

SBM BANK (KENYA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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Board of directors

Director's name	Nationality	Position	Date of appointment	Date of resignation/exit	Percentage of individual shareholding in the Bank as at 31 December 2025	Percentage of individual shareholding in the Bank as at 31 December 2025	Number of board meetings attended
Sattar Hajee Abdoula *	Mauritian	Non-Executive Director (Chairperson)	11-Nov-2020	24-Nov-2025	-	-	3/4
Shakilla Jhungeer *	Mauritian	Non-Executive Director (Chairperson)	26-Oct -2021	-	-	-	6/6
Bhartesh Shah	Kenyan	Executive Director/Chief Executive Officer	09-May-2024	-	-	-	6/6
Sharad Rao	Kenyan	Non-Executive Director	10-May-2017	5-Mar-2026	-	-	6/6
James McFie	Kenyan	Non-Executive Director	10-May-2017	-	-	-	6/6
Raoul Gufflet	Mauritian	Non-Executive Director	26-Nov-2021	-	-	-	6/6
Sharon Ramdenee	Mauritian	Non-Executive Director	23-Mar-2022	28-Nov-2025	-	-	2/6
Jack Ngare	Kenyan	Non-Executive Director	01-Jul-2025	-	-	-	2/2
Pramod Bissessur	Mauritian	Non-Executive Director	02-Dec-2025	-	-	-	-
Brenda Mbathi	Kenyan	Non-Executive Director	24-Nov-2025	-	-	-	-
Deborah Bubi	Kenyan	Non-Executive Director	09-Dec-2025	-	-	-	-

*Sattar Hajee Abdoula resigned from chairmanship on 1st January 2025 and in his place Shakilla Jhungeer was appointed to the chair on the same date.

Registered office and Head office

Riverside Mews Building
Riverside Drive
P.O. Box 34886 – 00100
Nairobi, Kenya

Principal shareholders as at 31 December 2025

SBM Africa Holdings Limited - 100%

Principal officers as at 31 December 2025

Bhartesh Shah	- Chief Executive Officer (CEO)
Shalla Aijaz	- Chief Operating Officer
Andrew Munyao	- Chief Finance Officer
Edgar Mwandawiro	- Chief Risk Officer

Company secretary

Winniefred Nyagoha Jumba (CPS No 1468) – Appointed on 31 January 2025
Certified Public Secretary
P.O. Box 10643 -00100
Nairobi, Kenya.

Legal advisors

Various. A list is available at the Company premises.

Principal valuers

Various. A list is available at the Company premises.

Principal correspondent banks

Standard Chartered Bank, China	-	China
Deutsche Bank, Frankfurt	-	Germany
Standard Chartered Bank, Frankfurt	-	Germany
SBM Bank, India	-	India
Standard Chartered Bank, Tokyo	-	Japan
Central Bank of Kenya	-	Kenya
SBM Bank (Mauritius) Limited	-	Mauritius
Rand Merchant Bank, South Africa	-	South Africa
Standard Bank of South Africa	-	South Africa
Stanbic Bank, Uganda	-	Uganda
Mashreq Bank, UAE	-	United Arab Emirates
Citibank, London	-	United Kingdom
Standard Chartered Bank, London	-	United Kingdom
Citibank, New York	-	United States of America
Deutsche Bank, New York	-	United States of America
Standard Chartered Bank, New York	-	United States of America

Auditor

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

Head Office and branch network

Head Office
Riverside Mews Building
Riverside Drive
P.O. Box 34886 - 00100,
Nairobi

Riverside Branch
Riverside Mews Building
Riverside Drive
P.O. Box 34886 - 00100,
Nairobi

City Centre Branch
Jubilee Insurance Exchange Building, Ground Floor
Kaunda Street
P.O. Box 34886- 00100,
Nairobi

Village Market Branch
Greenhills Investments Limited
Limuru Road
P.O. Box 300-621,
Nairobi

Hurlingham Branch
Landmark Plaza
Argwings Kodhek
42426-00100,
Nairobi

Corner House Branch
Corner House, Ground Floor
Kimathi Street
P.O. Box 34886 - 00100,
Nairobi

Thika Branch
Nelleon Plaza
Kenyatta Road
P.O. Box 14087-00800,
Thika

Nakuru Branch
Spikes Centre
Kenyatta Avenue
P.O. Box 932-20100,
Nakuru

Donholm Branch
Eastgate Plaza
Outering Road
P.O. Box 78765-00507,
Nairobi

Diani Branch
Baharini Plaza
Beach Road,
P.O. Box 5287-80401,
Diani

Kisumu Branch
Tuffoam Mall
Jomo Kenyatta Highway
P.O. Box 1983-40100,
Kisumu

Eldoret Branch
Utamaduni House
Kenyatta Street
P.O. Box 6007-30100,
Eldoret

Diamond Plaza Branch
Diamond Plaza
Masari Road
P.O. Box 49434-00100,
Nairobi

Windsor, Ridgeways Branch
Ridgeways Mall
Kiambu road
P.O. Box 45403-00100,
Nairobi

Branch network (continued)

Malindi Branch
Oasis Mall Plaza
Lamu Road
P.O. Box 1817-80200,
Malindi

Upperhill Branch
KMA Plaza
Chyulu Road/Mara Road
P.O. Box 48502-00100,
Nairobi

Strathmore Branch
Strathmore Research and Consultancy Centre,
Ole Sengale
P.O. Box 59857-00100,
Nairobi

Kisii Branch
Royal Tower
Hospital Road
P.O. Box 3200-40200,
Kisii

Nyali Branch
Nyali Centre
Links Road
P.O. Box 34363-80118,
Mombasa

SBM Elite Branch
ABC Place
Waiyaki Way
P.O. Box 40971-00100,
Nairobi

Sameer Park Branch
Sameer Business Park
Mombasa Road
P.O. Box 3365-00500,
Nairobi

Mombasa, Jubilee Arcade Branch
Ground Floor, Jubilee Arcade
Moi Avenue
P.O. Box 83580 - 80100,
Mombasa

Rongai Branch
Masaai Mall, Ongata Rongai
Magadi road
P.O. Box 78780-00507,
Nairobi

Machakos Branch
Kitanga House
Mbolu Malu Road
P.O. Box 1059,
Machakos

Kitale Branch
Mega Centre Mall
Makasembo Road
P.O. Box 2501-40100,
Kitale

River Road Branch
Shamsh Kassam Building
River Road
P.O. Box 72134-00400,
Nairobi

Mombasa, Nyerere Rd Branch
SBM Building
Nyerere Road
P.O. Box 9538-80100,
Mombasa

Industrial Area Branch
Dar-es-Salaam Road
Industrial Area
P.O. Box 18605-00500,
Nairobi

Branch network (continued)

Narok Branch
Ol Talet Mall
Narok
P.O. Box 89-20500,
Narok

Kericho Branch
Ratan Plaza
Kenyatta Road
P.O. Box 222-20240,
Kericho

Westlands Branch
Westlands Square
1st Floor, Ring Road Parklands
P.O. Box 66092-00800,
Nairobi

Kilimani Adlife Plaza Branch
Adlife Plaza
Ringroad Kilimani
P.O. Box 56129-00200,
Nairobi

Karen Branch
Watermark Business Park
Ndege Road - off Karen/Langata Road
P.O. Box 34886 - 00100,
Nairobi

Kilifi Branch
Baobab Plaza
Charo wa Mae Junction
P.O. Box 45169-00100,
Nairobi

Board committees

The Board committees as at the date of this report comprise:

Board Audit Committee	Board Credit Committee	Board Risk Management Committee	Remuneration and Nomination Committee	Board ICT Steering Committee	Board Strategy & Business Development Committee
COMPOSITION					
The Committee comprises three independent non-executive directors.	The Committee comprises three independent non-executive directors.	The Committee comprises two independent non-executive directors and two non-executive directors.	The Committee comprises three independent non-executive directors and one non-executive director.	The Committee comprises three independent non-executive directors, one non-executive director and one executive director.	The Committee comprises two independent non-executive director and two non-executive directors and one executive director.
The Committee meets to review the external auditor's plans and reports, Group internal audit reports and any proposals/reports that affect the Group's internal control environment and corporate risk management/exposure and compliance.	The Committee reviews and oversees the overall lending position of the Bank, reviews and updates the Bank's credit policy from time to time, considers credit facilities applications, monitors and classifies all loans and advances as recommended by Central Bank of Kenya prudential guidelines and ensures adequate provisions and ensures effective procedures and resources to identify and manage irregular credits, minimize credit loss and maximize recoveries.	The committee ensures quality risk management of the Bank that at least encompasses all the risks as specified by the Central Bank of Kenya risk management guidelines. It reviews and assesses the effectiveness of all existing risk and compliance management policies and controls. The Committee also seeks professional advice on technical matters that are of importance in improving the risk management and compliance functions of the Bank.	The Committee is mandated to recruit the Bank's directors, review the structure, size and composition of the Board, identify, nominate and recommend the candidates to fill Board vacancies and ensure effective succession planning for both the Board and Senior Management. The Committee is also mandated to recruit all senior staff members of the Bank and set their remuneration package. It rewards and motivates all senior staff members who show exemplary performance in their duties. The committee oversees job analysis of all senior Bank positions to ensure that they are handled by the relevant skills.	The Committee is mandated to review the Bank's ICT strategic plans; track and evaluate the development and execution of ICT annual plans and projects; determine the priorities of IT projects within the Bank and guide on the general course of the ICT operations to address these priorities. It provides oversight and guidance on all matters related to the IT Transformation Roadmap Program and reviews, coordinates and arbitrates on major strategic ICT activities, project decisions and prioritise these ICT plans across the Bank.	The Committee is mandated to review the progress in the execution of the initiatives put in place to achieve the Bank's Strategic objectives. It also periodically reviews the evolution of the Bank's results and proposes appropriate corrective actions to ensure attainment of the Strategic Objectives. It also reviews the Bank's infrastructural requirements to align with the delivery of the envisaged Strategy and reviews the challenges faced in attaining the Bank's Strategic Business Objectives and proposes appropriate solutions to address the challenges.

Board committees (continued)

BOARD COMMITTEE MEETINGS					
Board Audit Committee	Board Credit Committee	Board Risk Management Committee	Remuneration & Nomination Committee	Board ICT Steering Committee	Board Strategy & Business Development Committee
FREQUENCY OF MEETINGS PER ANNUM					
6	4	4	4	4	4
CHAIRPERSON					
James McFie (Independent non-executive Director)	Sharad Rao (Independent non-executive Director) resigned on 5-Mar-2026 Brenda Mbathi (Independent non-executive Director) appointed on 6-Mar-2026	Sharad Rao (Independent non-executive Director) resigned on 5-Mar-2026 Deborah Bubi (Independent non-executive Director) appointed on 6-Mar-2026	Sharad Rao (Independent non-executive Director) resigned on 5-Mar-2026 Jack Ngare (Independent non-executive Director) appointed on 6-Mar-2026	James McFie (Independent non-executive Director) up to 5-Nov-2025 Jack Ngare (Independent non-executive Director) appointed on 6-Nov-2025	Sharon Ramdence (Non-executive Director) exited on 28-Nov-2025 Raoul Gufflet (Non-executive Director) appointed on 5-Mar-2026
MEMBERS					
Sharad Rao (Independent non-executive Director) resigned on 5-Mar-2026 Shakilla Jhungeer (Independent non-executive Director) up to 11-Mar-2025 Jack Ngare (Independent non-executive Director) appointed on 6-Nov-2025 Deborah Bubi (Independent non-executive Director) appointed on 5-Mar-2026	James McFie (Independent non-executive Director) Sharon Ramdence (Non-executive Director) exited on 28-Nov-2025 Jack Ngare (Independent non-executive Director) appointed on 6-Nov-2025 Deborah Bubi (Independent non-executive Director) appointed on 5-Mar-2026	James McFie (Independent non-executive Director) Sattar Hajee Abdoula (Non-executive Director) resigned on 24-Nov-2025 Raoul Gufflet (Non-executive Director) Sharon Ramdence (Non-executive Director) exited on 28-Nov-2025 Shakilla Jhungeer (Independent non-executive Director) up to 5-Mar-2026 Pramod Bissessor (Non-executive Director) appointed on 6-Mar-2026	James McFie (Independent non-executive Director) Sattar Hajee Abdoula (Non-executive Director) resigned on 24-Nov-2025 Shakilla Jhungeer (Independent non-executive Director) up to 5-Mar-2026 Sharon Ramdence (Non-executive Director) exited on 28-Nov-2025 Raoul Gufflet (Non-executive Director) up to 6-Mar-2026 Deborah Bubi (Independent non-executive Director) appointed on 6-Mar-2026	Shakilla Jhungeer (Independent non-executive Director) up to 5-Mar-2026 Raoul Gufflet (Non-executive Director) up to 4-Mar-2026 Jack Ngare (Independent non-executive Director) appointed on 6-Nov-2025 Pramod Bissessor (Non-executive Director) appointed on 5-Mar-2026 Bhartesh Shah (Chief Executive Officer) appointed on 6-Nov-2025 James McFie (Independent non-executive Director)	Shakilla Jhungeer (Independent non-executive Director) up to 5-Mar-2026 Raoul Gufflet (Non-executive Director) up to 4-Mar-2026 Jack Ngare (Independent non-executive Director) appointed on 6-Nov-2025 Pramod Bissessor (Non-executive Director) appointed on 5-Mar-2026 Bhartesh Shah (Chief Executive Officer) appointed on 6-Nov-2025 James McFie (Independent non-executive Director)

Governance process

Corporate Governance is the process by which companies are directed, controlled and held to account. SBM Bank (Kenya) Limited and its subsidiaries adopt the best practice in Corporate Governance and are committed to continuously improve.

The Bank's Board is responsible for development of Corporate Governance practice and ensuring compliance by the Bank and its subsidiaries. It does this through board committees and by having in place business principles and practice, internal control and risk management processes that seek to ensure efficient utilization of resources and increase stakeholders' confidence.

The key features of the current Corporate Governance practices are as follows:

Board of Directors

The current Board of Directors consists of one executive director and seven non-executive directors, five of whom are independent. The directors are chosen for their business knowledge and wide range of skills and experience.

The Board is responsible for setting the direction of the Group by establishing strategic objectives, key policies and approval of the budgets/plans. It meets at least quarterly, on pre-set dates, to review and monitor the implementation of strategies/business plans, review quarterly financial results, approve financial reports and maintain effective control over strategic, financial, operational and compliance issues.

To enable the Board to function effectively, directors are given appropriate and timely information which, in the case of board meetings, consist of comprehensive board papers covering regular business progress reports and discussion papers on specific matters.

Board evaluation

Each year the Board is required by the Central Bank of Kenya to review its mix of skills and experience and other qualities in order to assess its effectiveness in discharging its duties. The Board carried out a Board evaluation exercise in the course of 2025.

Committees of the Board

1. Board Audit Committee
2. Board Credit Committee
3. Risk Management Committee
4. Remuneration & Nomination Committee
5. Board ICT Steering Committee
6. Board Strategy & Business Development Committee

Internal controls

The Board has the ultimate responsibility for monitoring and reviewing the effectiveness of the Group's internal control procedures and continuously improving upon them.

The systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material financial misstatements or loss. The systems are designed to:

- Identify and manage business risks;
- Identify and adopt best business practice;
- Maintain compliance with appropriate legislation;
- Maintain proper accounting records;
- Provide reliable financial information; and
- Safeguard assets.

Internal controls (Continued)

The Board satisfies itself that the internal control framework is operating effectively through:

- Having terms of reference for the Board and each of its committees;
- A clear organizational structure with documented delegation of authority;
- Defined procedures for the approval of major transactions;
- Establishment and monitoring of the internal control framework by the management; and
- Review of the internal and external audit reports.

Conflict of interest

The directors are required to act in the best interest of the Group at all times. It is the Group's policy to ensure that directors avoid putting themselves in positions whereby their interests conflict with those of the Group. Any business transacted with the Group's directors and/or their companies must be at arm's length.

The Board has adopted a policy, which also applies to management and staff, which ensures that they disclose all possible conflict of interest sources and are required to exclude themselves in decisions where conflict of interest may arise.

Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the year is disclosed in Notes 12 and 35(d) to the financial statements.

Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the Group is a party, under which directors acquired benefits by means of acquisition of the Group's shares. Aggregate amount of loans advanced to directors is summarized in note 35(d) to the financial statements.

Corporate social responsibility

The Group recognizes its social responsibilities to improve the well-being of the society and is committed to being a responsible citizen and believes in giving back to society.

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2025 which show the state of affairs of SBM Bank (Kenya) Limited (the "Bank") and its subsidiaries (together the "Group").

1. Incorporation

The Group is domiciled in Kenya and comprises entities incorporated as private companies limited by shares under the Companies Act, 2015. The subsidiaries are disclosed in note 20. The address of the registered office is set out on page 2.

2. Directorate

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

3. Principal activities of the group

The principal activities of the Group are the provision of banking, financial, insurance brokerage and related services. The Bank is licensed under the Kenyan Banking Act, Cap 488 and provides banking, financial and related services.

4. Dividends

The directors do not recommend the declaration of a dividend for the year (2024: NIL).

5. Results

	Group		Bank	
	2025 KShs '000	2024 KShs '000	2025 KShs '000	2024 KShs '000
Profit/(loss) before tax	613,956	(1,595,880)	596,942	(1,595,291)
Income tax (charge) / credit	(169,739)	381,290	(164,635)	381,290
Profit/(loss) for the year	444,217	(1,214,590)	432,307	(1,214,001)

6. Business review

The Group recorded a profit before tax of KShs. 614 million compared to loss before tax of KShs.1,596 million in 2024. The pre-tax profit is largely attributed to the increase of net interest income from KShs. 2,148 million in 2024 to KShs. 3,880 million in 2025. Interest expense reduced considerably by 20% from KShs.8,531 million in 2024 compared to KShs. 6,863 million in 2025, while interest income remained steady at KShs.10,678 million in 2024 compared to KShs.10,742 million in 2025. The reduction in interest expense is as a result of the general decrease in interest rates.

The Group closed the year with a total asset base of KShs.106 billion in 2025 compared to total assets of Kshs 100 billion reported in 2024.

As at close of the year, the Group operated 33 branches spread across the country with customer deposits increasing by 20% from KShs. 69 billion in 2024 to KShs. 82 billion in 2025. Net loans and advances increased from KShs. 44 billion in 2024 to KShs. 47 billion in 2025. The investment in government securities as at close of the year was KShs.41 billion contributing positively to the Group interest income. Overall, over 85% of the Group assets were retained in interest earning assets, the balance mainly being accounted for by cash and cash equivalents held for day to day bank operations.

The Group delivered total operating income of KShs. 5,827 million with KShs. 3,880 million coming from net interest income and KShs. 1,947 million from non-interest income. Net fees and commissions income was KShs. 654 million while income arising from dealing in foreign currencies aggregated to KShs. 747 million.

6. Business review (continued)

The Group total non-interest expenses for the year was KShs 5,012 million compared to KShs 5,010 million in 2024. Depreciation and amortization charge to income statement stood at KShs. 551 million of which KShs 189 million relates to depreciation on right-of-use assets as per IFRS 16.

The Bank's core capital as at end of 2024 was KShs. 7,682 million and was in compliance with the Central Bank of Kenya (CBK) capital adequacy ratios. Core capital to total risk weighted assets ratio was 13.8% compared to CBK minimum of 10.5%. Liquidity ratio of the bank stood at 47.6% compared to CBK minimum of 20%. Both ratios imply that the Bank has sufficient headroom for more business.

7. Statement as to disclosure to the Group's auditor

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

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

8. Terms of appointment of the auditor

PricewaterhouseCoopers LLP were appointed for the 2025 annual audit engagement in accordance with the Company's Articles of Association and Section 719 of the Companies Act, 2015.

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

By order of the Board



Winniefred Nyagoha Jumba
Company Secretary

27 March 2026

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

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

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgments and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the board of directors on 27 March 2026 and signed on its behalf by:



Bhartesh Shah
Chief Executive Officer



James McFie
Director



Independent auditor's report to the shareholders of SBM Bank (Kenya) Limited

Report on the audit of the Group financial statements

Opinion

We have audited the accompanying financial statements of SBM Bank (Kenya) Limited (the Company) and its subsidiaries (together, the Group) set out on pages 16 to 148, which comprise the consolidated statement of financial position at 31 December 2025 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of profit or loss and other comprehensive income, Company statement of financial position at 31 December 2025, the statement of changes in equity and statement of cash flows for the Company for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion the financial statements give a true and fair view of the financial position of SBM Bank (Kenya) Limited as at 31 December 2025 and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of financial statements in Kenya. We have also fulfilled our ethical responsibilities in accordance with the IESBA Code.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road,
Westlands P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20) 285 5000 F: +254 (20) 285 5001

Partners: J Aroi E Kerich P Kiambi B Kimacia M Mugasa F Muriu P Ngahu R Njoroge S O Norbert's
B Okundi K Saiti



Independent auditor's report to the shareholders of SBM Bank (Kenya) Limited (continued)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.



Independent auditor's report to the shareholders of SBM Bank (Kenya) Limited (continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the report of the directors on pages 10 to 11 is consistent with the financial statements.

FCPA Michael Mugasa, Practicing Certificate Number 1478
Engagement partner responsible for the audit
For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

27 March 2026



UNIQUE CODE: 37873260327

Consolidated statement of profit or loss

	Notes	2025 KShs' 000	2024 KShs' 000
Interest income calculated at effective interest rate method	8	10,742,505	10,678,431
Interest expense	8	(6,862,633)	(8,530,898)
Net interest income		3,879,872	2,147,533
Fee and commission income	9	699,663	469,822
Fee and commission expense	9	(45,623)	(10,873)
Net fee and commission income		654,040	458,949
Foreign exchange income	10	747,042	781,022
Other operating income	10	545,599	156,849
Allowance for expected credit losses	13	(200,673)	(130,221)
		1,091,968	807,650
Net operating income		5,625,880	3,414,132
Personnel expenses	11	(2,527,911)	(2,442,795)
Other operating expenses	12	(1,932,878)	(2,032,927)
Depreciation and amortization	12	(551,135)	(534,290)
Operating expenses		(5,011,924)	(5,010,012)
Profit / (loss) before income tax		613,956	(1,595,880)
Income tax (charge) / credit	14	(169,739)	381,290
Profit / (loss) for the year		444,217	(1,214,590)

Consolidated statement of other comprehensive income

	Notes	2025 KShs' 000	2024 KShs' 000
Profit / (loss) for the year		444,217	(1,214,590)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Fair value gain on government securities at fair value through OCI (net of tax)	17	942,380	601,636
Total other comprehensive income		942,380	601,636
Total comprehensive income / (loss) for the year		1,386,597	(612,954)

Company statement of profit or loss

	Notes	2025 KShs' 000	2024 KShs' 000
Interest income calculated at effective interest rate method	8	10,740,364	10,678,431
Interest expense	8	(6,862,633)	(8,530,898)
Net interest income		3,877,731	2,147,533
Fee and commission income	9	659,650	469,822
Fee and commission expense	9	(45,623)	(10,873)
Net fee and commission income		614,027	458,949
Foreign exchange income	10	747,042	781,022
Other operating income	10	545,599	156,849
Allowance for expected credit losses	13	(200,673)	(130,221)
		1,091,968	807,650
Net operating income		5,583,726	3,414,132
Personnel expenses	11	(2,511,163)	(2,442,795)
Other operating expenses	12	(1,924,486)	(2,032,338)
Depreciation and amortisation	12	(551,135)	(534,290)
Operating expenses		(4,986,784)	(5,009,423)
Profit / (loss) before income tax		596,942	(1,595,291)
Income tax (charge) / credit	14	(164,635)	381,290
Profit / (loss) for the year		432,307	(1,214,001)

Company statement of other comprehensive income

	Notes	2025 KShs' 000	2024 KShs' 000
Profit / (loss) for the year		432,307	(1,214,001)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Fair value gain on government securities at fair value through OCI (net of tax)	17	942,380	601,636
Total other comprehensive income		942,380	601,636
Total comprehensive income / (loss) for the year		1,374,687	(612,365)

Consolidated statement of financial position

	Note	2025 KShs' 000	2024 KShs' 000 <i>Restated</i>	1 Jan 2024 KShs' 000 <i>Restated</i>
Assets				
Cash and bank balances with Central Bank of Kenya	15	8,848,296	11,273,609	3,415,758
Placements and balances with other banking institutions	15	2,107,738	1,694,419	4,630,797
Loans and advances to customers	16	46,957,343	44,187,831	44,783,257
Financial assets at fair value through profit or loss	7	450,368	468,970	447,805
Government securities	17	40,788,448	35,907,370	35,242,401
Equity investments	18	-	2,841	2,841
Derivative financial instruments	19	458,175	1,215,987	352,475
Other assets	20	1,701,773	801,642	1,001,713
Current income tax	14	3,498	-	-
Property and equipment	22	739,572	925,225	862,318
Intangible assets	23	382,887	214,234	291,479
Right-of-use assets	24	802,409	756,881	768,739
Deferred income tax	25	2,557,203	2,719,586	2,337,189
Total assets		105,797,710	100,168,595	94,136,772
Liabilities				
Deposits and balances from other banks	26	1,035,571	1,262,702	651,462
Customers' deposits	27	82,410,158	68,592,358	63,104,791
Current income tax	14	5,104	1,072	4,614
Lease liabilities	30	855,559	806,475	854,520
Derivative financial instruments	19	77,766	5,288	319,373
Other liabilities	29	994,905	826,953	1,089,468
Due to Central Bank of Kenya	28	10,024,228	20,051,925	19,696,768
Total liabilities		95,403,291	91,546,773	85,720,996
Equity				
Share capital	31	3,455,500	2,165,500	2,165,500
Capital contribution pending allotment	31	386,000	1,290,000	471,000
Share premium	31	6,701,945	6,701,945	6,701,945
Preference share capital	31	100,000	100,000	100,000
Accumulated losses		(2,950,977)	(2,731,073)	(1,710,770)
Fair value reserve	31	717,126	(225,254)	(826,890)
Statutory loan loss reserve	31	1,984,825	1,320,704	1,514,991
Total equity		10,394,419	8,621,822	8,415,776
Total equity and liabilities		105,797,710	100,168,595	94,136,772

The financial statements on pages 16 to 148 were approved and authorized for issue by the Board of Directors on 27 March 2026 and signed on its behalf by:



Bhartesh Shah
Chief Executive Officer




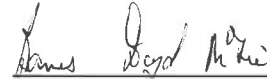
James McFie
Director

Company statement of financial position

	Note	2025 KShs' 000	2024 KShs' 000 <i>Restated</i>	1 Jan 2024 KShs' 000 <i>Restated</i>
Assets				
Cash and bank balances with Central Bank of Kenya	15	8,848,296	11,273,609	3,415,758
Placements and balances with other banking institutions	15	2,107,738	1,694,419	4,630,797
Loans and advances to customers	16	46,957,343	44,187,831	44,783,257
Financial assets at fair value through profit or loss	7	450,368	468,970	447,805
Government securities	17	40,788,448	35,907,370	35,242,401
Equity investments	18	-	2,801	2,801
Derivative financial instruments	19	458,175	1,215,987	352,475
Other assets	20	1,693,494	801,642	1,001,713
Investment in subsidiaries	21	5,000	5,000	-
Property and equipment	22	732,992	925,225	862,318
Intangible assets	23	382,887	214,234	291,479
Right-of-use assets	24	802,409	756,881	768,739
Deferred income tax	25	2,557,203	2,719,586	2,337,189
Total assets		105,784,353	100,173,555	94,136,732
Liabilities				
Deposits and balances from other banks	26	1,035,571	1,262,702	651,462
Customers' deposits	27	82,431,049	68,609,045	63,117,067
Current income tax	14	-	1,072	4,614
Lease liabilities	30	855,559	806,475	854,520
Derivative financial instruments	19	77,766	5,288	319,373
Other liabilities	29	969,237	806,793	1,069,307
Due to Central Bank of Kenya	28	10,024,228	20,051,925	19,696,768
Total liabilities		95,393,410	91,543,300	85,713,111
Equity				
Share capital	31	3,455,500	2,165,500	2,165,500
Capital contribution pending allotment	31	386,000	1,290,000	471,000
Share premium	31	6,701,945	6,701,945	6,701,945
Preference share capital	31	100,000	100,000	100,000
Accumulated losses		(2,954,453)	(2,722,640)	(1,702,925)
Fair value reserve	31	717,126	(225,254)	(826,890)
Statutory loan loss reserve	31	1,984,825	1,320,704	1,514,991
Total equity		10,390,943	8,630,255	8,423,621
Total equity and liabilities		105,784,353	100,173,555	94,136,732

The financial statements on pages 16 to 148 were approved and authorized for issue by the Board of Directors on 27 March 2026 and signed on its behalf by:


Bhartesh Shah
Chief Executive Officer


James McFie
Director

Consolidated statement of changes in equity

	Share capital KShs '000	Contribution pending allotment KShs '000	Preference share capital KShs '000	Share premium KShs '000	Accumulated losses KShs '000	Fair value reserve KShs '000	Statutory loan loss reserve KShs '000	Total KShs '000
Year ended 31 December 2025								
At start of year	2,165,500	1,290,000	100,000	6,701,945	(2,227,898)	(225,254)	1,320,704	9,124,997
-As previously reported	-	-	-	-	(503,175)	-	-	(503,175)
-Prior year adjustment (Note 40)	2,165,500	1,290,000	100,000	6,701,945	(2,731,073)	(225,254)	1,320,704	8,621,822
-As restated	-	-	-	-	444,217	-	-	444,217
<i>Total comprehensive income net of tax:</i>	-	-	-	-	(664,121)	-	664,121	-
Profit for the year	-	-	-	-	-	942,380	-	942,380
Transfer from statutory loan loss reserve	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(219,904)	942,380	664,121	1,386,597
<i>Transactions with owners:</i>								
Contributions pending allotment	1,290,000	386,000	-	-	-	-	-	386,000
Issue of shares	(1,290,000)	(1,290,000)	-	-	-	-	-	-
At end of year	3,455,500	386,000	100,000	6,701,945	(2,950,977)	717,126	1,984,825	10,394,419
Year ended 31 December 2024								
At start of year	2,165,500	471,000	100,000	6,701,945	(1,351,531)	(826,890)	1,514,991	8,775,015
-As previously reported	-	-	-	-	(359,239)	-	-	(359,239)
-Prior year adjustment (Note 40)	2,165,500	471,000	100,000	6,701,945	(1,710,770)	(826,890)	1,514,991	8,415,776
-As restated	-	-	-	-	-	-	-	-
<i>Total comprehensive income net of tax:</i>	-	-	-	-	(1,214,590)	-	-	(1,214,590)
Loss for the year	-	-	-	-	194,287	-	(194,287)	-
Transfer from statutory loan loss reserve	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	601,636	-	601,636
Total comprehensive income for the year	-	-	-	-	(1,020,303)	601,636	(194,287)	(612,954)
<i>Transactions with owners:</i>								
Contributions pending allotment	-	819,000	-	-	-	-	-	819,000
At end of year	2,165,500	1,290,000	100,000	6,701,945	(2,731,073)	(225,254)	1,320,704	8,621,822

SBM Bank (Kenya) Limited
Financial statements
For the year ended 31 December 2025

Company statement of changes in equity

Year ended 31 December 2025

	Share capital KShs '000	Contribution pending allotment KShs '000	Preference share capital KShs'000	Share Premium KShs '000	Accumulated losses KShs '000	Fair value reserve KShs '000	Statutory loan loss reserve KShs '000	Total KShs '000
At start of year	2,165,500	1,290,000	100,000	6,701,945	(2,219,464)	(225,254)	1,320,704	9,133,431
-As previously reported	-	-	-	-	(503,175)	-	-	(503,175)
-Prior year adjustment (Note 40)	2,165,500	1,290,000	100,000	6,701,945	(2,722,639)	(225,254)	1,320,704	8,630,256
-As restated	-	-	-	-	432,307	-	-	432,307
Profit for the year	-	-	-	-	(664,121)	-	664,121	-
Transfer to statutory loan loss reserve	-	-	-	-	-	942,380	-	942,380
Other comprehensive income	-	-	-	-	(231,814)	-	664,121	1,374,687
Total comprehensive loss for the year	-	-	-	-	-	-	-	-
Transactions with owners:	-	-	-	-	-	-	-	-
Contributions pending allotment	1,290,000	386,000	-	-	-	-	-	386,000
Issue of shares	(1,290,000)	(1,290,000)	-	-	-	-	-	-
At end of year	3,455,500	386,000	100,000	6,701,945	(2,954,453)	717,126	1,984,825	10,390,943

Year ended 31 December 2024

	Share capital KShs '000	Contribution pending allotment KShs '000	Preference share capital KShs'000	Share Premium KShs '000	Accumulated losses KShs '000	Fair value reserve KShs '000	Statutory loan loss reserve KShs '000	Total KShs '000
At start of year	2,165,500	471,000	100,000	6,701,945	(1,343,686)	(826,890)	1,514,991	8,782,860
-As previously reported	-	-	-	-	(359,239)	-	-	(359,239)
-Prior year adjustment (Note 40)	2,165,500	471,000	100,000	6,701,945	(1,702,925)	(826,890)	1,514,991	8,423,621
-As restated	-	-	-	-	(1,214,001)	-	-	(1,214,001)
Loss for the year	-	-	-	-	194,287	-	(194,287)	-
Transfer from statutory loan loss reserve	-	-	-	-	-	601,636	-	601,636
Other comprehensive income	-	-	-	-	(1,019,714)	-	(194,287)	(612,365)
Total comprehensive loss for the year	-	-	-	-	-	-	-	-
Transactions with owners:	-	-	-	-	-	-	-	-
Contributions pending allotment	-	819,000	-	-	-	-	-	819,000
At end of year	2,165,500	1,290,000	100,000	6,701,945	(2,722,639)	(225,254)	1,320,704	8,630,256

Consolidated statement of cash flows

	Notes	2025 KShs' 000	2024 KShs' 000 <i>*Restated</i>
Cash flow from operating activities			
Profit / (loss) before tax		613,956	(1,595,880)
Other non-cash items included in profit / (loss) before tax	34	(3,014,280)	(1,195,041)
Change in operating assets	34	(7,771,466)	(754,149)
Change in operating liabilities	34	13,831,098	5,522,207
Interest received		10,742,505	10,678,431
Interest paid		(6,862,633)	(8,530,898)
Tax paid	14	(6,822)	(4,614)
Net cash flows from operating activities		7,532,358	4,120,056
Cash flows from investing activities			
Purchase of property and equipment	22	(275,495)	(310,437)
Purchase of intangible assets	23	(81,098)	(35,243)
Proceeds from disposal of property and equipment		535	29,743
Net cash flows from investing activities		(356,058)	(315,937)
Cash flows from financing activities			
Repayment of amounts due to Central Bank of Kenya	28	(20,500,106)	(10,800,000)
Receipts from Central Bank of Kenya borrowings	28	10,472,409	11,059,133
Repayment of principal portion of lease liabilities	30	(171,767)	(205,910)
Proceeds from share capital injection	31	386,000	819,000
Net cash flows from financing activities		9,813,464	872,223
Net increase in cash and cash equivalents		(2,637,164)	4,676,342
Cash and cash equivalents at start of year		12,968,028	8,046,555
Effects of exchange rate changes on cash and cash equivalents		625,170	245,131
Cash and cash equivalents at end of year	34	10,956,034	12,968,028

*See Note 40 for details regarding the restatement of cash and cash equivalents.

Company statement of cashflows

	Notes	2025 KShs' 000	2024 KShs' 000 <i>*Restated</i>
Cash flow from operating activities			
Profit / loss) before tax		596,942	(1,595,291)
Other non-cash items included in profit / (loss) before tax	34	(3,012,139)	(1,195,041)
Change in operating assets	34	(7,763,227)	(754,149)
Change in operating liabilities	34	13,829,795	5,526,618
Interest received		10,740,364	10,678,431
Interest paid		(6,862,633)	(8,530,898)
Tax paid	14	(3,324)	(4,614)
		<hr/>	<hr/>
Net cash flows from operating activities		7,525,778	4,125,056
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property and equipment	22	(268,915)	(310,437)
Purchase of intangible assets	23	(81,098)	(35,243)
Proceeds from disposal of property and equipment		535	29,743
Investment in subsidiary		-	(5,000)
		<hr/>	<hr/>
Net cash flows from investing activities		(349,478)	(320,937)
		<hr/>	<hr/>
Cash flows from financing activities			
Repayment of amounts due to Central Bank of Kenya	28	(20,500,106)	(10,800,000)
Receipts from Central Bank of Kenya borrowings	28	10,472,409	11,059,133
Repayment of principal portion of lease liabilities	30	(171,767)	(205,910)
Proceeds from share capital injection	31	386,000	819,000
		<hr/>	<hr/>
Net cash flows from financing activities		(9,813,464)	872,223
		<hr/>	<hr/>
Net increase in cash and cash equivalents		(2,637,164)	4,676,342
Cash and cash equivalents at start of year		12,968,028	8,046,555
Effects of exchange rate changes on cash and cash equivalents		625,170	245,131
		<hr/>	<hr/>
Cash and cash equivalents at end of year	34	10,956,034	12,968,028
		<hr/> <hr/>	<hr/> <hr/>

* - See Note 40 for details regarding the restatement of cash and cash equivalents.

Notes

1 General information

SBM Bank (Kenya) Limited (the "Bank") is incorporated as a limited company in Kenya under the Companies Act, 2015, and is domiciled in Kenya. The Bank is regulated by the Central Bank of Kenya. The address of its registered office is as shown on page 1.

The consolidated financial statements for the year ended 31 December 2025 comprise the Bank and its subsidiaries, Finsure Insurance Brokers Limited, Rover Investment Limited, Richardson Properties Limited and Kentbury Investments Limited and SBM Bancassurance Intermediary Limited (together referred to as the "Group" and individually as the "Bank") which provide banking, financial, insurance brokerage and related services in Kenya.

The group is controlled by SBM Holdings Ltd, a company incorporated in Mauritius.

The Bank operates from 33 locations within Kenya which include the head office and branches.

(2) Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC Interpretations) applicable to companies reporting under IFRS Accounting Standards. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

i) Basis of measurement

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Bank use market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Bank using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would consider.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

3 Material accounting policies

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

3.1 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Bank

A few amendments to standards became effective for the first time in the financial year beginning 1 January 2025 and have been adopted by the Company. The amendments have not had an effect on the Bank's financial statements. The amendments are as follows:

Notes (continued)

3 Material accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(i) *New and amended standards adopted by the Bank (continued)*

Title	Effective date	Key requirements
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

(ii) *Standards, amendments and interpretations issued but not yet effective*

IFRS 18 - Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

The Group is currently assessing the detailed implications of applying the new standard on the group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the group's net profit, the group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the group has performed, the following items might potentially impact operating profit:
 - Income and expenses from the following will be classified in the operating category within the statement of profit or loss: (a) cash and cash equivalents; (b) liabilities from transactions that involve only the raising of finance; (c) generally, assets invested in as part of the Bank's main business activity of investing in financial assets that generate a return individually and largely independently of the Bank's other resources
 - Foreign exchange differences will be classified in the same category as the related income and expense giving rising to the foreign exchange difference, with some exceptions.
 - Gains and losses on hedging instruments, including those not designated as such, but used to manage exposure to identified risks, will be classified in the same category as the income and expenses relating to the risk being covered, with some exceptions.

Notes (continued)

3 Material accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(ii) Standards, amendments and interpretations issued but not yet effective (continued)

IFRS 18 - Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027) (continued)

- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.
- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
 - management-defined performance measures;
 - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and,
 - for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.
- The statement of cash flows, the 'operating profit' subtotal will be used as the starting point for determining cash flows from operating activities. Furthermore, the classification of the total cash flows from all dividends received, all interest paid and all interest received will each, respectively, be classified in a single category in the statement of cash flows following the classification of the related income and expenses in the statement of profit or loss.
- The group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

Title	Effective Date	Key requirements
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	Annual periods beginning on or after 1 January 2026 (Published Dec 2024)	These amendments to IFRS 7 and IFRS 9 to allow entities to better reflect nature-dependent electricity contracts in the financial statements. The amendments: <ul style="list-style-type: none"> • clarify the application of the 'own-use' criteria to nature-dependent electricity contracts; • permit hedge accounting if these contracts are used as hedging instruments; and • add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity's financial performance and cash flows. <p>The Group does not expect these amendments to have a material impact on its operations or financial statements.</p>

Notes (continued)

3 Material accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(ii) Standards, amendments and interpretations issued but not yet effective (continued)

Title	Effective Date	Key requirements
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments: <ul style="list-style-type: none"> clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). <p>The Group has performed an assessment of all material electronic payment systems used. Most of the electronic settlement systems used by the Group result in real-time settlement. There is a limited number of electronic settlement systems used by the Group that do not result in real-time settlement. For those, the Group has been derecognising the financial liability, and the associated cash at the settlement date i.e. when the payment has reached the beneficiary.</p>
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027 (Published May 2024)	IFRS 19 is a voluntary Accounting Standard which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS Accounting Standards. <p>Accordingly, for the Group, the parent entity in its separate financial statements and in its consolidated financial statements of the group cannot apply IFRS 19.</p>

Notes (continued)

3 Material accounting policies (continued)

3.1 Changes in accounting policy and disclosures (continued)

(ii) Standards, amendments and interpretations issued but not yet effective (continued)

Title	Effective Date	Key requirements
Annual Improvements to IFRS Accounting Standards – Volume 11	Annual periods beginning on or after 1 January 2026 (Published Sept 2024)	<p>These amendments improve the IFRS Accounting Standards as follows:</p> <ul style="list-style-type: none"> • IFRS 1, 'First-time Adoption of International Financial Reporting' – to improve consistency between IFRS 1 and IFRS 9, 'Financial Instruments', in relation to the requirements for hedge accounting, and to improve the understandability of IFRS 1 • IFRS 7, 'Financial Instruments: Disclosures' – to improve consistency in the language used in IFRS 7 with the language used in IFRS 13, 'Fair Value Measurement' • IFRS 9 – to clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished, and to address an inconsistency between IFRS 9 and IFRS 15, 'Revenue from Contracts with Customers', in relation to the term 'transaction price' • IFRS 10, 'Consolidated Financial Statements' – to clarify the requirements in relation to determining de facto agents of an entity; and, • IAS 7, 'Statement of Cash Flows' – to replace the term 'cost method' with 'at cost', since the term is no longer defined in IFRS Accounting Standards. <p>The Group has determined that the amendments are not expected to materially impact the Group's financial statements.</p>

Notes (continued)

3. Material accounting policies (continued)

3.2 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is achieved by the Group over an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement(s) with other vote holders of the investee
- Rights from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

3.3. Business combinations, goodwill or bargain purchase gain

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Notes (continued)

3. Material accounting policies (continued)

3.3. Business combinations, goodwill or bargain purchase gain (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.4 Revenue recognition

Income is derived substantially from banking, insurance brokerage business and renting of property.

Revenue from contracts with customers is recognised when control of goods and services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services. The Group has generally concluded that it is the principal in its revenue arrangements.

3.4.1 Recognition of interest income

3.4.1.1 The effective interest (EIR) method

Interest income is recorded using the effective interest (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at fair value through profit and loss (FVPL). Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVOCI) under IFRS 9, similarly are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Notes (continued)

3. Material accounting policies (continued)

3.4 Revenue recognition (continued)

3.4.1.1 The effective interest (EIR) method (continued)

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank 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 loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

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 recognized 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.

3.4.1.2 Interest and similar income/expense

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the purchased or originated credit-impaired POCI financial assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognized using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

3.4.2 Fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further here below.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Notes (continued)

3. Material accounting policies (continued)

3.4 Revenue recognition (continued)

3.4.2 Fee and commission income (continued)

3.4.2.1 Fee and commission income from services where performance obligations are satisfied over time.

Performance obligations satisfied over time are those which the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs. These include the following:

Loan commitment fees:

These are fixed annual fees paid by customers for loan and other credit facilities with the Bank, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

Interchange fees:

The Bank provides its customers with debit and credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

3.4.2.2 Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include custody fees, fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.

Custody fees:

The Bank earns a fixed annual fee for providing its customers with custodial services, which include the safekeeping deposit lockers and purchase or sale of investment securities. These services represent a single performance obligation. Payment for these fees is due and received upfront.

Brokerage fees and commission:

The Bank buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Bank's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date. The Bank pays certain sales commission to agents for each contract that they obtain for some of its brokerage services. The Bank has elected to apply the optional practical expedient for costs to obtain a contract which allows it to immediately expense such sales commission because the amortisation period of the asset that it otherwise would have used is one year or less.

Notes (continued)

3. Material accounting policies (continued)

3.4 Revenue recognition (continued)

3.4.3 Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded on hedging transactions.

3.4.4 Net loss on financial assets and liabilities designated at fair value through profit or loss

Net loss on financial instruments at FVPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVPL and also non-trading assets measured at FVPL, as required by or elected under IFRS 9. The line item includes fair value changes, interest, dividends and foreign exchange differences.

3.4.5 Net loss on derecognition of financial assets measured at amortised cost or FVOCI (Fair Value through Other Comprehensive Income).

Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognized on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

3.4.6 Dividends

Dividend income is recognised when the right to receive income is established.

3.5 Financial instruments – initial recognition

3.5.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the customer.

3.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described hereunder. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss:

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Notes (continued)

3. Material accounting policies (continued)

3.5 Financial instruments – initial recognition (continued)

3.5.3 Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in note 3.7.1
- Fair value through other comprehensive income (FVOCI), as explained in note 3.7.4 and 3.7.5
- Fair value through profit and loss (FVPL), as explained in note 3.7.7

The Group classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.6 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

Level 2 financial instruments: Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained above.

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Group.

Notes (continued)

3. Material accounting policies (continued)

3.6 Determination of fair value (continued)

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Group including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line divisions.

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. Fair value estimates are validated by;

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

Model calibrations are evaluated on a quarterly basis or when significant events in the relevant markets occur. When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the Risk and Finance functions are also responsible for:

- Verifying and challenging the approved list of providers; and
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets such as properties.

The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

3.7 Financial assets and liabilities

3.7.1 Financial assets at amortised cost

The Group measures due from banks, loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

Notes (continued)

3 Material accounting policies (continued)

3.7 Financial assets and liabilities (continued)

3.7.1 Financial assets at amortised cost (continued)

Business model assessment (Continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVOCI or FVPL.

3.7.2 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors; and
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fully collateralised derivatives that are settled net in cash on a regular basis through Central Bank clearing house are only recognised to the extent of the overnight outstanding balance. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Financial assets are classified in their entirety based on the business model and SPPI assessments as outlined in note 3.7.1 above.

Notes (continued)

3. Material accounting policies (continued)

3.7 Financial assets and liabilities (continued)

3.7.3 Financial assets or financial liabilities measured at Fair value through Profit or Loss

The Group classifies financial assets or financial liabilities measured at Fair value through Profit or Loss when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Financial assets or financial liabilities as held for trading are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are government securities, equities, short positions and customer loans (financial assets at fair value through profit or loss) that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.7.4 Debt instruments at FVOCI

The Group classifies debt instruments at Fair Value through Other Comprehensive Income (FVOCI) when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

3.7.5 Investment Securities measured at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.7.6 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Notes (continued)

3. Material accounting policies (continued)

3.7 Financial assets and liabilities (continued)

3.7.7 Financial assets and financial liabilities measured at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate as explained in Note 3.4.1.2. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

3.7.8 Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

The premium received is recognised in the income statement in net fees and commission income on a straight line basis over the life of the guarantee. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

The Bank occasionally issues loan commitments at below market interest rates. Such commitments are subsequently measured at the higher of the amount of the ECL allowance (as explained in Notes 3.9 and 5.1) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined in Note 9.

Notes (continued)

3. Material accounting policies (continued)

3.8 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.9 Derecognition of financial assets and liabilities

3.9.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

3.9.2 Derecognition other than for substantial modification

3.9.2.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

Notes (continued)

3. Material accounting policies (continued)

3.9 Derecognition of financial assets and liabilities (continued)

3.9.2 Derecognition other than for substantial modification (continued)

3.9.2.1 Financial assets (continued)

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.9.2.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.10 Impairment of financial assets

3.10.1 Overview of the Expected Credit Loss (ECL) principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in Note 3.10.2.

The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 5.2 under Credit risk management.

The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 4.2.

Notes (continued)

3. Material accounting policies (continued)

3.10 Impairment of financial assets (continued)

3.10.1 Overview of the Expected Credit Loss (ECL) principles (continued)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This has been explained in Note 4.2.3.5.

The Bank thus groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired (as outlined in Note 4.2.3.) The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.10.2 The calculation of ECL

The Bank calculates ECL based on a probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 4.2.3.2.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 4.2.3.3.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 4.2.3.4

Notes (continued)

3. Material accounting policies (continued)

3.10 Impairment of financial assets (continued)

3.10.2 The calculation of ECL (continued)

When estimating the ECL, the Bank considers three scenarios (a base case/baseline, an upside or optimistic scenario and a downside or pessimistic scenario). These scenarios were used to create forecasted probabilities of default. Optimistic and Pessimistic scenarios were as a result of adjusting the best estimate (Base case) using the standard deviations of the above aforementioned Macroeconomic factors.

Management judgement was applied in determining the likelihood of each of the three macroeconomic scenarios using the following weights:

- Base case (baseline) – 85.33% weight
- Upside (optimistic) – 7.33% weight
- Downside (pessimistic) – 7.33% weight

When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Notes (continued)

3. Material accounting policies (continued)
3.10 Impairment of financial assets (continued)
3.10.2 The calculation of ECL (continued)

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.
- Loan commitments and letters of credit: When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
- Financial guarantee contracts: For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions. The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECL related to financial guarantee contracts are recognised within other liabilities.

Notes (continued)

3. Material accounting policies (continued)

3.10 Impairment of financial assets (continued)

3.10.3 Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

3.10.4 Purchased or originated credit impaired financial assets (POCI)

For purchased or originated credit-impaired (POCI) financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

3.10.5 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with sufficient notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over an estimated time frame that reflects its expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 4.2.3.2, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 4.2.3.6.

3.10.6 Forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: Baseline, Optimistic, and Pessimistic as explained in Note 3.10.2 above.

The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund and selected private-sector and academic forecasters.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios to ensure it aligns to changes in the operating environment and best practice. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Notes (continued)

3. Material accounting policies (continued)

3.10 Impairment of financial assets (continued)

3.10.6 Forward looking information (continued)

The macroeconomic indicators embedded in the modelling of the Bank's Probability of Default (PD) are indicated below;

- Interbank rate
- 364-day Treasury bill rate
- Public debt to GDP rate

The selection of these factors was based on elimination upon assessment of a possible broad range of forward looking macroeconomic factors. Through multiple regression modelling and backward elimination, management determined that above factors affected the bank's NPL ratios.

The three scenarios mentioned in note 3.10.2 above were then used to create forecasted probabilities of default. The optimistic and pessimistic scenarios were as a result of adjusting the best estimate (Base case) using the standard deviations of the macroeconomic factors.

3.10.7 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Guarantees held are included in the measurement of loan ECLs when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments.

3.10.8 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Notes (continued)

3. Material accounting policies (continued)

3.10 Impairment of financial assets (continued)

3.10.9 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. All amounts to be written off are subjected to Board approval upon recommendation by management. Prior to any recommendation for write-off, the Bank's management team will have satisfied themselves that there is no reasonable expectation of recovery by looking at the following possible circumstance deemed indicators of non-recoverability;

- Insolvency: Where the debtor is the subject of bankruptcy, individual voluntary arrangement, liquidation, company voluntary arrangement and administration order or administrative receivership proceedings or has ceased to trade amongst others.
- Where the debt is unenforceable whether through a court order or lapse of the statute of limitations
- Where balances are uneconomical to collect
- Where the debtor is deceased and the estate is unable to repay

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

3.10.10 Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 4.2.3.5. The Bank also considers whether the assets should be classified as Stage 3.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Main features of restructure include, extension of tenor by 12 months or longer, unchanged interest rate for most of the facilities, moratorium of capital for 12 months or longer.

Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. A customer will need to demonstrate consistently good payment behavior over this period of time before the exposure is no longer considered to be in default/credit impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs. Prior to this, all the customer's facilities have to be performing and no contract should be more than 30 days past due.

Notes (continued)

3. Material accounting policies (continued)

3.10 Impairment of financial assets (continued)

3.10.11 Modification of loans

Modifications relate to roll-overs and maturity extension not exceeding six months in the normal course of business, without necessarily changing the underlying facility structure and material terms and conditions of the facility. Main features of modifications include rollovers of maturing obligations for 3 to 6 months in normal course of business, moratorium of 3 to 6 months of principal or in some cases both principal and interest for long term loans, loan re-profiling through extension of tenor of 3 to 6 months or in some cases waivers of charges as appropriate on a case by case basis.

3.10.12 Restructured and modified loans

The Group may sometimes renegotiate or otherwise modify contractual cashflows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. Modifications are generally done to address short term cash-flow challenges where the fundamentals of the business remain sound.

- a) The following tables refer to restructured and modified financial assets where the restructuring or modification does not result in de-recognition.

	Group and Bank	
	2025	2024
	Restructured	Restructured
	KShs'000	KShs'000
Gross carrying amount before restructuring	8,131,037	11,522,593
Loss allowance before restructuring	<u>(32,524)</u>	<u>(35,121)</u>
Net amortised cost before restructuring	8,098,513	11,487,472
Net restructuring gain	<u>168,155</u>	<u>119,801</u>
Net amortised cost after restructuring	<u>8,266,668</u>	<u>11,607,273</u>

The Bank has continued to accrue interest on these facilities. There were no restructured and modified financial assets in the current period.

As at reporting date, there were no substantial modifications that resulted in derecognition and recognition of new financial assets.

3.11. Foreign currency transactions

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the Group's functional currency. Transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Notes (continued)

3. Material accounting policies (continued)

3.12 Tax

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

3.12.1 Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss. Current tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity. Detailed disclosures are provided in Note 14.

3.12.2 Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period. Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Notes (continued)

3. Material accounting policies (Continued)

3.12. Tax (Continued)

3.12.3 Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the Kenya Revenue Authority (KRA), in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, tax authorities is included as part of other assets or other payables in the statement of financial position.

3.12.4 Accounting for uncertain positions

The Group uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Group assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Group concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method should be based on which method provides better predictions of the resolution of the uncertainty.

3.13 Property and equipment

Property and equipment is measured at cost and net of accumulated depreciation. Cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use and directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial year in which they are incurred.

Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

Leasehold Land and Buildings	2.5%
Office equipment	12.5%
Computers & copier	25.0%
Motor vehicles	25.0%
Furniture and fittings	12.5%

The Group reviews the estimated useful lives, the methods of depreciation and residual values of property and equipment at the end of each reporting period and adjusts them prospectively, if appropriate. During the financial year, no changes to the useful lives and residual values were identified by the directors.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized

The carrying amount, depreciation and gain on disposal is disclosed in note 22, 12 and 10 respectively.

Notes (continued)

3. Material accounting policies (continued)

3.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software is amortised on a straight line basis and the amortisation expenses are recognised in profit or loss over its estimated useful life, from the date it is available for use. The estimated useful life of software for the current and comparative period is 4 years.

The amortisation method, useful life and the residual value are reviewed at each financial year-end and adjusted, if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation method or period, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

The carrying amount and amortisation are disclosed in note 23 and 12 respectively.

The amortization rate is as follows:

Computer software	25.0%
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Derecognition of intangible assets

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

3.15 Employee benefits

3.15.1 Defined contribution plans

The Group operates a defined contribution pension scheme for its employees, the assets of which are held in a separate trustee administered guaranteed scheme managed by an insurance company.

The pension plan is funded by contributions from the employees and the Group. The Group's contributions are charged to profit or loss in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

The Group and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

3.15.2 Leave accrual

The monetary value of the unutilised leave by staff as at year end is carried in accruals as a payable and the movement in the year debited/credited to the profit or loss.

Notes (continued)

3. Material accounting policies (continued)

3.15 Employee benefits (continued)

3.15.3 Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity based benefits and termination benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided;

- i) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- ii) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

3.16 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with Central Banks and amounts due from banks on demand or with an original maturity of three months or less.

3.17 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

3.18 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset

Group as a lessee

Leases that do not transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income. Initial direct costs incurred in negotiating operating leases 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.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Notes (continued)

3. Material accounting policies (continued)

3.18 Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of costs to be incurred to restore the underlying asset back to its original state; and lease payments made at or before the commencement date less any lease incentives received. Subsequently, Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Right-of-use assets are presented in Note 4 and are subject to impairment in line with the Bank's policy as described in note 3.2.5.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease. The lease payments are remeasured when there is a change in the lease term, future lease payments resulting from a change in an index or rate used to determine such lease payments, the amounts expected to be payable under the residual value guarantees or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are outlined in Note 30.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Notes (continued)

3. Material accounting policies (continued)

3.19 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off statement of financial position's transactions and disclosed as contingent liabilities. Estimates of the outcome and of the financial effect of contingent liabilities is made by the management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

3.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is recognised in profit or loss net of any reimbursement.

3.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

3.22 Fiduciary assets

When the Group acts in a fiduciary capacity such as nominee or agent, assets and income arising thereon with related undertakings to return such assets to customers are excluded from these financial statements. As at 31 December 2025, the Group did not earn any income from the fiduciary assets.

3.23 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year. During the year there were no outstanding shares with dilutive potential.

3.24 Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared and proposed dividends are disclosed as a separate component of equity.

3.25 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the cash-generated unit (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Notes (continued)

4. Financial risk management

4.1 Introduction and risk profile

The Group's activities expose it to a variety of financial risks. Whilst risk is inherent in the Bank's activities, it is managed through an integrated enterprise risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating and business risks.

4.1.1 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Through the Board Risk committee, the Board is responsible for monitoring the overall risk process within the Bank. The Board Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks and policies and risk appetite. The Board Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board.

The Risk Management Department provides the day-to-day oversight on management of risk and promotes the risk culture across the Bank. It is responsible for creating and maintaining the risk practices across the Bank and to ensure that controls are in place for all risk categories. The department ensures that exceptions are duly reported to both the management and board Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board through the Board Audit Committee.

4.1.2 Risk mitigation and risk culture

It is the Bank's policy to ensure that a robust risk awareness is embedded in its organizational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasizes that employees are made aware of the Bank's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews. Policies related to specific types of risk or activities are used to manage risk exposures. Recommendations of risk management, internal audit, business units and senior executive management, industry best practices and regulatory requirements are factored into the policies. Risk appetite limits and tolerances are set as a prudent approach to manage risks. Limit setting establishes accountability for key activities within the risk-taking activities and establishes the conditions under which transactions may be approved or executed. The Board approves all the policies which have clear accountability and ownership and the management is responsible and accountable for the effective implementation and monitoring of risk appetite.

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Notes (continued)

4. Financial risk management (continued)

4.1.3 Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all of the businesses is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Board Risk Committee, and the Bank's senior management. The report includes aggregate credit exposure, operational risk, market risk, liquidity ratios and risk profile changes.

4.1.4 Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

4.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit risk and debt recovery sections of the Bank's independent Risk Controlling Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties and follow up on all delinquent accounts. Additionally, the Bank has a dedicated legal team tasked with dealing with all debt recovery issues for decision making and guidance. Monthly and quarterly progress reports are made to the Bank management and the Board.

The Bank has established a credit risk quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

4.2.1 Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to, or protected from, the risk of default of the underlying entity referenced by the derivative.

With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honors its obligation, but the counterparty fails to deliver the counter value.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

4.2.3 Impairment assessment

4.2.3.1 Definition of default, impaired and cure

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

The Bank has aligned its definition of credit impaired assets under IFRS 9 to the Central Bank of Kenya definition of Non-Performing Loans (NPL).

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer

4.2.3.1 Definition of default, impaired and cure (continued)

- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of negative information or facts about financial difficulties

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The Bank applies the considerations of the Central Bank prudential guidelines to determine whether a financial asset should be upgraded from Stage 3 to Stage 2 and then Stage 1.

Where an account in Stage 3 is regularised (i.e. all past due principal and interest is repaid in full) it may be upgraded to Stage 2. A facility which meets the above condition and has been classified as Stage 2 may be reclassified to Stage 1 if a sustained record of performance is maintained for a period of six months.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (Continued)

4.2.3 Impairment assessment (continued)

4.2.3.2 The Bank's internal rating and PD estimation process

The Bank's Credit Department operates its internal credit rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1 to 5 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behavior. Historical rating transition matrix for the bank was based on a 48-month period running from January 2019 to December 2024 to estimate default history for the loans and advances. To ensure that the Probability of Defaults (PDs) were estimated accurately, a calibration was done with the central tendency of default for the bank's portfolios over a period of 4 years.

PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit department analyses publicly available information such as financial information and other external data and assigns the internal rating.

Corporate and small business lending

For corporate and investment banking loans, the credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.

- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer.

Retail lending and mortgages

Retail lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending ratings are primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.3 Impairment assessment (continued)

4.2.3.2 The Bank's internal rating and PD estimation process (continued)

The Bank's internal credit rating grades are as follows:

Internal rating grade	Internal rating/risk description
Performing	
Grade 1	Normal risk
Grade 2	Watch risk
Non-performing	
Grade 3	Substandard risk
Grade 4	Doubtful risk
Grade 5	Loss

For purposes of matching the Bank's internal risk grading and IFRS 9, Grade 1 loans can be equated to Stage 1, Grade 2 to Stage 2 and Grades 3, 4 and 5 to Stage 3.

The Bank manages, limits and controls concentrations of credit risk wherever they are identified. The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subjected to quarterly or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved as and when required by the management credit committee.

4.2.3.3 Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit cards and other revolving facilities is set out in Note 3.10.5.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

4.2.3.4 Loss given default (LGD)

LGDs for secured facilities were modelled at facility level. The collateral values used were based on the forced sale value. The FSV for both motor vehicles and property was based on the valuation report and is estimated to be between 70% - 80% of the market value. A further haircut was applied on specific property based on current information on foreclosure of the specific property. In the event that a customer had multiple facilities, collateral value was apportioned proportionately based on the on the outstanding exposures. The collaterals were discounted for the following period to consider the time value of money (i.e. time taken to realise the sale/foreclosure of collateral);

- Property land and Buildings – 2 years
- Motor vehicle – 1 year
- Machinery – 1 year
- Debentures- 1 year
- Cash – not discounted

Where a customer had no identifiable collateral, collections history on NPLs that was modelled at portfolio level (see note 4.2.3.6) was used in the computation of the LGD.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.3 Impairment assessment (continued)

4.2.3.5 Significant increase in credit risk

The Bank in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's limited experience coupled with expert credit assessment and forward-looking information.

The Bank identifies a significant increase in credit risk where;

- exposures have a regulatory risk rating of 'watch';
- an exposure is greater than 30 days past due – this is in line with the IFRS 9 "30 Days past Due (DPD) rebuttable presumption";
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposure's:
 - credit risk quality at the date of reporting; with
 - the credit risk quality 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.

4.2.3.6 Grouping financial assets measured on a collective basis

As explained in Note 3.10.2 dependent on the factors below, the Bank calculates the LGD and PD to be applied on either a collective or an individual basis.

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

- All Stage 1 and 2 assets that are collateralized, regardless of the class of financial assets
- All stage 3 assets regardless of the class of financial assets

Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring. LGD and PD is calculated on a collective basis upon classification and grouping of the Bank's financial assets into industry sectors based on the Central Bank of Kenya's industry sector classifications as listed below;

- | | |
|-------------------------------|---------------------------------|
| • Trade | • Tourism, Restaurants & Hotels |
| • Transport and Communication | • Building and Construction |
| • Personal/Household | • Agriculture |
| • Manufacturing | • Energy and Water |
| • Financial Services | • Mining and Quarrying |
| • Real Estate | |

4.2.3.7 Overview of modified and forborne loans

From a risk management point of view, once an asset is forborne or modified, the Bank's special department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised. Details of accounting policies for forbearance are disclosed in Note 3.10.10.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.3 Impairment assessment (continued)

4.2.3.8 Inputs to the ECL model

An overview of the approach to estimating the allowance for ECL is set out in Note 3.10 and in Note 5.1. The macro sensitive PD model developed by the Bank for the ECL computation for credit exposures to the different industry segments was determined using a transition matrix, by modelling the movements of loans from one classification (Stage) to another classification as expounded on in note 4.2.3.2, note 4.2.3.4 and note 4.2.3.6 above, involves the use of the respective weighted average Default Rates derived from regression analysis of Bank data for the last three years as modified by economic variations. For each of the Bank's segments, a PD was computed based on the transition matrix modelled and a macroeconomic overlay done on the historical PDs to arrive at forecasted PDs. Local macroeconomic factors obtained from the Central Bank of Kenya and Kenya National Bureau of Statistics amongst others were used to determine the factors that best affected the quality of the Bank's books. As highlighted in Note 3.10.6, the forward looking information was arrived at based on multiple regression modelling and backward elimination on the Bank's historical data.

4.2.3.9 Analysis of risk concentration

The Bank's concentrations of risk are managed by client/counterparty industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2025 was KShs. 2.21 billion (2024: KShs. 2.14 billion). Disclosure of credit quality and the maximum exposure for credit risk per categories based on the Bank's internal credit rating system and year-end stage classification are further disclosed in Note 16.

4.2.3.10 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. Assumptions used in the measuring of certain types of collateral has been highlighted in note 3.10.7.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables.
- Motor vehicles, aeroplanes and machinery subject to discounting of the FSVs in assessing collectability.
- For retail lending, mortgages over residential properties

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale.

For its derivative portfolio, the Bank also makes use of master netting agreements and other arrangements not eligible for netting under IAS 32 Financial Instruments: Presentation with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

It is the Bank's policy to maximise the use of the services of the Central Bank of Kenya Clearing House, in which case, balances are derecognised as explained in Note 3.9. Disclosure of credit quality and the maximum exposure for credit risk per categories based on the Bank's internal credit rating system and year-end stage classification are further disclosed in Note 16.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements is as follows:

Group	Up to 1 month KShs '000	1 - 3 months KShs '000	4 - 12 months KShs'000	1 - 5 years KShs '000	Over 5 years KShs'000	Total KShs '000
At 31 December 2025						
Assets						
Balances with Central Bank of Kenya	7,859,430	-	-	-	-	7,859,430
Government securities	-	-	301,696	14,204,216	26,282,536	40,788,448
Placements and balances with other banking institutions	1,177,671	930,067	-	-	-	2,107,738
Other assets	1,701,773	-	-	-	-	1,701,773
Off balance sheet exposures*	4,410,746	4,430,635	12,377,120	4,061,720	26,910	25,307,131
Loans and advances to customers	9,091,457	3,821,782	6,037,422	15,631,287	12,375,395	46,957,343
Financial assets at fair value through profit or loss	-	-	-	450,368	-	450,368
	24,241,077	9,182,484	18,716,238	34,347,591	38,684,841	125,172,231
At 31 December 2024						
Assets						
Balances with Central Bank of Kenya	10,462,278	-	-	-	-	10,462,278
Government securities	-	1,049,570	196,557	15,870,268	18,790,975	35,907,370
Investment securities	2,841	-	-	-	-	2,841
Placements and balances with other banking institutions	1,681,471	12,948	-	-	-	1,694,419
Other assets	801,642	-	-	-	-	801,642
Off balance sheet exposures*	1,778,615	3,269,711	9,726,051	350,181	25,644	15,150,202
Loans and advances to customers	6,324,824	4,367,123	5,971,991	14,770,057	12,753,836	44,187,831
	21,051,671	8,699,352	15,894,599	30,990,506	31,570,455	108,206,583

* These include letters of credit, guarantees, forwards and swaps (Note 32b).

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

Bank	Up to 1 month KShs '000	1 - 3 months KShs '000	4 - 12 months KShs '000	1 - 5 years KShs '000	Over 5 years KShs '000	Total KShs '000
At 31 December 2025						
Assets						
Balances with Central Bank of Kenya	7,859,430	-	-	-	-	7,859,430
Government securities	-	-	301,696	14,204,216	26,282,536	40,788,448
Investment securities	-	-	-	-	-	-
Placements and balances with other banking institutions	1,177,672	930,066	-	-	-	2,107,738
Other assets	1,693,494	-	-	-	-	1,693,494
Off balance sheet exposures*	4,410,746	4,430,635	12,377,120	4,061,720	26,910	25,307,131
Loans and advances to customers	9,091,457	3,821,782	6,037,422	15,631,287	12,375,395	46,957,343
Financial assets at fair value through profit or loss	-	-	-	450,368	-	450,368
	24,232,799	9,182,483	18,716,238	34,347,591	38,684,841	125,163,952
At 31 December 2024						
Assets						
Balances with Central Bank of Kenya	10,462,278	-	-	-	-	10,462,278
Government securities	-	1,049,570	196,557	15,870,268	18,790,975	35,907,370
Investment securities	2,801	-	-	-	-	2,801
Placements and balances with other banking institutions	1,681,471	12,948	-	-	-	1,694,419
Other assets	801,642	-	-	-	-	801,642
Off statement of financial position*	1,778,615	3,269,711	9,726,051	350,181	25,644	15,150,202
Loans and advances to customers	6,324,824	4,367,123	5,971,991	14,770,057	12,753,836	44,187,831
Financial assets at fair value through profit or loss	-	-	-	468,970	-	468,970
	21,051,631	8,699,352	15,894,599	31,459,476	31,570,455	108,675,513

* These include letters of credit, guarantees, forwards, swaps and options (Note 32b)

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

Group and Bank; Analysis of on balance sheet loans and advances to customers by portfolio and industry segment.

2025	Gross carrying amount						Total ECL		
	KShs'000 Stage 1	KShs'000 Stage 2	KShs'000 Stage 3	KShs'000 Total	KShs'000 Stage 1	KShs'000 Stage 2	KShs'000 Stage 3	KShs'000 Total	
Industry									
Agriculture	686,905	16,443	47,498	750,846	1,506	11	5,622	7,139	
Building and construction	3,356,756	1,255,637	407,426	5,019,819	4,367	134	95,016	99,517	
Energy and water	1,779,231	-	-	1,779,231	13	-	-	13	
Financial services	1,956,240	2,557	113,074	2,071,871	316	-	43,427	43,743	
Manufacturing	6,605,286	6,736	2,250,234	8,862,256	8,362	9	469,320	477,691	
Mining and quarrying	869,966	15,323	3	885,292	12	-	-	12	
Personal and household	6,804,865	529,402	2,069,922	9,404,189	105,547	9,093	1,344,283	1,458,923	
Real estate	4,492,473	74,963	2,550,915	7,118,351	2,245	-	452,887	455,132	
Tourism, restaurants and hotels	170,025	2,208,204	782,357	3,160,586	558	-	171,310	171,868	
Trade	6,254,137	289,204	3,769,640	10,312,981	29,385	1,733	986,119	1,017,237	
Transport and communication	447,065	27,521	1,139,047	1,613,633	3,071	2	287,364	290,437	
Grand total	33,422,949	4,425,990	13,130,116	50,979,055	155,382	10,982	3,855,348	4,021,712	
2024									
Agriculture	123,665	68,265	210,602	402,532	566	-	148,271	148,837	
Building and construction	4,729,988	27,462	756,441	5,513,891	19,978	1,312	266,365	287,655	
Energy and water	1,785,731	1,749,905	3	3,535,639	-	9	3	12	
Financial services	972,743	4,287	205,855	1,182,885	2,014	1	101,843	103,858	
Manufacturing	8,195,145	-	1,975,505	10,170,650	16,240	-	834,711	850,951	
Mining and quarrying	744,419	19,686	-	764,105	2	-	-	2	
Personal and household	5,621,193	188,338	2,164,728	7,974,259	34,102	17,686	1,480,635	1,532,423	
Real estate	4,503,723	114,623	2,250,750	6,869,096	4,312	59	436,182	440,553	
Tourism, restaurants and hotels	281,722	478	2,963,214	3,245,414	4	23	234,214	234,241	
Trade	4,027,454	129,129	4,026,979	8,183,562	7,132	2,170	1,338,252	1,347,554	
Transport and communication	246,378	27,941	1,997,557	2,271,876	24,060	1,487	954,445	979,992	
Grand total	31,232,161	2,330,114	16,551,634	50,113,909	108,410	22,747	5,794,921	5,926,078	

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

Group and Bank; Analysis of credit risk mitigation and collateral

All amounts in KShs*000

31 December 2025	Maximum exposure to credit risk	Cash	Property	Total Collateral	Net exposure	% of exposure subject to collateral requirement	Associated ECL
Balances with CBK	7,859,430	-	-	-	7,859,430	100.0%	-
Due from Banks	2,107,738	-	-	-	2,107,738	100.0%	38
Loans and advances to customers:							
Corporate and SMEs customers	40,240,159	6,042,002	54,026,384	60,068,386	(19,828,227)	288.8%	2,480,317
Retail customers	10,738,896	2,669,065	5,589,424	8,258,489	2,480,407	76.9%	1,541,395
Total loans and advances	50,979,055	8,711,067	59,615,808	68,326,875	(17,347,820)		4,021,712
Total maximum exposure	60,946,223	8,711,067	59,615,808	68,326,875	(7,380,652)		4,021,750
Debt instruments at amortized cost	5,634,198	-	-	-	5,634,198	0.0%	852
Total financial instruments at amortized cost	66,580,421	8,711,067	59,615,808	68,326,875	(1,746,454)		4,022,602
Debt instruments at fair value at through OCI	35,160,164	-	-	-	35,160,164	-	5,062
	101,740,585	8,711,067	59,615,808	68,326,875	33,143,710		4,027,664
Financial Guarantees	5,831,382	1,134,892	-	1,134,892	4,696,489	19.5%	7,993
Letters of credit for customers	3,392,643	156,674	-	156,674	3,235,969	4.6%	3,782
Other commitments	16,083,107	-	-	-	16,083,107	0.0%	-
	25,307,131	1,291,566	-	1,291,567	24,015,564		11,775
	127,047,716	10,002,633	59,615,808	69,618,442	57,429,274		4,039,439

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

Group and Bank; Analysis of credit risk mitigation and collateral (continued)

All amounts in KSh's'000

31 December 2024	Maximum exposure to credit risk	Cash	Property	Total Collateral	Net exposure	% of exposure subject to collateral requirement	Associated ECL
Balances with CBK	10,462,278	-	-	-	10,462,278	100.00%	-
Due from Banks	1,694,419	-	-	-	1,694,419	100.00%	34
Loans and advances to customers:							
Corporate and SMEs customers	40,680,205	4,194,401	60,156,599	64,351,000	23,670,795	322.14%	4,231,494
Retail customers	9,433,704	1,730,806	7,056,528	8,787,334	(646,370)	93.15%	1,694,584
Total loans and advances	50,113,909	5,925,207	67,213,127	73,138,334	23,024,425		5,926,078
Total maximum exposure	62,270,606	5,925,207	67,213,127	73,138,334	35,181,122		5,926,112
Debt instruments at amortized cost	31,197,123	-	-	-	31,197,123	0.00%	3,635
Total financial instruments at amortized cost	93,467,729	5,925,207	67,213,127	73,138,334	20,329,395	-	5,929,747
Debt instruments at fair value at through OCI	4,715,036	-	-	-	4,715,036	0.00%	1,154
	98,182,765	5,925,207	67,213,127	73,138,334	25,044,431	-	5,930,901
Financial guarantees	2,922,021	367,793	-	367,793	2,554,228	12.60%	11,387
Letters of credit for customers	2,195,444	-	-	-	2,195,445	0.00%	2,265
Other commitments	10,032,736	-	-	-	10,032,736	0.00%	-
	15,150,201	367,793	-	367,793	14,782,409		13,652
	113,332,966	6,293,000	67,213,127	73,506,127	39,826,840		5,944,553

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of allowance for ECL.

**Group and Bank
 At 31 December 2025**

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
Internal rating grade				
Performing:				
Grade 1 - Normal risk	33,422,949	-	-	33,422,949
Grade 2 - Watch risk	-	4,425,990	-	4,425,990
Non-performing:				
Grade 3 - Substandard risk	-	-	838,034	838,034
Grade 4 - Doubtful risk	-	-	7,794,668	7,794,668
Grade 5 - Loss	-	-	4,497,414	4,497,414
	33,422,949	4,425,990	13,130,116	50,979,055

At 31 December 2024

Internal rating grade				
Performing:				
Grade 1 - Normal risk	31,232,161	-	-	31,232,161
Grade 2 - Watch risk	-	2,330,114	-	2,330,114
Non-performing:				
Grade 3 - Substandard risk	-	-	3,483,277	3,483,277
Grade 4 - Doubtful risk	-	-	10,314,026	10,314,026
Grade 5 - Loss	-	-	2,754,331	2,754,331
	31,232,161	2,330,114	16,551,634	50,113,909

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The tables below show the reconciliation for changes in the gross carrying amount of the loan book:

Group and Bank

At 1 January 2025*

Transfers:

- Transfer from Stage 1 to Stage 2
- Transfer from Stage 1 to Stage 3
- Transfer from Stage 2 to Stage 3
- Transfer from Stage 3 to Stage 2
- Transfer from Stage 2 to Stage 1

Financial assets derecognized during the period other than write-offs

New financial assets originated or purchased

Modification of contractual cash flows of financial instruments

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2025*	32,060,370	2,330,114	16,551,634	50,942,118
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(2,246,927)	2,246,927	-	-
- Transfer from Stage 1 to Stage 3	(246,911)	-	246,911	-
- Transfer from Stage 2 to Stage 3	-	(34,670)	34,670	-
- Transfer from Stage 3 to Stage 2	-	2,208,357	(2,208,357)	-
- Transfer from Stage 2 to Stage 1	66,354	(66,354)	-	-
Financial assets derecognized during the period other than write-offs	(16,755,660)	(2,034,044)	(761,652)	(19,551,356)
New financial assets originated or purchased	20,658,573	-	-	20,658,573
Modification of contractual cash flows of financial instruments	(116,135)	(221,054)	(733,091)	(1,070,280)
At 31 December 2025	33,419,664	4,429,276	13,130,115	50,979,055

*The opening balance is different from the closing balance as at 31 December 2024 as a result of reclassification of a loan facility from a customer in the airline industry from amortised cost to fair value through profit or loss. See Note 40 for further details.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The tables below show the reconciliation for changes in the gross carrying amount of the loan book:

Group and Bank	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2024*	32,086,064	5,099,990	14,090,619	51,276,673
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(2,108,322)	2,108,322	-	-
- Transfer from Stage 1 to Stage 3	(379,503)	-	379,503	-
- Transfer from Stage 2 to Stage 3	-	(3,550,252)	3,550,252	-
- Transfer from Stage 3 to Stage 2	-	9,735	(9,735)	-
- Transfer from Stage 2 to Stage 1	187,581	(187,581)	-	-
Financial assets derecognized during the period other than write-offs	(9,647,495)	(335,026)	(1,154,938)	(11,137,459)
New financial assets originated or purchased	12,431,591	-	-	12,431,591
Modification of contractual cash flows of financial instruments	(1,337,755)	(815,074)	(304,067)	(2,456,896)
At 31 December 2024	31,232,161	2,330,114	16,551,634	50,113,909

*The opening balance is different from the closing balance as at 31 December 2023 as a result of reclassification of a loan facility from a customer in the airline industry from amortised cost to fair value through profit or loss. See Note 40 for further details.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The Group has classified its loans and advances into two classes namely:
 a) corporate customers and,
 b) retail customers

These two classifications take into account the characteristics of the loans and advances. Below is the reconciliation for changes in the gross carrying amount per class.

A reconciliation for changes in the gross carrying amount of the corporate customers loan book is as follows:

Group and Bank – Corporate customers

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2025*	25,382,855	2,070,565	14,054,992	41,508,412
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(1,750,993)	1,750,993	-	-
- Transfer from Stage 1 to Stage 3	(105,140)	-	105,140	-
- Transfer from Stage 2 to Stage 3	-	(14,169)	14,169	-
- Transfer from Stage 3 to Stage 2	-	2,207,250	(2,207,250)	-
- Transfer from Stage 2 to Stage 1	14,734	(14,734)	-	-
Financial assets derecognized during the period other than write-offs	(14,053,507)	(2,021,872)	(680,543)	(16,755,922)
New financial assets originated or purchased	16,527,037	-	-	16,527,037
Modification of contractual cash flows of financial instruments	(436,382)	(193,229)	(409,757)	(1,039,367)
At 31 December 2025	25,578,604	3,784,804	10,876,751	40,240,159

*The opening balance is different from the closing balance as at 31 December 2024 as a result of reclassification of a loan facility from a customer in the airline industry from amortised cost to fair value through profit or loss. See Note 40 for further details.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation for changes in the gross carrying amount of the corporate customers loan book is as follows:

Group and Bank – Corporate customers

At 1 January 2024*

Transfers:

- Transfer from Stage 1 to Stage 2
- Transfer from Stage 1 to Stage 3
- Transfer from Stage 2 to Stage 3
- Transfer from Stage 3 to Stage 2
- Transfer from Stage 2 to Stage 1

Financial assets derecognized during the period other than write-offs

New financial assets originated or purchased

Modification of contractual cash flows of financial instruments

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
	25,518,666	4,494,507	11,545,432	41,558,605
	(1,940,558)	1,940,558	-	-
	(246,221)	-	246,221	-
	-	(3,466,577)	3,466,577	-
	-	1	(1)	-
	66,187	(66,187)	-	-
	(7,503,812)	(246,375)	(1,004,534)	(8,754,721)
	10,329,702	-	-	10,329,702
	(1,669,316)	(585,362)	(198,703)	(2,453,381)
	24,554,648	2,070,565	14,054,992	40,680,205

At 31 December 2024

*The opening balance is different from the closing balance as at 31 December 2023 as a result of reclassification of a loan facility from a customer in the airline industry from amortised cost to fair value through profit or loss. See Note 40 for further details.

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation for changes in the gross carrying amount of the retail customers loan book is as follows:

Group and Bank – Retail customers	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2025	6,677,513	259,549	2,496,642	9,433,704
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(495,934)	495,934	-	-
- Transfer from Stage 1 to Stage 3	(141,771)	-	141,771	-
- Transfer from Stage 2 to Stage 3	-	(20,501)	20,501	-
- Transfer from Stage 3 to Stage 2	-	1,107	(1,107)	-
- Transfer from Stage 2 to Stage 1	54,904	(54,904)	-	-
Financial assets derecognized during the period other than write-offs	(2,702,150)	(12,174)	(81,109)	(2,795,433)
New financial assets originated or purchased	4,131,537	-	-	4,131,537
Modification of contractual cash flows of financial instruments	320,247	(27,825)	(323,334)	(30,913)
At 31 December 2025	7,844,346	641,186	2,253,364	10,738,896

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation for changes in the gross carrying amount of the retail customers loan book is as follows:

Group and Bank – Retail customers

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2024	6,567,402	605,483	2,545,187	9,718,072
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(167,762)	167,762	-	-
- Transfer from Stage 1 to Stage 3	(133,283)	-	133,283	-
- Transfer from Stage 2 to Stage 3	-	(83,675)	83,675	-
- Transfer from Stage 3 to Stage 2	-	9,734	(9,734)	-
- Transfer from Stage 2 to Stage 1	121,394	(121,394)	-	-
Financial assets derecognized during the period other than write-offs	(2,143,683)	(88,650)	(150,404)	(2,382,738)
New financial assets originated or purchased	2,101,885	-	-	2,101,885
Modification of contractual cash flows of financial instruments	331,560	(229,711)	(105,365)	(3,515)
At 31 December 2024	6,677,513	259,549	2,496,642	9,433,704

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation of changes in allowance for expected credit losses for the loan book is as follows:

Group and Bank	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2025	108,410	22,747	5,794,921	5,926,078
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(7,260)	7,260	-	-
- Transfer from Stage 1 to Stage 3	(118,848)	-	118,848	-
- Transfer from Stage 2 to Stage 3	-	(17,960)	17,960	-
- Transfer from Stage 3 to Stage 2	-	28	(28)	-
- Transfer from Stage 2 to Stage 1	454	(454)	-	-
Financial assets that have been derecognized during the period other than write-offs	(47,657)	(6,310)	(392,620)	(446,587)
New financial assets originated or purchased	131,500	-	-	131,500
Modification of contractual cash flows of financial instruments	88,583	5,671	(1,569,867)	(1,475,613)
Write back on impaired loans repaid	-	-	(113,666)	(113,666)
At 31 December 2025	155,182	10,982	3,855,548	4,021,712

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation of changes in allowance for expected credit losses for the loan book is as follows:

Group and Bank	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2024	103,104	70,715	6,340,762	6,514,581
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(12,986)	12,986	-	-
- Transfer from Stage 1 to Stage 3	(116,532)	-	116,532	-
- Transfer from Stage 2 to Stage 3	-	(137,153)	137,153	-
- Transfer from Stage 3 to Stage 2	-	101	(101)	-
- Transfer from Stage 2 to Stage 1	397	(397)	-	-
Financial assets that have been derecognized during the period other than write-offs	(53,001)	(60,835)	(103,380)	(217,216)
New financial assets originated or purchased	48,923	-	-	48,923
Modification of contractual cash flows of financial instruments	138,505	137,330	(399,173)	(123,338)
Write back on impaired loans repaid	-	-	(296,872)	(296,872)
At 31 December 2024	108,410	22,747	5,794,921	5,926,078

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The Group has classified its loans and advances into two classes namely:

- a) corporate customers and,
- b) retail customers

These two classifications take into account the characteristics of the loans and advances. Below is the reconciliation for changes in the allowance for expected credit losses per class.

A reconciliation for changes in allowance for expected credit losses of the corporate and SMEs customers loan book is as follows:

Group and Bank – Corporate customers

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2025	72,126	3,311	4,156,058	4,231,495
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(343)	343	-	-
- Transfer from Stage 1 to Stage 3	(19,441)	-	19,441	-
- Transfer from Stage 2 to Stage 3	-	(5,379)	5,379	-
- Transfer from Stage 3 to Stage 2	-	-	-	-
- Transfer from Stage 2 to Stage 1	2	(2)	-	-
Financial assets that have been derecognized during the period other than write-offs	(49,733)	(1,516)	(395,010)	(446,259)
New financial assets originated or purchased	47,465	-	-	47,465
Modification of contractual cash flows of financial instruments	(2,623)	4,049	(1,294,039)	(1,292,613)
Write back on impaired loans repaid	-	-	(59,770)	(59,770)
At 31 December 2025	47,453	806	2,432,059	2,480,318

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation for changes in allowance for expected credit losses of the corporate customers loan book is as follows:

Group and Bank – Corporate customers

At 1 January 2024

Transfers:

- Transfer from Stage 1 to Stage 2
- Transfer from Stage 1 to Stage 3
- Transfer from Stage 2 to Stage 3
- Transfer from Stage 3 to Stage 2
- Transfer from Stage 2 to Stage 1

Financial assets that have been derecognized other than write-offs
 New financial assets originated or purchased
 Modification of contractual cash flows of financial instruments
 Write back on impaired loans repaid

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
	65,157	10,262	4,635,953	4,711,372
	(1,719)	1,719	-	-
	(10,724)	-	10,724	-
	-	(64,369)	64,369	-
	-	-	-	-
	9	(9)	-	-
	17,793	(42,929)	(90,827)	(115,963)
	19,940	-	-	19,940
	(18,330)	98,637	(302,846)	(222,539)
	-	-	(161,315)	(161,315)
	72,126	3,311	4,156,058	4,231,495
At 31 December 2024				

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation for changes in allowance for expected credit losses of the retail customers loan book is as follows:

Group and Bank - Retail

	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2025	36,286	19,436	1,638,862	1,694,584
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(6,916)	6,916	-	-
- Transfer from Stage 1 to Stage 3	(99,191)	-	99,191	-
- Transfer from Stage 2 to Stage 3	-	(12,577)	12,577	-
- Transfer from Stage 3 to Stage 2	-	27	(27)	-
- Transfer from Stage 2 to Stage 1	452	(452)	-	-
Financial assets that have been derecognized during the period other than write-offs	2,076	(4,795)	2,390	(329)
New financial assets originated or purchased	84,036	-	-	84,036
Modification of contractual cash flows of financial instruments	91,206	1,622	(275,830)	(183,002)
Write back on impaired loans repaid	-	-	(53,895)	(53,895)
At 31 December 2025	107,949	10,177	1,423,808	1,541,394

Notes (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

A reconciliation for changes in allowance for expected credit losses of the retail customers loan book is as follows:

Group and Bank - Retail	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
At 1 January 2024	37,949	60,452	1,704,809	1,803,210
<i>Transfers:</i>				
- Transfer from Stage 1 to Stage 2	(11,267)	11,267	-	-
- Transfer from Stage 1 to Stage 3	(105,808)	-	105,808	-
- Transfer from Stage 2 to Stage 3	-	(72,784)	72,784	-
- Transfer from Stage 3 to Stage 2	-	102	(102)	-
- Transfer from Stage 2 to Stage 1	388	(388)	-	-
Financial assets that have been derecognized during the period other than write-offs	(70,794)	(17,906)	(12,553)	(101,253)
New financial assets originated or purchased	28,983	-	-	28,983
Modification of contractual cash flows of financial instruments	156,835	38,693	(96,327)	99,200
Write back on impaired loans repaid	-	-	(135,557)	(135,557)
At 31 December 2024	36,286	19,436	1,638,862	1,694,584

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. The ALCO is responsible for managing the Bank's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Bank. The treasury department of the bank is responsible for working with other departments within the Bank to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers with the minimum ratio required by the regulator being 20%. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Banks, debt securities issued, other borrowings and commitments maturing within the next month.

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also has lines of credit that it can access to meet liquidity needs.

4.3.1 Liquidity ratios

Liquidity ratios during the year were as follows:

Net liquid assets/short term liabilities (%)	2025	2024
Year-end	48%	40%
Maximum	48%	40%
Minimum	38%	27%
Average	44%	33%
	=====	=====

4.3.2 Stress Testing

In accordance with the Bank's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Additionally, stress testing is performed for a combination of both the market and specific stress factors relating to the Bank. Liquidity mismatch reporting and stress testing results are reported regularly and reviewed by the Risk Management Committee and periodically reviewed by the Asset and Liability Committee (ALCO), Executive Committee and Board Risk Committee.

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management (continued)

4.3.3 Analysis of financial assets and liabilities by remaining contractual maturities

The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year. Loans to customers that are part of reverse repurchase arrangements, and where the Bank receives securities which are deemed to be liquid, are excluded from the advances to deposits ratio.

The table below summarizes the maturity profile of the Bank's financial assets and the undiscounted cash flows of its financial liabilities as at 31 December. Trading derivatives are shown at fair value in a separate column. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted payment obligations. Gross settled, non-trading derivatives are shown separately, by contractual maturity at the foot of the note. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management (continued)

4.3.3 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Group At 31 December 2025	Upto 1 month KShs '000	1 - 3 months KShs '000	4 - 12 Months KShs '000	1 - 5 Years KShs '000	Over 5 years KShs '000	Total KShs '000
Assets						
Balances with Central Bank of Kenya	7,859,430	-	-	-	-	7,859,430
Government and other investment securities	344,866	656,358	3,354,040	25,730,731	29,543,603	59,629,598
Placements and balances with other banking institutions	1,177,672	930,066	-	-	-	2,107,738
Other assets	1,701,773	-	-	-	-	1,701,773
Loans and advances to customers	9,594,424	4,692,265	9,468,018	27,225,954	22,510,167	73,490,828
Financial assets at fair value through profit or loss	-	-	-	450,368	-	450,368
Total assets	20,678,165	6,278,689	12,822,058	53,407,053	52,053,770	145,239,735
Liabilities						
Deposits and balances from other banks	1,035,571	-	-	-	-	1,035,571
Customer deposits	41,154,285	19,319,179	21,335,760	2,278,328	-	84,087,552
Due to Central Bank of Kenya	-	10,024,228	-	-	-	10,024,228
Other liabilities	826,953	-	-	-	-	826,953
Lease liabilities	20,012	59,956	163,500	891,721	45,759	1,180,948
Total liabilities	43,036,821	29,403,363	21,499,260	3,170,049	45,759	97,155,252
Net liquidity gap	(22,358,656)	(23,124,674)	(8,677,202)	50,237,004	52,008,011	48,084,483

Experience indicates that customer deposits are maintained for longer periods than the contractual maturity dates. The deposit base is considered to be of a stable and long term nature.

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management (continued)

4.3.3 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Group At 31 December 2024	Upto 1 month KShs '000	1 - 3 months KShs '000	4 - 12 Months KShs '000	1 - 5 Years KShs '000	Over 5 years KShs '000	Total KShs '000
Assets						
Balances with Central Bank of Kenya	10,462,277	-	-	-	-	10,462,277
Government and other investment securities	320,019	1,645,894	2,931,224	26,590,080	22,788,360	54,275,577
Placements and balances with other banking institutions	1,681,471	12,948	-	-	-	1,694,419
Other assets	801,642	-	-	-	-	801,642
Loans and advances to customers	6,834,471	5,233,327	9,525,825	27,982,894	18,969,959	68,546,476
Financial assets at fair value through profit or loss	-	-	-	468,970	-	468,970
Total assets	20,099,880	6,892,169	12,457,049	55,041,944	41,758,319	136,249,361
Liabilities						
Deposits and balances from other banks	1,262,702	-	-	-	-	1,262,702
Customer deposits	33,414,194	20,801,678	15,737,663	209	-	69,953,744
Due to Central Bank of Kenya	1,070,000	18,981,925	-	-	-	20,051,925
Other liabilities	826,953	-	-	-	-	826,953
Lease liabilities	23,723	71,488	181,832	895,104	11,756	1,183,903
Total liabilities	36,597,572	39,855,091	15,919,495	895,313	11,756	93,279,227
Net liquidity gap	(16,473,969)	(32,962,922)	(3,462,446)	54,146,631	41,746,563	42,970,134

Experience indicates that customer deposits are maintained for longer periods than the contractual maturity dates. The deposit base is considered to be of a stable and long term nature.

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management (continued)

4.3.3 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Bank	Upto 1 month KShs '000	1 - 3 months KShs '000	4 - 12 Months KShs '000	1 - 5 Years KShs '000	Over 5 years KShs '000	Total KShs '000
Balances with Central Bank of Kenya	7,859,430	-	-	-	-	7,859,430
Government and other investment securities	344,866	656,358	3,354,040	25,730,731	29,543,603	59,629,598
Placements and balances with other banking institutions	1,177,671	930,066	-	-	-	2,107,737
Other assets	1,701,773	-	-	-	-	1,701,773
Loans and advances to customers	9,594,424	4,692,265	9,468,018	27,225,954	22,510,16	73,490,828
Financial assets at fair value through profit or loss	-	-	-	450,368	-	450,368
Total assets	20,678,164	6,278,689	12,822,058	53,407,053	52,053,770	145,239,734
Liabilities						
Deposits and balances from other banks	1,035,571	-	-	-	-	1,035,571
Customer deposits	41,154,306	19,319,179	21,335,760	2,278,328	-	84,087,573
Due to Central Bank of Kenya	-	10,024,228	-	-	-	10,024,228
Other liabilities	969,237	-	-	-	-	969,237
Lease liabilities	20,012	59,956	163,500	891,721	45,759	1,180,948
Total liabilities	43,179,126	29,403,363	21,499,260	3,170,049	45,759	97,297,557
Net liquidity gap	(22,500,962)	(23,124,674)	(8,677,202)	50,237,004	52,008,011	47,942,177

Experience indicates that customer deposits are maintained for longer periods than the contractual maturity dates. The deposit base is considered to be of a stable and long term nature.

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management (continued)

4.3.3 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Bank At 31 December 2024	Upto 1 month KShs '000	1 - 3 months KShs '000	4 - 12 Months KShs '000	1 - 5 Years KShs '000	Over 5 years KShs '000	Total KShs '000
Assets						
Balances with Central Bank of Kenya	10,462,277	-	-	-	-	10,462,277
Government and other investment securities	320,019	1,645,894	2,931,224	26,590,080	22,788,360	54,275,577
Placements and balances with other banking institutions	1,681,471	12,948	-	-	-	1,694,419
Other assets	801,642	-	-	-	-	801,642
Loans and advances to customers	6,834,471	5,233,327	9,525,825	27,982,894	18,969,959	68,546,476
Financial assets at fair value through profit or loss	-	-	-	468,970	-	468,970
Total assets	20,099,880	6,892,169	12,457,049	55,041,944	41,758,319	136,249,361
Liabilities						
Deposits and balances from other banks	1,262,702	-	-	-	-	1,262,702
Customer deposits	33,431,465	20,801,678	15,737,663	209	-	69,971,015
Due to Central Bank of Kenya	1,070,000	18,981,925	-	-	-	20,051,925
Other liabilities	806,793	-	-	-	-	806,793
Lease liabilities	23,723	71,488	181,832	895,104	11,756	1,183,903
Total liabilities	36,594,683	39,855,091	15,919,495	895,313	11,756	93,276,338
Net liquidity gap	(16,494,803)	(32,962,922)	(3,462,446)	54,146,631	41,746,563	42,973,023

Experience indicates that customer deposits are maintained for longer periods than the contractual maturity dates. The deposit base is considered to be of a stable and long term nature.

Notes (continued)

4. Financial risk management (continued)

4.3 Liquidity risk and funding management (continued)

4.3.3 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Group and Bank At 31 December 2025	Upto 1 month KShs '000	1 - 3 months KShs '000	4 - 12 Months KShs '000	1 - 5 Years KShs '000	Over 5 years KShs '000	Total KShs '000
<u>Derivative assets</u>						
Derivative financial assets	986,735	2,919,145	9,399,775	-	-	13,305,655
Total assets	986,735	2,919,145	9,399,775	-	-	13,305,655
<u>Derivative liabilities</u>						
Derivative financial liabilities	2,929,442	-	-	-	-	2,929,442
Total liabilities	2,929,442	-	-	-	-	2,929,442
Net liquidity gap	(1,942,707)	2,919,145	9,399,775	-	-	10,376,213
Group and Bank At 31 December 2024	Upto 1 month KShs '000	1 - 3 months KShs '000	4 - 12 Months KShs '000	1 - 5 Years KShs '000	Over 5 years KShs '000	Total KShs '000
<u>Derivative assets</u>						
Derivative financial assets	763,387	2,152,220	8,017,375	-	-	10,932,982
Total assets	20,099,880	6,892,169	12,457,049	-	-	10,932,982
<u>Derivative liabilities</u>						
Derivative financial liabilities	258,590	-	57,060	-	-	315,650
Total liabilities	258,590	-	57,060	-	-	315,650
Net liquidity gap	504,797	2,152,220	7,960,315	-	-	10,617,332

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk

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

The Bank classifies exposures to market risk into either trading (the Trading book) or non-trading (the Banking book) portfolios and manages each of those portfolios separately.

The market risk for the trading book is managed and monitored using value at risk (VaR), that reflects the interdependency between risk variables as set out in note 4.4.1 below.

The Bank's risk management strategy for its Banking book is different for each of the following categories of market risk and is set out in the subsequent subsections of these financial statements, as follows:

- Interest rate risk
- Currency risk

Market risk limits are set and continuously reviewed by the market risk department of the Bank's independent Risk Controlling Unit. As a part of their established market risk management process, the market risk department also monitors early signs of possible changes in market conditions such as: anticipated and actual changes to interest rates; socio-economic factors driving mortgage prepayment behaviors; and economic and geopolitical factors driving currency and equity price movements. Market risk limits are ultimately approved by the Board.

The Bank's Asset and Liability Committee (ALCO) is tasked with the overall management of market risk. At an operational level, market risk is primarily managed by the Bank's treasury department, which is responsible for ensuring that the Bank's exposures are in compliance with market risk limits approved by the Board and to take adequate actions subject to review and approval by ALCO.

The Bank's risk management strategies in relation to market risks are explained under the corresponding subheadings on the following pages.

4.4.1 Market risk — trading (trading book) (including financial assets and financial liabilities designated at fair value through profit or loss)

Objectives and limitations of the VaR (Value at Risk) methodology

The Bank uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data. The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated by using exponentially weighted historical data. Due to the fact that VaR relies heavily on historical data to provide information and does not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice, the actual trading results will differ from the VaR calculation. In particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

Notes (continued)

4. Financial risk management (continued)

4.3 Market risk (continued)

4.4.1 Market risk — trading (trading book) (including financial assets and financial liabilities designated at fair value through profit or loss) (continued)

VaR assumptions

The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

Since VaR is an integral part of the Bank's market risk management, VaR limits have been established for all trading operations and exposures are required to be reviewed daily against the limits by management.

Back testing

It is the Bank's policy to perform regular back-testing to validate the Bank's VaR calculations. When back-testing, the Bank compares daily profits and losses with the estimates derived from the Bank's VaR model.

4.4.2 Market risk – Banking book

The Bank's primary business model is to collect deposits, and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its assets.

The Bank's asset-liability profile of its banking book is such that:

- Interest on deposits is primarily either floating or their maturities are so short term that their behavior is similar to floating rate instruments
- Interest rates payable on issued debt are primarily fixed
- The Bank's loan portfolio is a mixture of fixed and floating rates instruments

As a part of the Bank's risk management strategy, the Board has established limits on the non-trading interest rate gaps for the interest rate sensitivities. These limits are consistent with the Bank's enterprise risk appetite and the Bank aligns its hedge accounting objectives to keep exposures within those limits.

4.4.2.1 Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial position and cash flows. Management closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

The following table provides an analysis of the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.1 Interest rate risk (continued)

Group	Upto 1 month KShs '000	1 – 3 Months KShs '000	4 – 12 Months KShs '000	1 – 5 Years KShs '000	Over 5 years KShs '000	Non- interest bearing KShs '000	Total KShs '000
At 31 December 2025							
Assets							
Balances with Central Bank of Kenya	-	-	-	-	-	7,859,430	7,859,430
Government and investment securities	-	-	301,696	14,204,216	26,282,536	-	40,788,448
Placements and balances with other banking institutions	368,072	930,066	-	-	-	809,600	2,107,738
Other assets	-	-	-	-	-	981,322	981,322
Loans and advances to customers	9,091,457	3,821,782	6,037,422	15,631,287	12,375,395	-	46,957,343
Financial assets at fair value through profit or loss	-	-	-	-	-	450,368	450,368
Total assets	9,459,529	4,751,848	6,339,118	29,835,503	38,657,931	10,100,720	99,144,649
Liabilities							
Deposits and balances from other banks	1,009,789	-	-	-	-	25,782	1,035,571
Customer deposits	26,568,055	18,915,155	20,548,329	2,100,740	-	14,277,879	82,410,158
Due to Central Bank of Kenya	10,024,228	-	-	-	-	-	10,024,228
Lease liabilities	13,492	78,131	189,977	480,191	93,768	-	855,559
Other liabilities	-	-	-	-	-	994,904	994,904
Total liabilities	37,615,564	18,993,286	20,738,306	2,580,931	93,768	15,298,565	95,320,420
On statement of financial position interest sensitivity gap	(28,156,035)	(14,241,438)	(14,399,188)	27,254,572	38,564,163	(5,197,845)	3,824,229

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.1 Interest rate risk (continued)

GROUP

At 31 December 2024

Assets

Balances with Central Bank of Kenya
Government and investment securities
Placements and balances with other
banking institutions
Other assets
Loans and advances to customers
Financial assets at fair value through
profit or loss

	Upto 1 month KShs '000	1 – 3 Months KShs '000	4 – 12 Months KShs '000	1 – 5 Years KShs '000	Over 5 years KShs '000	Non- interest bearing KShs '000	Total KShs '000
	-	1,049,570	196,557	15,870,268	18,793,816	10,462,277	10,462,277
	-	12,948	-	-	-	-	35,910,211
	6,324,824	4,367,123	5,971,991	14,770,057	12,753,836	1,681,471	1,694,419
	-	-	-	-	-	377,169	377,169
	-	-	-	-	-	468,970	44,187,831
	6,324,824	5,429,641	6,168,548	30,640,325	31,547,652	12,989,887	93,100,877

Total assets

Liabilities

Deposits and balances from other
banks
Customer deposits
Due to Central Bank of Kenya
Lease liabilities
Other liabilities

	1,262,702						1,262,702
	19,913,011	20,364,973	15,195,331	200	-	13,118,843	68,592,358
	18,981,925					1,070,000	20,051,925
	-	23,090	106,030	213,762	463,593	-	806,475
	-	-	-	-	-	826,954	826,954

Total liabilities

On statement of financial position
interest sensitivity gap

	40,157,638	20,388,063	15,301,361	213,962	463,593	15,015,797	91,540,414
	(33,832,814)	(14,958,422)	(9,132,813)	30,426,363	31,084,059	(2,025,910)	1,560,463

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.1 Interest rate risk (continued)

Bank

At 31 December 2025

	Upto 1 month KShs '000	1 – 3 Months KShs '000	4 – 12 Months KShs '000	1 – 5 Years KShs '000	Over 5 years KShs '000	Non- interest bearing KShs '000	Total KShs '000
Assets							
Balances with Central Bank of Kenya	-	-	-	-	-	7,859,430	7,859,430
Government and investment securities	-	-	301,696	14,204,216	26,282,536	-	40,788,448
Placements and balances with other banking institutions	368,072	930,066	-	-	-	809,600	2,107,738
Other assets	-	-	-	-	-	981,322	981,322
Loans and advances to customers	9,091,457	3,821,782	6,037,422	15,631,287	12,375,395	-	46,957,343
Financial assets at fair value through profit or loss	-	-	-	-	-	450,368	450,368
Total assets	9,459,529	4,751,848	6,339,118	29,835,503	38,657,931	10,100,720	99,144,649
Liabilities							
Deposits and balances from other banks	1,009,789	-	-	-	-	25,782	1,035,571
Customer deposits	26,568,055	18,915,155	20,548,329	2,100,740	-	14,298,770	82,431,049
Due to Central Bank of Kenya	10,024,228	-	-	-	-	-	10,024,228
Lease liabilities	13,492	78,131	189,977	480,191	93,768	-	855,559
Other liabilities	-	-	-	-	-	969,237	969,237
Total liabilities	37,615,564	18,993,286	20,738,306	2,580,931	93,768	15,293,789	95,315,644
On statement of financial position interest sensitivity gap	(28,156,036)	(14,241,438)	(14,399,188)	27,254,572	38,564,163	(5,193,069)	3,829,004

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.1 Interest rate risk (continued)

Bank

At 31 December 2024

	Upto 1 month KShs '000	1 – 3 Months KShs '000	4 – 12 Months KShs '000	1 – 5 Years KShs '000	Over 5 years KShs '000	Non- interest bearing KShs '000	Total KShs '000
Assets							
Balances with Central Bank of Kenya	-	1,049,570	196,557	15,870,268	18,793,776	10,462,277	10,462,277
Government and investment securities	-	12,948	-	-	-	-	35,910,171
Placements and balances with other banking institutions	-	-	-	-	-	1,681,471	1,681,471
Other assets	6,324,824	4,367,123	5,971,991	14,770,057	12,753,836	377,169	377,169
Loans and advances to customers	-	-	-	-	-	-	44,187,831
Financial assets at fair value through profit or loss	-	-	-	-	-	468,970	468,970
Total assets	6,324,824	5,429,641	6,168,548	30,640,325	31,547,612	12,989,887	93,100,837
Liabilities							
Deposits and balances from other banks	1,262,702	-	-	-	-	-	1,262,702
Customer deposits	19,913,011	20,364,973	15,195,331	200	-	13,135,530	68,609,045
Due to Central Bank of Kenya	18,981,925	-	-	-	-	1,070,000	20,051,925
Lease liabilities	-	23,090	106,030	213,762	463,593	-	806,475
Other liabilities	-	-	-	-	-	806,793	806,793
Total liabilities	40,157,638	20,388,063	15,301,361	213,962	463,593	15,012,323	91,536,940
On statement of financial position interest sensitivity gap	(33,832,814)	(14,958,422)	(9,132,813)	30,426,363	31,084,019	(2,022,436)	1,563,897

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.1 Interest rate risk (continued)

The table below summarises the effective interest rates calculated on a weighted average basis, by major currencies for monetary financial assets and liabilities:

Group and Bank	2025				2024			
	KShs	US	GB	EUR	KShs	US	GB	EUR
	%	\$ %	£ %	%	%	\$ %	£ %	%
Government securities	11.5	9.3	-	-	11.7	8.7	-	-
Balances due from banking institutions	9.1	3.8	3.8	1.9	8.81	8.8	-	-
Loans and advances to customers	17.3	9.5	10.2	9.8	18.7	10.3	9.7	-
Balances due to banking institutions	10.0	4.2	4.0	-	14.0	-	-	-
Customer deposits	7.9	3.4	3.7	2.2	10.4	4.5	4	2.5

Interest rate risk sensitivity

At 31 December 2025, if the weighted average interest rate for loans and advances at that date had been 1 percent higher with all other variables held constant, post-tax profit for the year would have been KShs 267 million (2024: KShs 252 million) higher, arising mainly as a result of higher interest income.

At 31 December 2025, if the weighted average interest rate for customer deposits and deposits from other banking institutions, at that date had been 1 percent higher with all other variables held constant, post-tax profit for the year would have been KShs 505 million (2024: KShs 409 million) lower, arising mainly as a result of higher interest expense.

A similar decrease in interest rate would have yielded the same impact in the opposite direction in both cases.

4.4.2.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on the net positions the Bank can hold in each currency, including foreign exchange positions of subsidiaries and both accounting and economic hedges.

The Bank operates wholly within Kenya and its assets and liabilities are reported in the local currency. It conducts trade with correspondent banks and takes deposits and lends in other currencies. The Bank's currency position and exposure are managed within the exposure guideline of 10% of the core capital as stipulated by the Central Bank of Kenya. This position is reviewed on a daily basis by the management. The significant currency positions are as detailed out below:

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.2 Currency risk (continued)

Group and Bank

	US \$ KShs '000	GB £ KShs '000	Euro KShs '000	Others KShs '000	Total KShs '000
At 31 December 2025					
Financial assets					
Cash in hand	163,310	19,885	96,930	1	280,126
Balances with Central Bank of Kenya	2,556,270	520,274	2,315,862	(2,286)	5,390,120
Placements and balances with other banking institutions	1,857,624	31,850	116,241	102,060	2,107,775
Loans and advances to customers	14,697,793	715,485	908,226	1	16,321,505
Government investment securities	6,162,094	-	-	-	6,162,094
Other assets	35,938	6	1	-	35,945
Total financial assets	25,473,029	1,287,500	3,437,260	99,776	30,297,565
Financial liabilities					
Customer deposits	17,922,559	1,266,446	755,532	66,420	20,010,957
Deposits from banks	9,049	-	-	1,249	10,298
Other liabilities	261,007	1,266	1,904	7,812	271,989
Total financial liabilities	18,192,615	1,267,712	757,436	75,481	20,293,244
Net statement of financial position gap*	7,280,414	19,788	2,679,824	24,295	10,004,321
At 31 December 2024					
Financial assets					
Cash in hand	170,847	8,759	35,855	1	215,462
Balances with Central Bank of Kenya	6,776,533	567,843	623,101	10,903	7,978,380
Placements and balances with other banking institutions	1,633,567	2,947	3,812	54,127	1,694,453
Loans and advances to customers	16,399,367	680,624	1,163,278	-	18,243,269
Government investment securities	4,041,866	-	-	-	4,041,866
Other assets	11,765	6	-	-	11,771
Total financial assets	29,033,945	1,260,179	1,826,046	65,031	32,185,201
Financial liabilities					
Customer deposits	17,625,216	1,222,972	835,200	70,266	19,753,654
Other liabilities	-	-	-	-	-
Other liabilities	122,554	37	1,370	2,014	125,975
Total financial liabilities	17,747,770	1,223,009	836,570	72,280	19,879,629
Net statement of financial position gap*	11,286,175	37,170	989,476	(7,249)	12,305,573

Net statement of financial position gap added to the off-statement of financial position instruments gives an overall net position of 5.5% of core capital as at 31st December 2025 (December 2024 was 9.6%), which is within the prudential guidelines of a maximum of 10% of core capital.

Notes (continued)

4. Financial risk management (continued)

4.4 Market risk (continued)

4.4.2.2 Currency risk (continued)

Foreign exchange risk sensitivity

The table below summarizes the effect on profit or loss before tax and equity had the Kenya Shilling weakened by 10% against each currency, with all other variables held constant. If the Kenya Shilling strengthened against each currency, the effect would have been the opposite:

Group and Bank At 31 December 2025	US \$ KShs '000	GB £ KShs '000	Euros KShs '000	Others KShs '000	Total KShs '000
Effect on profit or loss before tax	<u>728,041</u>	<u>1,979</u>	<u>267,982</u>	<u>2,430</u>	<u>1,000,432</u>
Effect on equity	<u>509,629</u>	<u>1,385</u>	<u>187,588</u>	<u>1,701</u>	<u>700,303</u>
Closing exchange rates	<u>128.90</u>	<u>173.21</u>	<u>151.28</u>		
At 31 December 2024	US \$ KShs '000	GB £ KShs '000	Euros KShs '000	Others KShs '000	Total KShs '000
Effect on profit or loss before tax	<u>1,128,617</u>	<u>3,717</u>	<u>98,948</u>	<u>(725)</u>	<u>1,230,557</u>
Effect on equity	<u>790,032</u>	<u>2,602</u>	<u>69,263</u>	<u>(507)</u>	<u>861,390</u>
Closing exchange rates	<u>129.25</u>	<u>162.12</u>	<u>134.56</u>		

4.4.3 Price risk sensitivity

The Bank is exposed to price risk on quoted investment securities

The table below summarizes the impact on increase in the market price on the Group's equity investments net of tax. The analysis is based on the assumption that the market prices had increased by 5% with all other variables held constant and all the Bank's equity instruments moved according to the historical correlation with the price:

	Impact on profit or loss and equity	
	2025 KShs '000	2024 KShs '000
Effect of increase on profit before tax	-	140
	=====	====

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising out of legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from the Group's operations and is faced by all other business entities.

Notes (continued)

4. Financial risk management (continued)

4.5 Operational risk (continued)

The Group endeavors to manage the operational risk by creating a balance between avoidance of cost or financial losses and damage to the Group's reputation within overall cost effectiveness and to avoid control procedures that restrict creativity and initiative. The key responsibility for development policies and programs to implement the Group's operational risk management is with the senior management of the Group.

The above is achieved by development of overall standards for the Group to manage the risk in the following areas:

- Segregation of duties including independent authorization of transactions
- Monitoring and reconciliation of transactions
- Compliance to regulatory and legal requirements
- Documentation of controls and procedures
- Assessment of the operational risk on a periodic basis to address the deficiencies observed, if any
- Reporting operational losses and initiation of remedial action
- Development of contingency plans
- Training staff to improve their professional competency
- Exercising good ethical and business standards.

4.6 Compliance and regulatory risk

Compliance and regulatory risk includes the risk of bearing the consequences of non-compliance with regulatory requirements. The Compliance function is responsible for establishing and maintaining an appropriate framework of Bank compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all Managers.

4.7 Environmental and social risks

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the Bank to assess the impacts of activities (of both the Bank and its clients) which could hurt the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its Environmental and Social Management policy and by adopting the country's Labor and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Kenya government). An Environmental and Social Management system is being put in place to ensure due diligence and monitoring of the Environmental and Social risk is done efficiently. Compliance with these laws is monitored by the compliance function.

5. Material accounting judgements, estimates and assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and 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.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Notes (continued)

5. Material accounting judgements, estimates and assumptions (continued)

5.1 Impairment losses on financial assets

As disclosed in Note 3.10, the measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model
- The Bank's loan book segmentation based on industry sectors
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

5.2 Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax losses carried forward can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5.3 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

In determining the IBR to apply, the Bank considered the yield on 6-year Government securities as the most readily observable rate after assessing the lease term on all its leases to be on average 6 years. The yield is a market determined rate by providers and users of funds the best estimates what a lender would be willing to avail funding and a market participant would access funding from the market.

5.4 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. The determination of fair value has been disclosed in Note 3.5 and Note 38.

Notes (continued)

5. Material accounting judgements, estimates and assumptions (continued)

5.4 Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	KShs '000	KShs '000	KShs '000	KShs '000
31 December 2025				
Investments at FVOCI (debt and equity instruments)				
Debt securities (note 17)	35,160,163	-	-	35,160,163
Equity securities (note 18)	-	-	-	-
Financial assets at fair value through profit or loss		450,368	-	450,368
Total assets	35,160,163	450,368	-	35,610,531
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	-	-	-	-
Total liabilities	-	-	-	-
31 December 2024				
Investments at FVOCI (debt and equity instruments)				
Debt securities (note 17)	4,715,036	-	-	4,715,036
Equity securities (note 18)	2,841	-	-	2,841
Loans and advances at fair value through profit or loss	-	468,970	-	468,970
Total assets	4,717,877	468,970	-	5,186,847
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	-	-	-	-
Total liabilities	-	-	-	-

Notes (continued)

5. Material accounting judgements, estimates and assumptions (continued)

5.4 Fair value of financial instruments (continued)

Bank	Quoted prices in active markets Level 1 KShs '000	Significant observable inputs Level 2 KShs '000	Significant unobservable inputs Level 3 KShs '000	Total KShs '000
31 December 2025				
Investments at FVOCI (debt and equity instruments)				
Debt securities [note 17(c)]	35,160,163	-	-	35,160,163
Equity securities [note 18(b)]	-	450,368	-	450,368
Financial assets at fair value through profit or loss	-	-	-	-
Total assets	35,160,163	450,368	-	35,610,531
Derivative financial liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Total liabilities	-	-	-	-
31 December 2024				
Investments at FVOCI (debt and equity instruments)				
Debt securities [note 18(c)]	4,715,036	-	-	4,715,036
Equity securities [note 19(b)]	2,801	-	-	2,801
Financial assets at fair value through profit or loss	-	468,970	-	468,970
Total assets	4,717,837	468,970	-	5,186,807
Derivative financial liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Total liabilities	-	-	-	-

Notes (continued)

6. Business combination

There was no business combination entered into in the 2025 financial year. On 18 August 2018 the Bank completed the acquisition of certain assets and assumption of specific liabilities of Chase Bank (Kenya) Limited-In Receivership. Below is the descriptions of the contingent considerations that arose from the business combination:

a. Fully written off loans

There was certain fully impaired loan portfolio with a carrying amount of KShs 21.453 billion at the acquisition date, which the Bank acquired as part of the business combination. These were non-performing, unsecured loans without repayment history and no proper credit documentation, a proportion of which was disputed by the customers. As required by IFRS 3, Business combinations, these loans were, therefore, recognised at nil fair value at the acquisition date. As a result, a contingent consideration, representing future cash flows related to the proceeds that may be received from any recoveries of these loans, arose. This contingent consideration is fair valued at nil, which is the same as the fair value of the related loans.

b. Properties to be transferred to the Bank

As at the acquisition date, there were certain properties with a market value of KShs 7.31 billion in which Chase Bank Limited in Receivership (CBLIR) had interest but could not be transferred to the Group at the acquisition date. As required by IFRS 3, Business combinations, the properties were recognised at fair value determined at nil. As a result, a contingent consideration, representing future cash flows related to the proceeds that may be received from the disposal of these properties, arose. This contingent consideration is fair valued at nil, which is the same as the fair value of the related properties.

7. Financial asset mandatorily measured at fair value through profit and loss

The financial asset at fair value through profit or loss relates to long term note issued by the Bank in 2017 following a restructure of facilities to a customer in the airline industry (original borrower company). The restructuring of the loan facility introduced an embedded derivative resulting in the instrument being classified and measured at fair value through profit or loss (FVTPL) in accordance with IFRS 9.

The fair value of the hybrid instrument is driven by two principal cash-flow components:

- a) being the interest receivable on the mandatorily convertible component of the loan note and,
- b) the expected recovery from the disposal of the shares into which the loan is convertible, through which the principal amount is expected to be realized.

Any shortfall arising from these cash-flow streams is partly mitigated by a government guarantee. In determining the fair value of the loan facility, the Group has considered the expected interest receipts, the present value of recoveries from the eventual sale of the shares, and the mitigating impact of the government guarantee, together with the application of an appropriate illiquidity discount.

Group and Bank	2025	* Restated	* Restated
	KShs '000	2024	01 Jan 2024
		KShs '000	KShs '000
Loan note	468,970	447,805	1,034,460
Fair value loss	<u>(18,602)</u>	<u>21,165</u>	<u>(586,655)</u>
At end of the year	<u>450,368</u>	<u>468,970</u>	<u>447,805</u>

See note 40 for details of a prior period error

Notes (continued)

8. Net interest income

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Interest income:				
Loans and advances to customers	6,007,445	6,444,548	6,007,445	6,444,548
Government securities	4,400,733	3,981,530	4,400,733	3,981,530
Money market lending	334,327	252,353	332,186	252,353
	<u>10,742,505</u>	<u>10,678,431</u>	<u>10,740,364</u>	<u>10,678,431</u>
Interest expense:				
Customer deposits	(4,862,136)	(4,997,751)	(4,862,136)	(4,997,751)
Money market borrowings	(1,901,019)	(3,371,082)	(1,901,019)	(3,371,082)
Interest expense on lease liability (note 30)	(99,478)	(66,041)	(99,478)	(66,041)
Other borrowings (note 28)	-	(96,024)	-	(96,024)
	<u>(6,862,633)</u>	<u>(8,530,898)</u>	<u>(6,862,633)</u>	<u>(8,530,898)</u>
Net interest income	<u>3,879,872</u>	<u>2,147,533</u>	<u>3,877,731</u>	<u>2,147,533</u>

9. Net fee and commission income

(a) Fee and commission income:

Commitment charges on loans	119,807	53,622	119,807	53,622
Processing fees on loans	13,016	7,964	13,016	7,964
Ledger fees	33,511	33,329	33,511	33,329
Card income	162,135	168,325	162,135	168,325
Commission fees and charges	<u>371,194</u>	<u>206,582</u>	<u>331,181</u>	<u>206,582</u>
	<u>699,663</u>	<u>469,822</u>	<u>659,650</u>	<u>469,822</u>

(b) Fee and commission expense:

Correspondent and other bank charges	(17,311)	(10,019)	(17,311)	(10,019)
Brokerage fees and commissions	(28,312)	(854)	(28,312)	(854)
	<u>(45,623)</u>	<u>(10,873)</u>	<u>(45,623)</u>	<u>(10,873)</u>
Net fee and commission	<u>654,040</u>	<u>458,949</u>	<u>614,027</u>	<u>458,949</u>

Notes (continued)

10(a) Foreign exchange income - Group and Bank

	2025 KShs' 000	2024 KShs' 000
Realised gains/(losses)	1,365,146	(598,478)
Unrealised gains	(618,104)	1,379,500
	747,042	781,022

10(b) Other operating income

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Gain on sale of government securities	514,079	121,548	514,079	121,548
(Loss) / gain on disposal of property and equipment	(118)	2,685	(118)	2,685
Other miscellaneous income*	31,638	32,616	31,638	32,616
	545,599	156,849	545,599	156,849

*Other miscellaneous income mainly consists of recoveries from items previously written off that have been recovered.

11. Personnel expenses

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Salaries and wages	1,993,585	1,948,041	1,976,837	1,948,041
Social security and pension contributions	113,042	102,608	113,042	102,608
Staff welfare cost	42,129	65,224	42,129	65,224
Staff insurances	146,269	155,378	146,269	155,378
Other staff costs**	232,886	171,544	232,886	171,544
	2,527,911	2,442,795	2,511,163	2,442,795

**Other staff costs include expenses relating to performance incentive, staff training, acting allowances and other miscellaneous staff costs.

The closing number of persons in employment during the year were:

	Bank and Group 2025	2024
Management and administration	610	606

Notes (continued)

12. Other operating expenses

a) Other operating expenses

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Contribution to Kenya Deposit Insurance Corporation (KDIC)	111,241	97,878	111,241	97,878
Software licensing and other information technology costs	880,059	918,276	880,059	918,276
Auditors' fees (note 12(c))	25,767	17,545	24,727	17,545
Consultancy, legal and professional fees	128,000	205,341	128,000	205,341
Directors' fees	10,500	16,544	10,500	16,544
Utilities	34,859	50,931	34,859	50,931
Marketing costs	115,201	106,971	115,201	106,971
Operating lease rentals	6,908	11,763	6,908	11,763
Licence and other registration fees	31,591	32,636	31,591	32,636
Other general and administrative expenses**	588,752	575,042	581,400	574,453
	1,932,878	2,032,927	1,924,486	2,032,338

**Other general and administrative expenses mainly consist of guarding expenses, insurance premiums, office expenses, repair and maintenance expenses, travelling expenses and accommodation costs.

b) Depreciation and amortisation charges

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Depreciation on property and equipment (note 22)	235,461	219,819	235,461	219,819
Amortisation of intangible assets (note 23)	127,135	112,488	127,135	112,488
Depreciation on right-of-use asset (note 24)	188,539	201,983	188,539	201,983
	551,135	534,290	551,135	534,290

12(c) Auditors' remuneration

	Group		Company	
	2025 Shs 000	2024 Shs 000	2025 Shs 000	2024 Shs 000
Statutory audit fees	16,700	12,944	15,660	12,944
Other regulatory mandated audits	9,067	4,601	9,067	4,601
	25,767	17,545	24,727	17,545

The above auditor's remuneration fees relate to statutory audit services offered by PricewaterhouseCoopers LLP to all the group entities.

Notes (continued)

13. Net impairment charge on financial assets

The table below summarises the net impairment charges recorded in the statement of profit and loss.

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
a) Total portfolio and specific impairment				
On-balance sheet loans and advances	202,550	122,794	202,550	122,794
Off-balance sheet exposure	(1,877)	7,427	(1,877)	7,427
Net increase in impairment	200,673	130,221	200,673	130,221
b) Net increase in impairment loss on financial instruments				
Total portfolio and specific impairment	200,673	130,221	200,673	130,221
	200,673	130,221	200,673	130,221
Net decrease in ECL impairment loss on financial instruments is made up of:				
Net write back on Government securities at amortised cost (Note 17(a))	(3,312)	(463)	(3,312)	(463)
Net charge/(write back) on Government securities at FVOCI (Note 17(b))	4,437	40	4,437	40
Net (write back)/ charge on cash and cash equivalents (Note 15 (c))	4	(146)	4	(146)
Net charge /(write back) on off balance sheet exposure (Note 32(b))	(1,877)	7,427	(1,877)	7,427
Other provisions charge/ (write back)	(748)	6,858	(748)	6,858
Allowance for credit impairment on loans and advances	315,087	420,235	315,087	420,235
Recoveries of impaired loans and advances	(113,666)	(296,872)	(113,666)	(296,872)
Net charge on loans and advances (Note 16 (b))	201,421	123,363	201,421	123,363
Net increase in impairment	200,673	130,221	200,673	130,221

Notes (continued)

14. Tax

a) Income tax	Group		Bank	
	2025 KShs' 000	*Restated 2024 KShs' 000	2025 KShs' 000	*Restated 2024 KShs' 000
<i>Current income tax</i>				
Current tax on profits for the year	(7,356)	(1,106)	(2,252)	(1,106)
<i>Deferred income tax</i>				
(Decrease)/increase in deferred income tax assets (Note 25)	(148,725)	346,722	(148,725)	346,722
(Increase)/ decrease in deferred income tax liabilities (Note 25)	(13,658)	35,674	(13,658)	35,674
Total deferred income tax expense/(credit)	(162,383)	382,396	(162,383)	382,396
Total income tax (charge)/credit	(169,739)	381,290	(164,635)	381,290

* - See note 40 for details regarding the restatement as a result of an error

b) Profit / (loss) before tax is arrived at after

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
<i>Charging:</i>				
Depreciation on property and equipment (Note 22)	235,461	219,819	235,461	219,819
Amortisation of intangible assets (Note 23)	127,135	112,488	127,135	112,488
Depreciation on right of use asset	188,539	201,983	188,539	201,983
Directors' emoluments;				
- Fees as non-executives	10,500	16,544	10,500	16,544
- Other	83,041	75,083	83,041	75,083
Auditors' remuneration	<u>25,767</u>	<u>17,545</u>	<u>24,727</u>	<u>17,545</u>

The tax on the Group's profit or loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Profit/(loss) before tax	613,956	(1,595,880)	596,942	(1,595,291)
Tax calculated at a rate of 30% (2024:30%): (charge)/credit	(184,187)	478,764	(179,083)	478,587
Expenses not deductible for tax purposes*	187,308	38,384	187,308	38,384
Income not allowable for tax purposes**	(172,860)	(135,858)	(172,860)	(135,681)
Total income tax (credit) / charge	(169,739)	381,290	(164,635)	381,290

* The expenses include depreciation of non-qualifying assets, fringe benefit tax and pension.

** The incomes include infrastructure bonds interest income and revaluation on bonds.

Notes (continued)

14. Tax (continued)

c) Current tax liabilities

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
At 1 January	(1,072)	(4,614)	(1,072)	(4,614)
Paid during the year	6,822	4,614	3,324	4,614
Charge for the year	(7,356)	(1,072)	(2,252)	(1,072)
At 31 December	(1,606)	(1,072)	-	(1,072)
Tax recoverable	3,498	-	-	-
Tax payable	(5,104)	(1,072)	-	(1,072)
	(1,606)	(1,072)	-	(1,072)

15. Cash and cash equivalents

a) Cash and bank balances with Central Bank

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Cash in hand	784,804	595,869	784,804	595,869
Foreign currency notes and coins	204,062	215,462	204,062	215,462
Balances with Central Bank of Kenya:				
Restricted balances (cash reserve ratio)*	2,631,240	1,908,744	2,631,240	1,908,744
Unrestricted balances with Central Bank *	5,228,190	8,553,534	5,228,190	8,553,534
	8,848,296	11,273,609	8,848,296	11,273,609

*Unrestricted balances with Central Bank of Kenya represents amounts above the minimum cash reserve requirement. As at 31 December 2025, the cash reserve ratio requirement was 3.25 % (2024 - 4.25%) of customer deposits as adjusted as per the prudential guidelines. While the Central bank of Kenya imposes restrictions regarding the use of the restricted balances for day to day operations, there are no restrictions regarding the bank's access to these deposits for liquidity management.

b) Placements and balances with other banking institutions:

	Group		Bank	
	2025 KShs'000	2024 KShs' 000	2025 KShs'000	2024 KShs' 000
Balances with banks in Kenya	1,298,176	298,955	1,298,176	298,955
Balances with other banks	809,600	1,395,498	809,600	1,395,498
Allowance for expected credit loss	(38)	(34)	(38)	(34)
	2,107,738	1,694,419	2,107,738	1,694,419

*The balances above relate to loans and placements with other banks having an original maturity of up to three months.

Notes (continued)

15. Cash and cash equivalents (continued)

c) ECL impairment on placements and balances with other banking institutions

Group and Bank

	Stage 1 KShs'000	Stage 2 KShs' 000	Stage 3 KShs'000	Total KShs' 000
31 December 2025				
At 1 January 2025	(34)	-	-	(34)
Remeasurement	(4)	-	-	(4)
At 31 December 2025	(38)	-	-	(38)
31 December 2024				
At 1 January 2024	112	-	-	112
Remeasurement	(146)	-	-	(146)
At 31 December 2024	(34)	-	-	(34)

16. Loans and advances to customers

a) Loans and advances

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Corporate	40,240,159	40,680,205	40,240,159	40,680,205
Retail	10,738,896	9,433,704	10,738,896	9,433,704
	50,979,055	50,113,909	50,979,055	50,113,909
Less: allowances for expected credit losses	(4,021,712)	(5,926,078)	(4,021,712)	(5,926,078)
	46,957,343	44,187,831	46,957,343	44,187,831

b) Movement in credit loss allowance

The net expected credit losses charge on loans and advances to the income statement during the year is KShs 201,421,000 (2024: Net charge of KShs123,363,000).

	2025 KShs '000	2024 KShs'000
Bad debts recovered for the year	(113,666)	(296,872)
Allowance for expected credit losses for the year (Note 13 (b))	315,087	420,235
Net charge (note 13 (b))	201,421	123,363

See the breakdown of the allowance for expected credit losses disclosed per stage, i.e. stage 1 to 3 in the movements below:

Notes (continued)

16. Loans and advances to customers

b) Movement in credit loss allowance (continued)

Group and Bank

31 December 2025	Corporate	Retail	Total
Stage 3	KShs million	KShs million	KShs million
At start of year	4,156,058	1,638,862	5,794,920
Charge for the year (Note 13(b))	(395,010)	2,390	(392,620)
Financial assets derecognised	(1,294,039)	(275,830)	(1,569,869)
Reduction due to normal repayments in full	24,820	111,742	136,562
New financial assets purchased	-	-	-
Write back on impaired loans repaid (Note 13(b))	(59,770)	(53,896)	(113,666)
At end of year	2,432,059	1,423,268	3,855,327
Stage 1 & 2			
At start of year	75,437	55,722	131,159
Charge for the year (Note 13(b))	(3,784)	81,317	77,533
Financial assets derecognised	-	-	-
Reduction due to normal repayments in full	(24,820)	(111,741)	(136,561)
New financial assets purchased	1,426	92,828	94,254
Write back on impaired loans repaid (Note 13)	-	-	-
At end of year	48,259	118,126	166,385
	2,480,318	1,541,394	4,021,712
31 December 2024	Corporate	Retail	Total
Stage 3	KShs million	KShs million	KShs million
At start of year	4,635,953	1,704,809	6,340,762
Charge for the year (Note 13(b))	(126,255)	(71,353)	(197,608)
Financial assets derecognised	(307,418)	(96,327)	(403,745)
Reduction due to normal repayments in full	(90,186)	(34,580)	(124,766)
New financial assets purchased	215,648	261,502	477,150
Write back on impaired loans repaid (Note 13(b))	(161,315)	(135,557)	(296,872)
At end of year	4,166,427	1,628,494	5,794,921
Stage 1 & 2			
At start of year	75,419	98,401	173,820
Charge for the year (Note 13(b))	(62,910)	(159,717)	(222,627)
Financial assets derecognised	78,021	195,528	273,549
Reduction due to normal repayments in full	(15,093)	(78,492)	(93,585)
New financial assets purchased	-	-	-
Write back on impaired loans repaid (Note 13(b))	-	-	-
At end of year	75,437	55,720	131,157
	4,241,864	1,684,214	5,926,078

Notes (continued)

17. Government securities

The Government securities held are classified as follows:

Group and Bank	2025 KShs' 000	2024 KShs' 000
Government securities measured at amortised cost:	5,634,199	31,197,123
Government securities measured at fair value through other comprehensive income (FVOCI)	35,160,164	4,715,036
Expected credit losses	<u>(5,915)</u>	<u>(4,789)</u>
	<u>40,788,448</u>	<u>35,907,370</u>

Expected credit loss

Net ECL provisions write back to the income statement for all Government securities was KShs 1,125,000 (2024: write back of KShs 423,000) detailed as below;

- Write back of KShs 3,312,000 (2024: write back of KShs 463,000) on Government securities held at amortised cost.
- Charge of KShs 4,437,000 (2024:KShs 40,000) on Government securities held at FVOCI.

a) Government securities measured at amortised cost:

The tables below show movements in both carrying amounts and ECL provisions under each category of Government securities;

	Group		Bank	
	2025 KShs'000	2024 KShs' 000	2025 KShs'000	2024 KShs' 000
Treasury bonds	<u>5,633,347</u>	<u>31,192,959</u>	<u>5,633,347</u>	<u>31,192,959</u>

The table below shows movement in Government securities measured at amortised cost during the year.

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
At 1 January	31,192,959	31,181,018	31,192,959	31,181,018
Purchases	1,344,500	4,006,750	1,344,500	4,006,750
	(27,355,190)		(27,355,190)	(3,709,250)
Maturities/Sales		(3,709,250)	(27,355,190)	(3,709,250)
Movement in accrued interest	240,669	(594,343)	240,669	(594,343)
Amortisation of discounts and premiums	211,261		211,261	
Expected credit loss	312,948	312,948	312,948	312,948
	<u>(852)</u>	<u>(4,164)</u>	<u>(852)</u>	<u>(4,164)</u>
At 31 December	<u>5,633,347</u>	<u>31,192,959</u>	<u>5,633,347</u>	<u>31,192,959</u>

Notes (continued)

17. Government securities (continued)

The table below shows movement in ECL provisions on Government securities measured amortized cost during the year.

	Group		Bank	
	2025 KShs'000	2024 KShs' 000	2025 KShs'000	2024 KShs'000
At 1 January	4,164	4,627	4,164	4,627
Re-measurement of year end expected credit loss	(3,312)	(463)	(3,312)	(463)
At 31 December	852	4,164	852	4,164

Total income statement write back of ECL on Government securities measured at amortized cost was KShs 3,312,000 (2024: write back of KShs 463,000). All Government securities held were classified under Stage 1.

(b) Government securities measured at fair value through other comprehensive income (FVOCI)

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Treasury bonds	35,155,101	4,714,411	35,155,101	4,714,411

The table below shows movement in Government securities measured at FVOCI during the year.

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
At 1 January	4,714,411	4,061,383	4,714,411	4,061,383
Purchase	50,341,229	3,259,100	50,341,229	3,259,100
Maturities/sales	(21,337,731)	(3,209,100)	(21,337,731)	(3,209,100)
Movement in accrued interest	1,102,570	11,120	1,102,570	11,120
Amortisation of discounts and premiums	(602,696)	(9,103)	(602,696)	(9,103)
Movement in fair value through OCI	942,380	601,636	942,380	601,636
Expected credit loss	(5,062)	(625)	(5,062)	(625)
At 31 December	35,155,101	4,714,411	35,155,101	4,714,411

Notes (continued)

17. Government securities (continued)

The table below shows movement in the ECL provisions on Government securities measured at FVOCI:

	Group		Bank	
	2025 KShs'000	2024 KShs' 000	2025 KShs'000	2024 KShs'000
At 1 January	625	585	625	585
Re-measurement of year end expected credit loss	4,437	40	4,437	40
At 31 December	5,062	625	5,062	625

Total income statement charge for ECL on Government securities measured at FVOCI was KShs 4,437,000 (2024: KShs 40,000). There were no Government securities measured at FVOCI classified under stages 2 and 3.

Government securities amounting to KShs 11,033 million were held under lien as at 31 December 2025 (2024: KShs 23,040 million). Refer to note 32 (c) for further details.

The fair value of the Government securities measured at fair value through profit or loss are under the Level 1 class of fair value based on the information set out in accounting policy note 3.6 on determination of fair value.

The fair value of the Government securities measured at fair value through other comprehensive income are under the Level 1 class of fair value based on the information set out in accounting policy note 3.6 on determination of fair value.

The fair value of the treasury bonds in Government securities measured at amortised cost was KShs 5,634 million as at 31 December 2025 (2024: KShs. 31,197 million). These are under the Level 1 class of fair value based on the information set out in accounting policy note 3.6 on determination of fair value.

18. Equity securities

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Investment securities designated at FVPL:				
Equity investments	-	2,841	-	2,801
Total investment in securities	-	2,841	-	2,801

Movement in investment securities at FVPL during the year which are made up of quoted equity investments were as follows

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
At 1 January	2,841	2,841	2,801	2,801
Disposal	(2,841)		(2,801)	
At 31 December	-	2,841	-	2,801

The fair values of the quoted equity instruments are under the Level 1 class of fair value based on the information set out in note 3.6 on determination of fair value and on note 5.4.

Notes (continued)

19. Derivative financial instruments

The group has recognised the following derivative financial instruments that it uses for risk management purposes. The table below shows the fair values of currency forwards and swaps recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	Notional amount asset 2025 KShs' 000	Notional amount liability 2025 KShs' 000	Fair value of asset 2025 KShs' 000	Fair value of liability 2025 KShs' 000
<i>Foreign exchange contracts</i>				
Forward exchange contracts	13,305,655	2,671,442	458,175	(77,566)
Swaps	-	258,000	-	(200)
	<u>13,305,655</u>	<u>2,929,442</u>	<u>458,175</u>	<u>(77,766)</u>
	Notional amount asset 2024 KShs' 000	Notional amount liability 2024 KShs' 000	Fair value of asset 2024 KShs' 000	Fair value of liability 2024 KShs' 000
<i>Foreign exchange contracts</i>				
Forward exchange contracts	10,917,875	57,060	1,215,986	(5,179)
Swaps	15,107	258,590	1	(109)
	<u>10,932,982</u>	<u>315,650</u>	<u>1,215,987</u>	<u>(5,288)</u>

The Bank's exposure to derivative contracts is monitored on regular basis as part of its overall risk management framework. The Bank's derivative assets and financial liabilities are generally not offset in the statement of financial position unless the netting criteria in IAS 32 are met.

Notes (continued)

20. Other assets

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are measured at amortised cost less any impairment loss.

	Group	
	2025 KShs' 000	2024 KShs' 000 <i>Restated</i>
Deposits and prepayments	712,172	424,474
Other receivables*	989,601	377,168
	1,701,773	801,642
	1,701,773	801,642

	Bank	
	2025 KShs' 000	2024 KShs' 000 <i>Restated</i>
Deposits and prepayments	712,172	424,474
Other receivables*	981,322	377,168
	1,693,494	801,642
	1,693,494	801,642

*Other receivables mainly constitutes items in transit including Safaricom settlement accounts.

21. Investment in subsidiaries

Summary of investment in subsidiaries

<u>Company</u>	<u>Incorporation & Principal place of business</u>	<u>% held</u>	2025 KShs' 000	2024 KShs' 000
Kentbury Investments Limited (Trading)		100%	17,587	17,587
Finsure Insurance Brokers Limited (Insurance brokerage)	Kenya	100%	10,025	10,025
Richardson Properties Limited (Real estate investment)	Kenya	100%	121,340	121,340
Rover Investments Limited (Real estate investment)	Kenya	100%	187,442	187,442
SBM Bancassurance Intermediary Limited	Kenya	100%	5,000	5,000
			341,394	341,394
Less: impairment			(336,394)	(336,394)
			5,000	5,000
			5,000	5,000

Investment in Kentbury Investments, Finsure Insurance Brokers, Richardson Properties and Rovers Investments subsidiaries is impaired. In impairing the investment in subsidiaries, the management considered the fact that the companies are currently dormant and are not expected to generate any revenue.

In 2024, SBM Bancassurance Intermediary Limited was set up as a bancassurance subsidiary which currently provides insurance and insurance related investment products to the Group, its employees, customers and suppliers.

Notes (continued)

22. Property and equipment

Group Year ended 31 December 2025 Cost	Leasehold land and buildings KShs' 000	Computer, copiers and faxes KShs' 000	Motor vehicles KShs' 000	Furniture and fittings KShs' 000	Office equipment KShs' 000	Work-in- progress KShs' 000	Total KShs' 000
At start of the year	200,000	742,147	40,043	752,718	467,556	214,690	2,417,154
Additions	-	15,840	498	172,282	3,179	83,696	275,495
Disposals/write offs	-	(61,918)	-	(197,536)	(150,898)	-	(410,352)
Transfer to intangible assets	-	-	-	-	-	(214,690)	(214,690)
At end of the year	200,000	696,069	40,541	727,464	319,837	83,696	2,067,607
Depreciation							
At start of the year	150,000	309,584	10,929	615,603	401,721	-	1,487,837
Charge for the year	25,000	138,135	7,940	41,949	22,437	-	235,461
Elimination on disposal/write off	-	(61,915)	499	(184,331)	(149,516)	-	(395,263)
At end of the year	175,000	385,804	19,368	473,221	274,642	-	1,328,035
Net carrying amount	25,000	310,266	21,173	254,243	45,195	83,696	739,572

There were no commitments to acquire property and equipment as at year end (2024: none).

Notes (continued)

22. Property and equipment (continued)

Bank Year ended 31 December 2025 Cost	Leasehold land and buildings KShs' 000	Computer, copiers and faxes KShs' 000	Motor vehicles KShs' 000	Furniture and fittings KShs' 000	Office equipment KShs' 000	Work-in- progress KShs' 000	Total KShs' 000
At start of the year	200,000	742,147	40,043	752,718	467,556	214,690	2,417,154
Additions	-	15,840	498	172,282	3,179	77,116	268,915
Disposals/write offs	-	(61,918)	-	(197,536)	(150,898)	-	(410,352)
Transfer to intangible assets	-	-	-	-	-	(214,690)	(214,690)
At end of the year	200,000	696,069	40,541	727,464	319,837	77,116	2,061,027
Depreciation							
At start of the year	150,000	309,584	10,929	615,603	401,721	-	1,487,837
Charge for the year	25,000	138,135	7,940	41,949	22,437	-	235,461
Elimination on disposal/write off	-	(61,915)	499	(184,331)	(149,516)	-	(395,263)
At end of the year	175,000	385,804	19,368	473,221	274,642	-	1,328,035
Net carrying amount	25,000	310,266	21,173	254,243	45,195	77,116	732,992

There were no commitments to acquire property and equipment as at year end (2024: none).

Notes (continued)

22. Property and equipment (continued)

Group and Bank Year ended 31 December 2024 Cost	Leasehold land and buildings KShs' 000	Computer, copiers and faxes KShs' 000	Motor vehicles KShs' 000	Furniture and fittings KShs' 000	Office equipment KShs' 000	Work-in- progress KShs' 000	Total KShs' 000
At start of the year	200,000	237,939	53,124	894,595	518,991	462,327	2,366,976
Additions	-	47,467	31,760	13,608	2,912	214,690	310,437
Disposals/write offs	-	(5,586)	(44,841)	(155,485)	(54,347)	-	(260,259)
Capitalization of work in progress	-	462,327	-	-	-	(462,327)	-
At end of the year	200,000	742,147	40,043	752,718	467,556	214,690	2,417,154
Depreciation							
At start of the year	125,000	192,671	53,124	709,313	424,550	-	1,504,658
Charge for the year	25,000	122,498	2,647	43,908	25,766	-	219,819
Elimination on disposal/write off	-	(5,586)	(44,841)	(133,525)	(48,596)	-	(232,548)
At end of the year	150,000	309,583	10,930	619,696	401,720	-	1,491,929
Net carrying amount	50,000	432,564	29,113	133,022	65,836	214,690	925,225

There were no commitments to acquire property and equipment as at year end (2024: none).

Notes (continued)

23. Intangible assets - software costs

	Group and Bank	
	2025 KShs' 000	2024 KShs' 000
Cost		
At start of year	1,067,056	1,031,813
Additions	81,098	35,243
Fully depreciated assets	(570,227)	-
Transferred from property and equipment	214,690	-
At end of year	<u>792,617</u>	<u>1,067,056</u>
Amortisation		
At start of year	852,822	740,334
Fully depreciated assets	(570,227)	-
Charge for the year	127,135	112,488
At end of year	<u>409,730</u>	<u>852,822</u>
Net carrying amount	<u>382,887</u>	<u>214,234</u>

24. Right of use assets

Group as a lessee

The Group has lease contracts for various properties used as office space for its branches and head office. Leases of property generally have lease terms of between 4 and 6 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain assets of low value. The group applies the low-value assets' recognition exemptions for these leases.

At 1 January 2025, right of use asset of KShs 756,881,000 (2024: KShs 768,739,000).

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

Group and Bank	2025 Kshs'000	2024 Kshs'000
At 1 January	756,881	768,739
Additions	264,935	349,840
Depreciation charge for the year	(188,539)	(201,983)
Lease modifications	(1,569)	(65,322)
Discontinuations	(29,299)	(94,393)
At 31 December	<u>802,409</u>	<u>756,881</u>

Notes (continued)

24. Right of use assets (Continued)

The following are the amounts recognised in profit or loss:

Group and Bank	2025 KShs'000	2024 KShs'000
Depreciation expense of right-of-use assets	188,539	201,983
Interest expense on lease liabilities	99,478	66,041
Expense relating to leases of low-value assets [note 12(a)]	6,908	11,763
	<hr/>	<hr/>
At 31 December 2025	294,925	279,787
	<hr/> <hr/>	<hr/> <hr/>

Group as a lessor

The Group has entered into operating leases on its own building. These leases have terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Rental income recognised by the Group during the year is KShs 7,508,000 (2024: KShs 6,212,000).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2025 KShs' 000	2024 KShs' 000
Maturing within one year	4,482	5,007
Maturing over one to five years	31,111	21,585
	<hr/>	<hr/>
	35,593	26,592
	<hr/> <hr/>	<hr/> <hr/>

25. Deferred income tax

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2024: 30%). The deferred income tax asset and deferred tax (charge)/credit in profit or loss are attributable to the following:

a) Deferred tax balances

	Group		Bank	
	2025 KShs '000	* Restated 2024 KShs '000	2025 KShs '000	* Restated 2024 KShs '000
At 1 January	2,719,586	2,337,190	2,719,586	2,337,190
Deferred tax charge/(credit):				
- To profit or loss	(162,383)	382,397	(162,383)	382,397
- To other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,557,203	2,719,586	2,557,203	2,719,586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* - See Note 40 for details of a restatement due to an overstatement of prior year deferred tax.

Notes (continued)

25. Deferred income tax (continued)

b) Movement in deferred tax assets and deferred tax liabilities

Group and Bank	1 January 2025 KShs '000	Prior year provisions over KShs '000	Deferred tax (charge)/credit KShs '000	31 December 2025 KShs '000
Arising from:		(Note 14)	(Note 14)	
<i>Deferred tax assets:</i>				
Property and equipment	109,390	-	(39,569)	69,821
Tax losses	412,275	-	824,291	1,236,566
Leave pay provision	9,545	-	(4,701)	4,844
Lease liability	241,943	-	14,725	256,668
Other general provisions	2,173,497	-	(943,471)	1,230,026
Total deferred tax assets	2,946,650	-	(148,725)	2,797,925
<i>Deferred tax liabilities:</i>				
Right-of-use asset (IFRS 16)	(227,064)	-	(13,658)	(240,722)
Total deferred tax liabilities	(227,064)	-	(13,658)	(240,722)
Net deferred income tax assets	2,719,586	-	(162,383)	2,557,203

Group and Bank	1 January 2024 * Restated KShs '000	Prior year provisions over KShs '000	Deferred tax (charge)/credit * Restated KShs '000	31 December 2024 * Restated KShs '000
Arising from:		(Note 14)	(Note 14)	
<i>Deferred tax assets:</i>				
Property and equipment	158,242	-	(48,852)	109,390
Tax losses	-	-	412,275	412,275
Leave pay provision	22,153	-	(12,608)	9,545
Lease liability	256,356	-	(14,413)	241,943
Other general provisions	2,163,177	231	10,089	2,173,497
Total deferred tax assets	2,599,927	231	346,491	2,946,650
<i>Deferred tax liabilities:</i>				
Right-of-use asset (IFRS 16)	(230,621)	-	3,557	(227,064)
Deferred tax on bargain purchase	(28,807)	-	28,807	-
Unrealised exchange loss	(3,310)	-	3,310	-
Total deferred income tax liabilities	(262,738)	-	35,674	(227,064)
Net deferred income tax asset	2,337,190	231	382,165	2,719,586

* - See Note 40 for details of a restatement due to an overstatement of prior year deferred.

Notes (continued)

26. Deposits and balances from other banks

	Group		Bank	
	2025	2024	2025	2024
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Bank current and demand accounts	25,782	11,385	25,782	11,385
Placements from other banks	1,009,789	1,251,317	1,009,789	1,251,317
	<u>1,035,571</u>	<u>1,262,702</u>	<u>1,035,571</u>	<u>1,262,702</u>

Weighted average interest rate 9.9% (2024:11.6%)

27. Customers' deposits

Analysis of the Group and Bank's customer deposits by maturity:

	Group		Bank	
	2025	2024	2025	2024
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Current and demand accounts	14,278,190	12,064,736	14,299,081	12,081,423
Savings accounts	16,233,378	3,348,527	16,233,378	3,348,527
Call deposits	7,904,328	4,930,599	7,904,328	4,930,599
Term deposits	43,994,262	48,248,496	43,994,262	48,248,496
	<u>82,410,158</u>	<u>68,592,358</u>	<u>82,431,049</u>	<u>68,609,045</u>

1. Current & Demand accounts - These are non-interest-bearing accounts that are due on demand. They are operated by both individuals and institutions. They are subject to transaction activity fees and/or monthly maintenance charges.
2. Savings accounts - These are deposits accounts designed for the average income earner that enables one to save some money and earn interest. Interest is paid into the account either monthly or quarterly depending on the product.
3. Call deposits - These are high interest-bearing accounts that are opened with no fixed maturity period. Interest is calculated daily and paid when the client gives a notice. Interest rates are offered at competitive and attractive rates.
4. Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed interest rate. Funds are fixed in the account for specified periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

Notes (continued)

27. Customers' deposits (continued)

	Group		Bank	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Payable within 90 days	59,761,089	53,396,827	59,781,980	53,413,514
Payable after 90 days and within 1 year	20,548,329	15,195,331	20,548,329	15,195,331
Payable after 1 year	2,100,740	200	2,100,740	200
	<u>82,410,158</u>	<u>68,592,358</u>	<u>82,431,049</u>	<u>68,609,045</u>

The economic sector concentrations within the customer deposits portfolio for the Bank were as follows:

	2025		2024	
	KShs' 000	%	KShs' 000	%
Agriculture	1,253,440	2%	261,583	*
Building and construction	1,159,973	1%	953,317	1%
Business services	5,031,327	6%	5,404,367	8%
Consumer durables	2,474	*	7,646	*
Energy, electricity and water	477,174	1%	366,698	1%
Finance and insurance	18,671,076	23%	14,923,975	22%
Foreign trade	26,936	*	27,340	*
Manufacturing	2,805,956	3%	1,037,786	2%
Mining and quarrying	78,025	*	79,567	*
Others	1,666,660	2%	1,157,738	2%
Real estate	2,377,869	3%	1,011,133	1%
Social and personal services	40,224,463	49%	38,278,032	56%
Transport and communication	1,836,542	2%	1,430,440	2%
Trade restaurants and hotels	6,819,134	8%	3,669,423	5%
	<u>82,431,049</u>	<u>100%</u>	<u>68,609,045</u>	<u>100%</u>

*Percentage below 0.5%

28. Due to the Central Bank of Kenya

Group and Bank:	2025 KShs '000	2024 KShs '000
Repurchase agreements with the Central Bank of Kenya	10,024,228	20,051,925
	<u>10,024,228</u>	<u>20,051,925</u>

The Group enters into repurchase agreements in which government securities are sold to the Central Bank of Kenya with a commitment to repurchase them. As the Group retains substantially all risks and rewards, the securities continue to be recognised in full within the financial statements. The cash received is recognised as a financial asset, with a corresponding financial liability for the repurchase obligation. The table above presents the liability including the accrued interest. During the year, the agreements carried an average interest rate of 9% (2024: 11.25%) with an average maturity profile of three months.

Notes (continued)

28. Amounts due to the Central Bank of Kenya (continued)

The movement in amounts due to Central Bank of Kenya is as follows:

	2025	2024
	KShs' 000	KShs' 000
At 1 January	20,051,925	19,696,768
Amortisation of fair value gain classified under interest expense (note 8)	-	96,024
Reverse repo received during the year	10,472,409	11,059,133
Repaid during the year	<u>(20,500,106)</u>	<u>(10,800,000)</u>
At 31 December	<u>10,024,228</u>	<u>20,051,925</u>

The Bank assumed KShs 9,684 million as part of the liabilities acquired from the acquisition of business from Chase Bank Limited in Receivership. At the acquisition date, the fair value of the liability was determined based on the agreed terms and the change in fair value was factored into the determination of bargain purchase gain. Management assumed an interest rate of 10% and a repayment term of 5 years.

Subsequently, the liability is measured at amortized cost and the amortisation of the fair value gain is recorded as interest expense under note 8, which was fully amortized in April 2024.

The amount is part of the liabilities due to Central Bank of Kenya secured by Government securities of an equivalent value.

29. Other liabilities

	Group		Bank	
	2025	2024	2025	2024
	KShs'	KShs'	KShs'	KShs'
	000	000	000	000
Outstanding bankers drafts and cheques	15,249	4,675	15,249	4,675
Sundry creditors	963,507	790,461	937,840	770,301
Accrued leave pay	16,149	31,817	16,149	31,817
	<u>994,905</u>	<u>826,953</u>	<u>969,238</u>	<u>806,793</u>

All other liabilities are expected to be settled within 12 months from the reporting date. Sundry creditors include direct and indirect taxes payable as at year end, accrued expenses and general provisions held.

30. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Group and Bank	2025	2024
	KShs'000	KShs'000
At 1 January	806,475	854,520
Additions	251,719	349,840
Interest expense accruals (lease liability) during the year	99,478	66,041
Lease modifications	(1,569)	(73,208)
Lease terminations	(29,299)	(118,767)
Interest paid	(99,478)	(66,041)
Repayment of lease liabilities - principal element	<u>(171,767)</u>	<u>(205,910)</u>
At 31 December	<u>855,559</u>	<u>806,475</u>

Notes (continued)

30. Lease liabilities (continued)

	2025 KShs'000	2024 KShs'000
Current	281,600	178,205
Non-current	573,959	628,270
	<u>855,559</u>	<u>806,475</u>

The maturity analysis of lease liabilities is disclosed in note 4.3.3.

The Group total cash outflows for leases amounted to KShs 278,153,000 (2024: KShs 283,714,000), which includes KShs 271,245,000 (2024: KShs 271,951,000) for regular lease payments and KShs 6,908,000 (2024: KShs 11,763,000) for low value leases .

Commitments relating to future undiscounted lease liability amounts payable for the premises based in the contracts and projected renewals were as follows;

	2025 KShs'000	2024 KShs'000
Maturing within one year	246,921	277,347
Maturing over one to five years	826,713	787,613
Maturing over five years	107,314	119,248
	<u>1,180,948</u>	<u>1,184,208</u>

31. Share capital

a) Ordinary Share capital

	Group and Bank		Group and Bank	
	Number of ordinary shares in thousands		Issued and paid up capital	
	2025	2024	2025 KShs' 000	2024 KShs' 000
At start of year	51,715,000	51,715,000	2,165,500	2,165,500
Issue of shares	129,000	-	1,290,000	-
At end of year	<u>51,844,000</u>	<u>51,715,000</u>	<u>3,455,500</u>	<u>2,165,500</u>

The bank issued share capital of KShs 1,290,000 during the year. The authorized share capital is divided into 165,000,000 ordinary shares of KShs 10 each amounting to a value of KShs 1,650,000,000, and 51,550,000,000 class B shares of KShs. 0.01 amounting to KShs 515,500,000.

b) Shareholders' contribution pending allotment

	Group and Bank	
	2025 KShs' 000	2024 KShs' 000
At 1 January	1,290,000	471,000
Additional capital pending allotment	386,000	819,000
Alloted capital	<u>(1,290,000)</u>	<u>-</u>
31 December	<u>386,000</u>	<u>1,290,000</u>

Notes (continued)

31. Share capital (continued)

This is share capital contribution by the shareholders to the Bank pending allotment of the Bank's shares. The allotment will be completed once the requisite documents have been filed with the registrar of Companies and share certificate issued to the shareholder.

c) Share premium

	GROUP AND BANK	
	2025	2024
	KShs' 000	KShs' 000
At 1 January and 31 December	<u>6,701,945</u>	<u>6,701,945</u>

There was no movement in share premium during the year.

d) Preference share capital

	Group and Bank		Group and Bank	
	Number of preference shares (thousands)		Issued and fully paid	
	2025	2024	2025	2024
			KShs' 000	KShs' 000
Issued and fully paid	<u>10,000</u>	<u>10,000</u>	<u>100,000</u>	<u>100,000</u>

The authorised preference shares are divided into 10,000,000 preference shares of KShs 10 each amounting to a value of KShs 100,000,000.

The non-cumulative preference shares confer the same voting rights as ordinary shares of the Bank. A non-cumulative annual preference dividend of 13% is payable by the Bank. These preference shares rank in priority to any dividend payable on the ordinary shares of the Bank.

In the event of winding up the Bank, the non-cumulative preference shares will be paid off in priority to ordinary shares but rank behind creditors of the Bank.

e) Fair value reserve of financial assets at fair value through other comprehensive income

This represents the cumulative gains and losses arising from revaluation of financial assets at fair value through other comprehensive income (Government securities measured at FVOCI) from cost to fair value based on the market values of the assets at the end of the reporting period. This is not distributable.

The disaggregation of changes of OCI by fair value reserve of financial assets at fair value through other comprehensive income in equity is shown below.

	Group and Bank	
	2025	2024
	KShs' 000	KShs' 000
At start of the year	(225,254)	(826,890)
Fair value gain in the year [Note 18(b)]	942,380	601,636
	<u>717,126</u>	<u>(225,254)</u>

Notes (continued)

31. Share capital (continued)

f) Statutory loan loss reserve

Where impairment losses on loans and advances required by legislation exceed those computed under IFRS Accounting Standards, the excess is recognized as a statutory loan loss reserve and accounted for as an appropriation of retained profits and the reverse for reduction. These reserves are not distributable.

Impairment provisions required by legislation and computed as per the Central Bank of Kenya's prudential guidelines was KShs 6,006,000 (2024: KShs 7,246,782,000) while ECL impairment provisions computed as per IFRS Accounting Standards was KShs 4,021,000 (2024: KShs 5,926,078,000). At 31 December 2025, a statutory loan loss reserve of KShs 1,984,825,000 (2024: KShs. 1,320,704,000) has been recognized.

32. Off balance sheet financial instruments, contingent liabilities and commitments

a) Legal proceedings – Bank

There were a number of legal proceedings outstanding against the Bank as at 31 December 2025. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

Afrasia Bank Limited demand

In August 2018 SBM Bank (Kenya) Limited (SBMK) acquired certain assets and assumed specific liabilities of Chase Bank. One of the liabilities that SBMK did not take over from Chase Bank was a deposit placement by Afrasia Bank Limited of USD 7,500,000. In 2019 Afrasia Bank Limited sued SBMK claiming the full amount of USD 7,500,000 together with the accrued interest of USD 9,291 from the Bank. In July 2020 the matter was referred to arbitration where a judgment favourable to SBMK was delivered in April 2021. Dissatisfied with the decision of the arbitrator, Afrasia Bank Limited moved to High Court. Kenya Deposit Insurance Corporation, in a sworn affidavit filed at the High Court, confirmed that this liability together with the accrued interest was not taken over by SBMK and that the same rests with Chase Bank. In July 2022, the High Court entered judgment against SBMK awarding Afrasia Bank Limited the claimed amount of USD 7,500,000 together with accrued interest of USD 9,291. SBMK has filed an appeal at the Court of Appeal seeking to set aside the judgment of the High Court. The directors in consideration of the underlying facts about the claim, are confident that SBMK is not liable and therefore no provision has been made in these financial statements in respect therefore.

b) Contractual off-statement of financial position of financial liabilities

In the ordinary course of business, the Group conducts business involving guarantees, acceptances, letters of credit and bills for collection. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	Group and Bank	
	2025	2024
	KShs' 000	KShs' 000
Contingencies related to:		
Acceptances and letters of credit	3,392,643	2,195,445
Letters of guarantee	5,831,382	2,922,020
Forwards and swaps	16,083,107	10,032,736
	<hr/>	<hr/>
At end of the year	25,307,132	15,150,201
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

32. Off balance sheet financial instruments, contingent liabilities and commitments(continued)

b) Contractual off-statement of financial position of financial liabilities (continued)

The table below shows the movement in ECL provisions on off balance sheet assets during the year;

	Group and Bank	
	2025	2024
	KShs'	KShs'
	000	000
At 1 January	13,652	6,652
(Reversal) / charge of ECL	<u>(1,877)</u>	<u>7,427</u>
At 31 December	<u>11,775</u>	<u>13,652</u>

The Group and Bank recognised ECL reversals amounting to KShs 1,877,000 during the year (2024: Kshs 7,427,000 ECL provision). All off balance sheet assets are assed and categorized under stage 1.

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by the Bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. The fair values of the respective currency forwards are carried on the face of the statement of financial position.

c) Assets pledged as security

As at 31 December 2025, Government securities with a face value of KShs 11,033 million were held under lien in favor of the Central Bank of Kenya Limited (2024: KShs. 23,040 million).

33. Dividends

There were no dividends paid in the current year (2024: nil).

Notes (continued)

34. Notes to the statement of cash flows

a) Additional cash flow information

	Group		Bank	
	2025 KShs'000	* Restated 2024 KShs'000	2025 KShs'000	* Restated 2024 KShs'000
<i>Other non-cash items included in profit/(loss) before tax:</i>				
Depreciation on property and equipment	235,461	219,819	235,461	219,819
Amortisation of intangible assets	127,135	112,488	127,135	112,488
Depreciation on right-of-use asset	188,539	201,983	188,539	201,983
Interest income	(10,742,505)	(10,678,431)	(10,740,364)	(10,678,431)
Interest expense	6,862,633	8,530,898	6,862,633	8,530,898
Credit impairment charges	314,339	420,235	314,339	420,235
Loss / (gain) on sale of property and equipment	118	(2,033)	118	(2,033)
Non-cash items included in profit before tax	(3,014,280)	(1,195,041)	(3,012,139)	(1,195,041)
<i>Changes in operating assets:</i>				
Loans and advances to customers	(2,769,512)	595,426	(2,769,512)	595,426
Investment in government securities	(4,881,078)	(664,969)	(4,881,078)	(664,969)
Net change in financial asset at FVTPL	779,255	(884,677)	779,215	(884,677)
Other assets	(900,131)	200,071	(891,852)	200,071
Net increase in operating assets	(7,771,466)	(754,149)	(7,763,227)	(754,149)
<i>Changes in operating liabilities:</i>				
Customer deposits	13,817,800	5,487,567	13,822,004	5,491,978
Deposit & balances due to other banks	(227,131)	611,240	(227,131)	611,240
Net change in financial liabilities at FVTPL	72,478	(314,085)	72,478	(314,085)
Other liabilities	167,951	(262,515)	162,444	(262,515)
Net increase in operating liabilities	13,831,098	5,522,207	13,829,795	5,526,618

* - See note 40 for details of the prior year restatement.

Notes (continued)

34. Notes to the statement of cash flows (Continued)

b) Cash and cash equivalents

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

Group	2025 KShs' 000	* Restated 2024 KShs' 000	* Restated 1 Jan 2024 KShs' 000
Cash and cash equivalents with central Bank [Note 15(a)]	8,848,296	11,273,609	3,415,758
Placements with other banking institutions [Note 15(b)]	<u>2,107,737</u>	<u>1,694,419</u>	<u>4,630,797</u>
	<u>10,956,034</u>	<u>12,968,028</u>	<u>8,046,555</u>
Bank			
Cash and cash equivalents [Note 15(a)]	8,848,296	11,273,609	3,415,758
Placements with other banking institutions [Note 15(b)]	<u>2,107,737</u>	<u>1,694,419</u>	<u>4,630,797</u>
	<u>10,956,034</u>	<u>12,968,028</u>	<u>8,046,555</u>

* - See note 40 for details of the prior year restatement.

35. Related party transactions and balances

The parent company is SBM Africa Holdings Limited, and ultimate holding company is SBM Holdings Limited, both incorporated in Mauritius.

Included in loans and advances and customer deposits are amounts advanced to/received from certain directors and companies in which directors are involved either as shareholders or directors (related companies).

a) Bank balances and placement with other banking institutions

	Group and Bank	
	2025 KShs' 000	2024 KShs' 000
Current account balances		
SBM Bank (Mauritius) Limited	20,275	8,130
SBM Bank (India) Limited	7,139	4,916
Banque SBM Madagascar SA	<u>1,125</u>	<u>716</u>
	<u>28,539</u>	<u>13,762</u>

Notes (continued)

35. Related party transactions and balances (continued)

b) Loans and advances to related parties

All amounts in KShs' 000	Related companies		Principal officers		Other employees	
	2025	2024	2025	2024	2025	2024
Outstanding loans and advances						
As at 1 January	-	-	85,183	167,894	1,518,875	1,891,478
Net movement	-	-	(18,697)	(82,711)	(150,811)	(372,603)
At 31 December	-	-	<u>66,486</u>	<u>85,183</u>	<u>1,368,064</u>	<u>1,518,875</u>
Interest income	-	-	<u>8,929</u>	<u>5,194</u>	<u>103,611</u>	<u>99,533</u>

All the loans and advances to related parties are performing.

Interest income earned from related parties in 2025 was KShs 112,540,000 (2024: KShs 104,727,000). The effective interest rate was 7.8% (2024: 5.7%) with loan tenors stretching to a maximum of 20 years.

Credit facilities to key management personnel and executive directors are as per their contract of employment. All other transactions with key management personnel and directors, whether credit facilities, deposits or purchase of goods and services, are at market terms and conditions and will be settled in cash. All credit facilities with entities considered as related parties disclosed above are at market terms and conditions and will be settled in cash. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

a) Deposits from related parties (All amounts in KShs'000)

	Non-Executive Directors		Related companies		Principal officers		Other employees	
	2025	2024	2025	2024	2025	2024	2025	2024
Deposits								
At start of year	93,931	121,328	11,687	12,276	37,521	46,433	95,761	(101,398)
Deposits received during year	21,500	72,790	20,411	-	201,217	120,728	2,091,420	1,655,863
Interest paid	7,822	11,851	-	-	3,319	2,709	9,762	5,064
Withdrawals during year	<u>(120,544)</u>	<u>(112,038)</u>	<u>(163)</u>	<u>(589)</u>	<u>(205,164)</u>	<u>(132,349)</u>	<u>(2,047,621)</u>	<u>(1,463,768)</u>
At end of the year	<u>2,709</u>	<u>93,931</u>	<u>31,935</u>	<u>11,687</u>	<u>36,893</u>	<u>37,521</u>	<u>149,322</u>	<u>95,761</u>

The weighted average interest rate for deposits was 11.3% (2024: 4.9%).

Notes (continued)

35. Related party transactions and balances (Continued)

b) Directors' benefits and other remuneration

	Group and Bank	
	2025	2024
	KShs'	KShs'
	000	000
Salaries	65,502	89,593
Post-employment benefits	1,665	2,034
Fees [note 12(a)]	10,500	16,544
	77,667	108,171
	77,667	108,171

c) Key personnel compensation

	Group and Bank	
	2025	2024
	KShs'	KShs'
	000	000
Salaries and other employment benefits	79,251	72,226
Pension and NSSF	3,790	2,857
	83,041	75,083
	83,041	75,083

36. Capital management

The Central Bank of Kenya sets and monitors capital requirements for the Banking industry as a whole. The statutory minimum core capital is KShs 3 billion. In implementing current capital requirements, the Central Bank of Kenya requires the Bank to maintain a 14.5% prescribed ratio of total capital to total risk-weighted assets. The Bank has met this requirement.

The Bank's regulatory capital is analysed into two tiers:

- i. Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- ii. Tier 2 capital, which includes 25% of asset revaluation reserves which have received prior Central Bank of Kenya approval, subordinated debt and other capital instruments approved by Central Bank of Kenya.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 Capital.

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

Notes (continued)

36. Capital management (continued)

The Bank's regulatory capital position at 31 December was as follows:

	Statement of financial position nominal amount		Risk weighted amount	
	2025 KShs' 000	2024 KShs' 000	2025 KShs' 000	2024 KShs' 000
Cash and bank balances with Central Bank and other banking institutions	8,848,296	11,273,609	-	-
Placements with other banking institutions	2,107,738	1,694,419	421,555	338,891
Loans and advances to customers	46,957,343	44,187,831	40,284,040	39,482,821
Financial assets at fair value through profit and loss	450,368	468,970	450,368	468,970
Government securities	40,788,448	35,907,370	-	-
Investment securities	-	2,801	-	2,801
Other assets	2,151,669	2,017,629	2,151,669	2,017,629
Investment in subsidiaries	5,000	5,000	5,000	5,000
Property and equipment	732,992	925,225	732,992	925,225
Intangible assets	382,887	214,234	382,887	214,234
Right-of-use assets	802,409	756,881	802,409	756,881
Deferred tax assets	2,557,203	2,719,586	2,557,203	2,719,586
Total assets (a)	105,784,353	100,173,555	47,788,123	46,932,038
Off statement of financial position:				
Credit related commitments and other off balance sheet items (b)	25,307,131	15,150,201	508,424	177,744
Total balance sheet and off balance sheet risk weighted assets (a+b)	131,091,484	115,323,756	48,296,547	47,109,782
Market risk qualifying assets (c)	(5,000)	(7,801)	(5,000)	(7,801)
Adjusted credit risk weighted assets (a+b+c)	131,086,484	115,315,955	48,291,547	47,101,981
Total market risk weighted assets (d)	532,960	865,482	532,960	865,482
Total risk weighted assets for operational risk (e)	7,109,319	7,762,313	7,109,319	7,762,313
Total risk weighted assets (a+b+c+d+e)	138,728,763	123,943,750	55,933,826	55,729,776

Items a,b,c,d and e are computed as per Central Bank of Kenya prudential guidelines on risk weighted assets.

Notes (continued)

36. Capital management (continued)

	2025 Total	2024 Total
	KShs' 000	KShs' 000
Tier 1 - core capital		
Share capital	3,841,500	3,455,500
Share premium	6,701,945	6,701,945
Preference share capital	100,000	100,000
Accumulated losses	<u>(2,954,456)</u>	<u>(2,219,466)</u>
	<u>7,688,989</u>	<u>8,037,979</u>
Tier 2 capital - supplementary capital		
Statutory credit risk reserve (maximum 1.25% of TRWA)	<u>698,201</u>	<u>683,032</u>
	<u>698,201</u>	<u>683,032</u>
Total regulatory capital	<u><u>8,387,190</u></u>	<u><u>8,721,011</u></u>

Capital adequacy requirement calculation

Risk weighted amounts for loans and advances to customers are stated net of impairment losses. These balances have also been offset against fixed deposits and short term deposits placed by customers as securities.

	Actual ratios		Minimum requirement	
	2025	2024	2025	2024
Core capital to total risk weighted assets ratio	14%	15%	10.50%	10.50%
Core capital to deposits ratio	9%	12%	8.00%	8.00%
Total capital to total risk weighted assets ratio	15%	16%	14.50%	14.5%
	=====	=====	=====	=====

The Bank has complied with all the capital statutory prudential guidelines, while also making an allowance for business fluctuations.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance, Risk and Credit, and is subject to review by the Group Credit Committee or ALCO as appropriate. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision-making. When need for more capital arises, the Group explores various recapitalization options including injection of share capital, raising tier capital as well as optimization of the total risk weighted assets. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes (continued)

37. Maturity analysis of assets and liabilities

The tables below show an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behavior that was used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

Group	Within 12 months	After 12 months	Total
At 31 December 2025	KShs'000	KShs'000	KShs'000
Assets			
Cash and bank balances with Central Bank and other banking institutions	8,848,296	-	8,848,296
Placements and balances with other banking institutions	2,107,738	-	2,107,739
Loans and advances to customers	18,950,661	28,006,682	46,957,343
Financial assets at fair value through profit or loss	-	450,368	450,368
Government securities	301,696	40,486,752	40,788,448
Derivative financial instruments	458,175	-	458,175
Other assets	1,701,773	-	1,701,773
Current tax recoverable	3,498	-	3,498
Property and equipment	-	739,572	739,572
Intangible assets	-	382,887	382,887
Right-of-use assets	273,415	528,994	802,409
Deferred tax asset	-	2,557,203	2,557,203
Total assets	32,645,252	73,152,458	105,797,710
Liabilities			
Deposits and balances from other banks	1,035,571	-	1,035,571
Customers' deposits	80,309,418	2,100,740	82,410,158
Lease liabilities	281,600	573,959	855,559
Other liabilities	994,905	-	994,905
Derivative financial instruments	77,766	-	77,766
Current tax payable	5,104	-	5,104
Amounts due to Central Bank of Kenya	10,024,228	-	10,024,228
Total liabilities	92,728,592	2,674,699	95,403,291
Net	(60,083,340)	70,477,759	10,394,419

Notes (continued)

37. Maturity analysis of assets and liabilities (Continued)

Group At 31 December 2024	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
Assets			
Cash and bank balances with Central Bank and other banking institutions	11,273,609	-	11,273,609
Placements and balances with other banking institutions	1,694,419	-	1,694,419
Loans and advances to customers	16,663,938	27,523,893	44,187,831
Financial assets at fair value through profit or loss	-	468,970	468,970
Government securities	1,246,127	34,661,243	35,907,370
Derivative financial instrument	1,215,987	-	1,215,987
Investment securities	2,841	-	2,841
Other assets	801,642	-	801,642
Property and equipment		925,225	925,225
Intangible assets		214,234	214,234
Right-of-use assets	105,864	651,017	756,881
Deferred tax asset		2,719,586	2,719,586
Total assets	33,004,427	67,164,168	100,168,595
Liabilities			
Deposits and balances from other banks	1,262,702	-	1,262,702
Customers' deposits	68,592,158	200	68,592,358
Lease liabilities	129,119	677,356	806,475
Current tax liabilities	1,072	-	1,072
Other liabilities	826,953	-	826,953
Derivative financial instruments	5,288	-	5,288
Amounts due to Central Bank of Kenya	20,051,925	-	20,051,925
Total liabilities	90,869,217	677,556	91,546,773
Net	(57,864,790)	66,486,612	8,621,822

Notes (continued)

37. Maturity analysis of assets and liabilities (continued)

Bank At 31 December 2025	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
Assets			
Cash and bank balances with Central Bank and other banking institutions	8,848,295	-	8,848,295
Placements and balances with other banking institutions	2,107,737	-	2,107,737
Loans and advances to customers	18,950,661	28,006,682	46,957,343
Financial assets at fair value through profit or loss	-	450,368	450,368
Government securities	301,696	40,486,752	40,788,448
Investment in subsidiary	-	5,000	5,000
Other assets	1,693,494	-	1,693,494
Derivative financial instruments	458,175	-	458,175
Property and equipment	-	732,992	732,992
Intangible assets	-	382,887	382,887
Right-of-use assets	273,415	528,994	802,409
Deferred tax asset	-	2,557,203	2,557,203
	32,633,475	73,150,878	105,784,353
Liabilities			
Deposits and balances from other banks	1,035,571	-	1,035,571
Customers' deposits	80,330,309	2,100,740	82,431,049
Lease liabilities	281,600	573,959	855,559
Other liabilities	969,237	-	969,237
Derivative financial instruments	77,766	-	77,766
Amounts due to Central Bank of Kenya	10,024,228	-	10,024,228
	92,718,711	2,674,699	95,393,410
Total liabilities			
Net	(60,085,236)	70,476,179	10,390,943

Notes (continued)

37. Maturity analysis of assets and liabilities (continued)

Bank

At 31 December 2024	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
Assets			
Cash and bank balances with Central Bank and other banking institutions	11,273,609	-	11,273,609
Placements and balances with other banking institutions	1,694,419	-	1,694,419
Loans and advances to customers	16,663,938	27,523,893	44,187,831
Financial assets at fair value through profit or loss	-	468,970	468,970
Government securities	1,246,127	34,661,243	35,907,370
Investment securities	2,801	-	2,801
Derivative financial instruments	1,215,987	-	1,215,987
Other assets	801,642	-	801,642
Investment in subsidiaries	-	5,000	5,000
Property and equipment		925,225	925,225
Intangible assets		214,234	214,234
Right-of-use assets	105,864	651,017	756,881
Deferred tax asset		2,719,586	2,719,586
Total assets	33,004,387	67,169,168	100,173,555
Liabilities			
Deposits and balances from other banks	1,262,702	-	1,262,702
Customers' deposits	68,608,845	200	68,609,045
Lease liabilities	129,119	677,356	806,475
Current tax liabilities	1,072	-	1,072
Other liabilities	806,793	-	806,793
Derivative financial instruments	5,288	-	5,288
Amounts due to Central Bank of Kenya	20,051,925	-	20,051,925
Total liabilities	90,865,744	677,556	91,543,300
Net	(57,861,357)	66,491,612	8,630,255

Notes (continued)

38. Fair value measurement

As explained in note 3.6, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. The hierarchy of valuations techniques has also been explained in note 3.6.

An analysis of financial instruments recorded at fair value by level of the fair value hierarchy has been tabled in note 5.4.

38.1 Valuation techniques

Valuation techniques applied for each of the financial instruments are as detailed below;

Government debt securities

Government debt securities are financial instruments issued by Sovereign Governments and include both long term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Debt securities issued by financial institutions and other debt securities

Whilst most of these instruments are standard fixed or floating rate securities, some may have more complex coupon or embedded derivative characteristics. The Bank uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. The corporate bonds tend to be highly liquid and traded in active markets resulting in a level 1 classification.

Equity instruments

Equity instruments held are actively traded on public stock exchanges with readily available active prices on a regular basis. These instruments are classified as Level 1.

Loans and receivables at fair value through profit or loss

For loans and receivables designated at FVPL and mandatorily required to be measured at FVPL (those that did not meet the SPPI criteria), a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity, where relevant. Classification between Level 2 and Level 3 is determined based on whether the assessment of credit quality is based on observable or unobservable data.

Foreign exchange contracts

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over the counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Bank classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

Notes (continued)

39. Classification of financial instruments

The table below sets out the Group's classification of each class of financial assets and liabilities. The amounts in the table are the carrying amounts of the financial instruments at the reporting date:

Group	Amortised cost KShs '000	At fair value through profit or loss KShs '000	At fair value through other comprehensive income KShs '000	Financial liabilities measured at amortised cost KShs '000	Total KShs '000
At 31 December 2025					
Financial assets					
Cash and Bank balances with Central Bank of Kenya	8,848,296	-	-	-	8,848,296
Placements and balances with other banking institutions	2,107,738	-	-	-	2,107,738
Loans and advances to customers	46,957,343	-	-	-	46,957,343
Government securities	5,634,199	-	35,154,249	-	40,788,448
Derivative financial instrument	-	458,175	-	-	458,175
Financial assets at fair value through profit or loss	-	450,368	-	-	450,368
Investment securities	-	-	-	-	-
Other Assets	1,701,773	-	-	-	1,701,773
Total financial assets	65,249,348	908,543	35,154,249	-	101,312,141
Financial liabilities					
Deposits and balances from other banks	-	-	-	1,035,571	1,035,571
Customers' deposits	-	-	-	82,410,158	82,410,158
Other liabilities	-	-	-	994,905	994,905
Derivative financial instrument	-	77,766	-	-	77,766
Lease liabilities	-	-	-	855,559	855,559
Amounts due to Central Bank of Kenya	-	-	-	10,024,228	10,024,228
Total financial liabilities	-	77,766	-	95,320,421	95,398,187

Notes (continued)

39. Classification of financial instruments (continued)

Group	Amortised cost KShs '000	At fair value through profit or loss KShs '000	At fair value through other comprehensive income KShs '000	Financial liabilities measured at amortised cost KShs '000	Total KShs '000
At 31 December 2024					
Financial assets					
Cash and Bank balances with Central Bank of Kenya	11,273,609	-	-	-	11,273,609
Placements and balances with other banking institutions	1,694,419	-	-	-	1,694,419
Loans and advances to customers	44,187,831	-	-	-	44,187,831
Government securities	31,193,488	-	4,713,882	-	35,907,370
Financial assets at fair value through profit or loss	-	468,970	-	-	468,970
Derivative financial instruments	-	1,215,987	-	-	1,215,987
Investment securities	-	2,841	-	-	2,841
Other assets	801,642	-	-	-	801,642
Total financial assets	89,150,989	1,687,798	4,713,882	-	95,552,669
Financial liabilities					
Deposits and balances from other banks	-	-	-	1,262,702	1,262,702
Customers' deposits	-	-	-	68,592,358	68,592,358
Derivative financial instruments	-	5,288	-	-	5,288
Other liabilities	-	-	-	826,953	826,953
Lease liabilities	-	-	-	806,475	806,475
Amounts due to Central Bank of Kenya	-	-	-	20,051,925	20,051,925
Total financial liabilities	-	5,288	-	91,540,413	91,545,701

Notes (continued)

39. Classification of financial instruments (continued)

Bank	Amortised cost KShs '000	At fair value through profit or loss KShs '000	At fair value through other comprehensive income KShs '000	Financial liabilities measured at amortised cost KShs '000	Total KShs '000
At 31 December 2025					
Financial assets					
Cash and Bank balances with Central Bank of Kenya	8,848,296	-	-	-	8,848,296
Placements and balances with other banking institutions	2,107,738	-	-	-	2,107,738
Loans and advances to customers	46,957,343	-	-	-	46,957,343
Government securities	5,634,199	-	35,154,249	-	40,788,448
Financial assets at fair value through profit or loss	-	450,368	-	-	450,368
Derivative financial instruments	-	458,175	-	-	458,175
Other Assets	1,693,494	-	-	-	1,693,494
Total financial assets	65,241,070	908,543	35,154,249	-	101,303,862
Financial liabilities					
Deposits and balances from other banks	-	-	-	1,035,571	1,035,571
Customers' deposits	-	-	-	82,431,049	82,431,049
Other liabilities	-	-	-	969,237	969,237
Derivative financial instruments	-	77,766	-	-	77,766
Lease liabilities	-	-	-	855,559	855,559
Amounts due to Central Bank of Kenya	-	-	-	10,024,228	10,024,228
Total financial liabilities	-	77,766	-	95,315,644	95,393,410

Notes (continued)

39. Classification of financial instruments (continued)

Bank	At 31 December 2024	Amortised cost KShs '000	At fair value through profit or loss KShs '000	At fair value through other comprehensive income KShs '000	Financial liabilities measured at amortised cost KShs '000	Total KShs '000
Financial assets						
Cash and Bank balances with Central Bank of Kenya	11,273,609	-	-	-	-	11,273,609
Placements and balances with other banking institutions	1,694,419	-	-	-	-	1,694,419
Loans and advances to customers	44,187,831	-	-	-	-	44,187,831
Government securities	31,193,488	-	4,713,882	-	-	35,907,370
Financial assets at fair value through profit or loss	-	468,970	-	-	-	468,970
Derivative financial instruments	-	1,215,987	-	-	-	1,215,987
Investment securities	-	2,801	-	-	-	2,801
Other Assets	801,642	-	-	-	-	801,642
Total financial assets	89,150,989	1,687,758	4,713,882	-	-	95,552,629
Financial liabilities						
Deposits and balances from other banks	-	-	-	-	1,262,702	1,262,702
Customers' deposits	-	-	-	-	68,609,045	68,609,045
Other liabilities	-	-	-	-	806,793	806,793
Derivative financial instruments	-	5,288	-	-	-	5,288
Lease liabilities	-	-	-	-	806,475	806,475
Amounts due to Central Bank of Kenya	-	-	-	-	20,051,925	20,051,925
Total financial liabilities	-	5,288	-	91,536,940	-	91,542,228

Notes (continued)

40. Correction of prior period errors and reclassifications

a) Demand deposits meeting the definition of cash and cash equivalents

The Group identified that in the prior periods, they had excluded Cash Reserve Ratio (CRR) balances held with the Central Bank of Kenya from cash and cash equivalents in the statement of cash flows. Following a reassessment of IAS 7, the Group concluded that these balances meet the definition of cash, as they are demand deposits accessible on demand, with restrictions relating to use rather than access. This resulted in a prior-period error under IAS 8, and comparative information has been retrospectively restated.

b) Correction of financial instrument classification

During 2025, the Group identified that a loan facility issued to a customer in the airline industry (the original borrower) classified as measured at amortised cost had undergone a restructuring exercise in 2017 that introduced contractual terms that created an embedded derivative, resulting in the instrument requiring classification and measurement at fair value through profit or loss (FVTPL) under IFRS 9.

The contractual terms from the restructuring exercise exposed the Group to risks and variability that are inconsistent with a basic lending arrangement. Accordingly, in 2025 the Group determined the instrument does not qualify for measurement at amortised cost and the previous classification represented a prior-period error under IAS 8. As such, the Group has restated the comparative information.

c) Derecognition of Islamic loan portfolio recognition error

In August 2018, the bank completed the acquisition of certain assets and assumption of specific liabilities of Chase Bank (Kenya) Limited- In Receivership. There was a certain Islamic portfolio with a carrying value of KShs 3,179 at the acquisition date, which the bank acquired as part of the business combination.

As required by IFRS3 Business Combinations, a contingent consideration arose, which in the previous reporting periods, the Group fair valued as the difference between the original carrying amount and the cumulative collections up to the date of reporting. The fair value amount of the contingent consideration was recognised in the Group's statement of financial position both as an asset and liability fair valued through the profit or loss.

On further interpretation, the Group has identified that recognition of the fair value of the contingent consideration in the statement of financial position was inconsistent with IFRS Accounting Standards. Accordingly, in the financial year 2025, the asset and liability in relation to the contingent consideration arising from the Islamic loan portfolio was derecognised from the statement of financial position.

Incorrect deduction of interest expense in determining IAS 12 taxes

The Group identified that, in its FY2024 tax computations, it had incorrectly deducted the full amount of interest expense when determining taxable income, despite earning tax exempt income. This treatment was not consistent with the requirements of the Income Tax Act that requires apportionment of interest expense attributable to exempt income.

Following revision of the interest apportionment, the Group determined that the miscalculation resulted in an overstatement of the deferred tax asset. The error has now been corrected in accordance with IAS 8.

Notes (continued)

40. Correction of prior period errors and reclassifications (continued)

d) Incorrect offsetting of derivative asset and derivative liabilities

The Group has derivative instruments at FVTPL. While the instruments have been measured correctly, the Group had incorrectly offset derivatives that were assets against derivatives in a liability position. Since the Group does not have a master netting arrangement in place, these balances have now been presented separately within the statement of financial position. The error has now been corrected in accordance with IAS 8.

f) Understatement of cash and cash equivalents

During the year, the Group reviewed the make up of the cash and cash equivalent and noted it had incorrectly deducted the term deposits due to other banking institutions (liabilities) from cash and cash equivalents in the statement of cashflows. In accordance with IAS 7, these do not meet the definition of cash and cash equivalents.

Below is the restatement extracts of the primary financial statements:

Consolidated statement of financial position – 01 Jan 2024 (extract)

	01 Jan 2024	Adjustment	01 Jan 2024
	KShs' 000	KShs' 000	KShs' 000
			<i>Restated</i>
Financial assets at fair value through profit and loss (b & c)	742,837	(295,032)	447,805
Loans and advances to customers (b & c)	45,590,301	(807,044)	44,783,257
Other assets (e)	1,034,815	(33,102)	1,001,713
Derivative financial instrument (e)	-	352,475	352,475
Total assets	94,919,475	(782,703)	94,136,772
Liabilities			
Financial assets at fair value through profit and loss (c)	742,837	(742,837)	-
Derivative financial instrument (e)	-	319,373	319,373
Total liabilities	86,144,460	(423,464)	85,720,996
Equity			
Accumulated losses (b)	(1,351,531)	(359,239)	(1,710,770)
Total equity and liabilities	94,919,475	(782,703)	94,136,772

Notes (continued)

40. Correction of prior period errors and reclassifications (continued)

Separate statement of financial position – 01 Jan 2024 (extract)

	01 Jan 2024 KShs' 000	Adjustment KShs' 000	01 Jan 2024 KShs' 000 <i>Restated</i>
Financial assets at fair value through profit and loss (b & c)	742,837	(295,032)	447,805
Loans and advances to customers (b & c)	45,590,301	(807,044)	44,783,257
Other assets (e)	1,034,815	(33,102)	1,001,713
Derivative financial instrument (e)	-	352,475	352,475
Total assets	94,919,435	(782,703)	94,136,732
Liabilities			
Financial assets at fair value through profit and loss (c)	742,837	(742,837)	-
Derivative financial instrument (e)	-	319,373	319,373
Total liabilities	86,136,575	(423,464)	85,713,111
Equity			
Accumulated losses (b)	(1,343,686)	(359,239)	(1,702,925)
Total equity and liabilities	94,919,435	(782,703)	94,136,732

Consolidated statement of financial position – 31 Dec 2024 (extract)

	31 Jan 2024 KShs' 000	Adjustment KShs' 000	31 Jan 2024 KShs' 000 <i>Restated</i>
Financial assets at fair value through profit and loss (b & c)	713,086	(244,116)	468,970
Loans and advances to customers (b & c)	45,016,040	(828,209)	44,187,831
Other assets (e)	2,012,341	(1,210,699)	801,642
Derivative financial instrument (e)	-	1,215,987	1,215,987
Deferred tax asset (d)	2,863,522	(143,936)	2,719,586
Total assets	101,379,568	(1,210,973)	100,168,595
Liabilities			
Financial assets at fair value through profit and loss (c)	713,086	(713,086)	-
Derivative financial instrument (e)	-	5,288	5,288
Total liabilities	92,254,571	(707,798)	91,546,773
Equity			
Accumulated losses (b & d)	(2,227,898)	(503,175)	(2,731,073)
Total equity and liabilities	101,379,568	(1,210,973)	100,168,595

Notes (continued)

40. Correction of prior period errors and reclassifications (continued)

Separate statement of financial position – 31 Dec 2024 (extract)

	31 Jan 2024	Adjustment	31 Jan 2024
	KShs' 000	KShs' 000	KShs' 000
			<i>Restated</i>
Financial assets at fair value through profit and loss (b & c)	713,086	(244,116)	468,970
Loans and advances to customers (b & c)	45,016,040	(828,209)	44,187,831
Other assets (e)	2,012,341	(1,210,699)	801,642
Derivative financial instrument (e)	-	1,215,987	1,215,987
Deferred tax asset (d)	2,863,522	(143,936)	2,719,586
Total assets	101,384,528	(1,210,973)	100,173,555
Liabilities			
Financial assets at fair value through profit and loss (c)	713,086	(713,086)	-
Derivative financial instrument (e)	-	5,288	5,288
Total liabilities	92,251,098	(707,798)	91,543,300
Equity			
Accumulated losses (b & d)	(2,219,465)	(503,175)	(2,722,640)
Total equity and liabilities	101,384,528	(1,210,973)	100,173,555

Consolidated statement of profit or loss – 31 Dec 2024 (extract)

	31 Jan 2024	Adjustment	31 Jan 2024
	KShs' 000	KShs' 000	KShs' 000
			<i>Restated</i>
Income tax credit (d)	525,226	(143,936)	381,290
(Loss) for the year	(1,070,654)	83,481	(987,173)

Separate statement of profit or loss – 31 Dec 2024 (extract)

	31 Jan 2024	Adjustment	31 Jan 2024
	KShs' 000	KShs' 000	KShs' 000
			<i>Restated</i>
Income tax credit (d)	525,226	(143,936)	381,290
(Loss) for the year	(1,070,065)	83,481	(986,584)

Notes (continued)

40. Correction of prior period errors and reclassifications (continued)

Consolidated statement of cash flows – 31 December 2024 (extract)

	31 Jan 2024 KShs' 000	Adjustment KShs' 000	31 Jan 2024 KShs' 000 <i>Restated</i>
Cash flows from operating activities			
Other non-cash items included in (loss)/profit before tax	(2,405,740)	1,210,699	(1,195,041)
Change in operating assets (a)	(943,915)	189,766	(754,149)
Change in operating liabilities (f)	5,083,229	438,978	5,522,207
Interest received	10,466,452	211,979	10,678,431
Interest paid	(8,293,051)	(237,847)	(8,530,898)
Net cash flows from operating activities	2,306,481	1,813,575	4,120,056
Cash flows from investing activities			
Net cash flows from investing activities	(315,937)	-	(315,937)
Cash flows from financing activities			
Net cash flows from financing activities	872,223	-	872,223
Cash flows from financing activities			
Net cash flows from financing activities	872,223	-	872,223
Net increase in cash and cash equivalents	2,862,767	1,813,575	4,676,342

Separate statement of cash flows – 31 December 2024 (extract)

	31 Jan 2024 KShs' 000	Adjustment KShs' 000	31 Jan 2024 KShs' 000 <i>Restated</i>
Cash flows from operating activities			
Other non-cash items included in (loss)/profit before tax	(2,405,740)	1,210,699	(1,195,041)
Change in operating assets (a)	(943,881)	189,732	(754,149)
Change in operating liabilities (f)	5,087,606	439,012	5,526,618
Interest received	10,466,452	211,979	10,678,431
Interest paid	(8,293,051)	(237,847)	(8,530,898)
Net cash flows from operating activities	2,311,481	1,813,575	4,125,056
Cash flows from investing activities			
Net cash flows from investing activities	(320,937)	-	(320,937)
Cash flows from financing activities			
Net cash flows from financing activities	872,223	-	872,223
Net increase in cash and cash equivalents	2,862,767	1,813,575	4,676,342

Notes (continued)

41. Events after reporting period

At the date of approving these financial statements, the directors are not aware of material events after the end of the reporting period that would require recognition or disclosure in these financial statements.

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