final dividend of KShs 0.15 (2024 – KShs 0.15) per share totalling to KShs 840 million in respect of the year ended 31 December 2025 (2024 – KShs 840 million). The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

The cash dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

Dividends per share is summarised as follows:

	2025	2024
Proposed dividends per share:		
Dividends appropriations (KShs '000')	<u>839,939</u>	<u>839,939</u>
Number of shares at 31 December	<u>5,599,592,544</u>	<u>5,599,592,544</u>
Dividends per share	<u>0.15</u>	<u>0.15</u>
Dividends per share declared and paid:		
Dividends appropriations (KShs '000')	<u>839,939</u>	<u>839,939</u>
Number of shares at 31 December	<u>5,599,592,544</u>	<u>5,599,592,544</u>
Dividends per share	<u>0.15</u>	<u>0.15</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. PROPERTY UNDER DISPUTE – GROUP AND COMPANY

	2025 KShs '000	2024 KShs '000
Cost	936,077	936,077
Less: Impairment provision	<u>(936,077)</u>	<u>(936,077)</u>

The Inventory Property are listed below:

L.R. No. 27269 Ngong Road	350,000	350,000
Land LR No.12236 Kiambu Road	563,077	563,077
Land LR MN-1-9141- Shanzu Mombasa	<u>23,000</u>	<u>23,000</u>
	<u>936,077</u>	<u>936,077</u>

There was no movement in impairment provision for inventory. The impairment allowance mainly relates to inventory properties that are currently in dispute and are subject to ongoing court cases.

35. PROPERTY UNDER DISPUTE – GROUP AND COMPANY (Continued)

The Group and Company financial statements, the Company has made investments in land out of which four (4) parcels of land located in various places and towns, registered in the Company's name have their ownership to title disputed. The Company has fully provided for the parcels in dispute in financial statements. The ownership disputes are as outlined below:

a) L.R. No. 27269 Ngong Road

The Company invested Kshs.350, 000,000 in L.R. No. 27269 of approximately 59.87 hectares along Ngong Road which is a subject of dispute between the Company and Kenya Forest Service. The dispute of ownership of LR No.27269 is before the National Land Commission. The National Land Commission requested for the confirmed of boundaries from the Director of Surveys which have been forwarded to the Commission for verification. Although the Company has obtained confirmation from the Director of Survey that the Company's land is distinct from that of Kenya Forest Service, the matter remains unresolved until the National Land Commission adjudicate and give its verdict.

b) Land LR No.12236 Kiambu Road

The Company is the registered owner of land LR No. 12236 of approximately 99.5813 hectares along Kiambu Road valued at Kshs.563, 077,000. The Company is in dispute with one of the directors of the vendor of the land and the case is in court.

Land LR MN-1-9141- Shanzu Mombasa.

The Company is the registered owner of land LR MIN-1-9141 of approximately 17.3 hectares located at Shanzu Mombasa valued at Kshs.23, 000,000. The Company is in dispute with Kenya Prisons Department and the case is in court.

36. EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have a material impact on the financial statements for the Group or the Company which have not been adequately adjusted for.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. CONTINGENT LIABILITIES

The company identified contingent liabilities of KShs 30,361,162 arising from various ongoing court cases as at 31st December 2025. Due to the inherent uncertainties associated with the litigations, it is not currently possible to make a reasonable estimate of the likelihood of an unfavourable outcome in these cases.

39. INCORPORATION

The Company is incorporated and domiciled in Kenya under the Companies Act.

40. CURRENCY

The financial statements are presented in thousands of Kenya shillings (KShs '000).