

2025 ANNUAL REPORT



Vision:

To be a strong financial partner offering a wide variety of solutions to chosen market segments.

Mission:

Supporting the financial growth of SMEs, Retail and Select Corporates.

Motto: We too are you.



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CORPORATE INFORMATION

BOARD OF DIRECTORS



Mrs. Margaret Karangatha
Chairperson



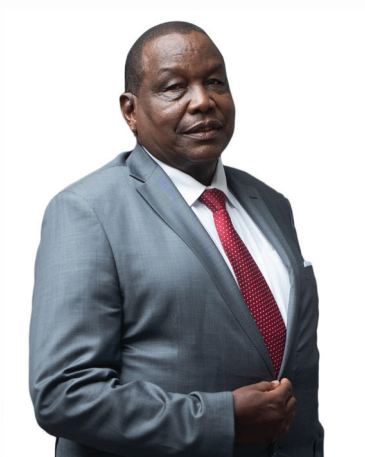
Mr. Macloud Malonza, MBS, HSC
Vice Chairperson



Dr. Gideon Muriuki CBS, MBS
Group Managing Director & CEO



Mr. Anthony Mburu
Managing Director & CEO



Mr. Julius Sitienei
Member



Mr. Charles Kamari
Member



Catherine Kawira
Company Secretary

CORPORATE INFORMATION (CONTINUED)

To leverage on the Cooperative Bank's Co-operative Governance expertise and wide experience in the specific matters, the Kingdom Bank's Board in the medium term approved to have all matters relating to Audit, Credit, Staff issues and Risk Management be handled by Co-operative Bank's Group Committees as constituted below:

BOARD AUDIT COMMITTEE

Mrs. Weda Welton	Chairperson
Mr. Lawrence Karissa	
Mr. Patrick Githendu	Resigned 01 February 2025
Mr. Benedict Simiyu	
Mrs. Alice Mwololo	Appointed 15 May 2025

BOARD CREDIT COMMITTEE

Mrs. Margaret Karangatha	Chairperson
Mr. John Murugu OGW	
Mr. Macloud Malonza HSC	
Mr. Wilfred Ongoro HSC	
Mr. Richard L. Kimanthi	
Dr. Gideon Muriuki CBS, MBS	

BOARD STAFF & NOMINATION COMMITTEE

Mr. Lawrence Karissa	Chairperson
Mr. John Murugu OGW	
Mrs. Weda Welton	
Mr. Julius Sitienei	
Mr. Godfrey K. Mburia	

BOARD RISK COMMITTEE

Mrs. Margaret Karangatha	Chairperson
Mr. Lawrence Karissa	
Mr. Patrick Githendu	Resigned 01 February 2025
Mr. Benedict Simiyu	
Mrs. Alice Mwololo	Appointed 15 May 2025

CORPORATE INFORMATION (CONTINUED)

COMPANY SECRETARY

Image Registrars
Certified Public Secretaries (Kenya)
Fifth Floor, Barclays Plaza, Loita Street
P.O. Box 61120 - 00100
Nairobi

REGISTERED OFFICE

Kingdom Bank Towers
Argwings Kodhek Road
P.O. Box 22741 - 00400
Nairobi

AUDITORS

Deloitte
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P.O. Box 40092 - 00100
Nairobi

PRINCIPAL LEGAL ADVISERS

Walker Kontos Advocates
Hakika House, Bishops Road
P.O. Box 60680 - 00200
Nairobi

PRINCIPAL CORRESPONDENT BANKS

Standard Chartered Bank - London - United Kingdom
Standard Chartered Bank - New York - United States of America
Standard Chartered Bank - Frankfurt - Germany
Central Bank of Kenya - Kenya
Cooperative Bank of Kenya - Kenya

REPORT OF THE DIRECTORS

The Directors submit their annual report and the audited financial statements of Kingdom Bank Limited (the “Bank”) and its subsidiaries (together, the “Group”) for the year ended 31 December 2025 which shows the state of financial affairs of the Group and the Bank.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of banking and related services, insurance agency services, and equipment leasing services.

GROUP RESULTS FOR THE YEAR				
	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
Profit before tax	1,125,318	1,068,427	1,052,669	1,002,022
Income tax expense	(179,095)	(471,987)	(176,216)	(453,028)
Profit for the year	946,223	596,440	876,453	548,994

CONSOLIDATED INFORMATION

The Bank has two registered subsidiary companies, Kingdom Leasing Limited and Kingdom Bancassurance Intermediary Limited, which commenced operations in the year 2016 and 2015 respectively.

The consolidated information relates to the operations of the Bank and the two subsidiaries.

DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2025 (2024 – Sh nil).

DIRECTORS

The Directors who served in office during the year are shown on page 2.

DIRECTORS' STATEMENT AS TO THE INFORMATION GIVEN TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Bank's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

BUSINESS REVIEW

Operating Environment

The Banking landscape in 2025 was characterized by economic volatility, shifting regulations, evolving customer expectations, and rapid technological transformation. While profitability remained rather stable, the sector faced mounting pressure to reinvent business models and implement precision-driven strategies to respond to a rather informed and discerning market.

The above was characterised by the market fundamentals as detailed below that greatly shaped customer tastes, preferences and behaviour during the period:

I. GDP Growth

- Global economic growth remained subdued in 2025, with decelerating GDP in major markets and declining consumer spending. Kenya's economy grew by 4.9% in 2025 against a projected growth of 5.6% (2024:5.4%)
- Sector Performance saw agriculture, forestry, and fishing record a 6.0% during the year with construction and mining sectors registering recovery. Favorable weather led to improved tea, coffee, and maize harvests.
- The overall inflation rate closed the year at 4.46% (2024: 3.0%) This indicates that inflation ended the year relatively stable and within the Central Bank of Kenya (CBK) target band of 2.5%–7.5%. with government's efforts (through Monetary policy) to stabilize food prices and manage energy costs helping mitigate inflationary pressures to some extent.

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

2. Monetary Policy and Interest Rates

- i. Kenya's monetary policy in 2025 was defined by continued monetary easing, efforts to anchor inflationary expectations, stabilize the exchange rate, and support domestic credit expansion.
- ii. The Central Bank of Kenya (CBK) implemented multiple policy rate cuts by lowering the benchmark Central Bank Rate (CBR), reduced the Cash Reserve Ratio (CRR), modernized its monetary policy framework, and enhanced regulatory supervision to ensure transmission of policy actions.
- iii. During the year under review, the Central Bank of Kenya (CBK) reduced the CBR rate by 16.28% to close at 9% in December 2025 (2024: 10.75%). This represents a revision of 175 basis points in the year.

Privatesector credit, which contracted by 2.9% in January 2025, improved to 6.3% by November 2025. Lower lending rates stimulated borrowing, although transmission lagged behind CBR cuts.

Non-Performing Loans (NPLs) ratio remained elevated, averaging 16.5% in December 2025 (2024: 16.4%), requiring cautious easing and enhanced supervision.

- iv. The Central Bank of Kenya (CBK) also reduced the Cash Reserve Ratio (CRR) by 100 basis points to close at 3.25% (2024: 4.25%) in February 2025. This marked the first significant reduction post COVID-19 pandemic (5 years) aimed at freeing up liquidity in the sector to stimulate lending and support private sector activity.

The CRR cuts and ongoing rate reductions freed additional liquidity, improving bank disbursements and supporting market functioning.

- v. As part of its Modernization of Monetary Policy Framework, CBK adopted a new policy transmission benchmark—**KESONIA (Kenya Shilling Overnight Interbank Average Rate)**, replacing the older interbank rate measure, KESONIA aligns Kenya and the industry at large more closely with international best practice.
- vi. CBK initiated onsite inspections of commercial banks to ensure they passed on lower interest rates to borrowers through the revised Risk Based Pricing Mechanism (RBPM). This in turn strengthened the transmission mechanism of monetary policy.

3. Fiscal Policy and Public Debt

Kenya's fiscal landscape in 2025 was characterized by high public debt, tight fiscal space, revenue mobilization pressures, and continued implementation of fiscal consolidation reforms. Despite economic resilience, the government faced structural constraints that largely influenced its policy directions for FY2024/25 and FY2025/26.

i. Fiscal Stance: Consolidation Under Pressure

Kenya entered 2025 pursuing a fiscal consolidation agenda aimed at reducing deficits while maintaining economic stability. After widespread public resistance, the Finance Bill 2024 was shelved, forcing the government to recalibrate the FY25 budget to accommodate revenue shortfalls.

Fiscal performance during the first half of FY25 reflected weaker than expected revenue mobilization, driven by slowing GDP and reduced privatesector credit growth.

ii. Revenue Mobilization

With expenditure pressures rising, the government leaned more heavily on revenue raising measures through: Continued IMF supported reforms, including structural benchmarks on tax policy and administration. A push to realign revenue with growing expenditure needs, especially as FY26 is projected to require 11.6% y/y higher spending. However, weak revenue performance in late 2024 and early 2025 increased the likelihood of Kenya negotiating a nonfunded successor program with the IMF to maintain reform continuity.

iii. Spending Priorities

Spending pressures remained high due to the following reasons:

- a). Increasing recurrent expenditure
- b). Elevated debt servicing obligations
- c). Continued allocation toward priority sectors such as health, agriculture, and infrastructure

The government attempted to balance growth-supportive spending while keeping deficits under control.

iv. Public Debt

Kenya's public debt remains structurally high and among the biggest macroeconomic concerns. As of December 2024 (latest reported entering 2025), public debt stood at USD 81.01 billion, the highest level in five years with 67.5% of government revenue allocated to debt servicing—an extremely high fiscal burden limiting development spending.

Public debt was projected to stabilize 70.2% of GDP in 2025. Despite stabilization, this is well above sustainable thresholds for emerging markets, raising concerns about fiscal flexibility.

4. Exchange Rate and External Trade

- i. During the year 2025, the Kenyan Shilling (KES) remained relatively stable against major currencies with a consistent pattern of KES strengthening steadily through the year. This stability suggests a period of **exchange rate consolidation**, supported by Kenya's improved investor sentiment and successful external debt management earlier in the year.
- ii. Kenya's trade balance in 2025 was characterized by a widening deficit, driven by falling exports, modest import declines, and strong domestic demand for foreign goods. This was largely attributed to:
 - a). Strong growth in imports of raw materials, machinery, electronics, and manufactured goods.
 - b). Exports constrained by weak global commodity prices,
 - c). low output in tea, flowers, vegetables, and higher logistical/certification costs.

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Overall, Kenya's economic fundamentals in 2025 reflected a mix of optimism and challenges. While economic growth remained positive, inflation, debt, and unemployment were key concerns. Policy efforts to stabilize inflation, improve credit growth, and manage external trade imbalances will shape Kenya's medium-term economic prospects.

Market Description and Branch Networks

The Bank closed the year with a footprint of 26 branches (2024:23 branches), serving over 401,069 (2024:352,271) customers across the country in 10 counties targeting Salaried workers, Micro Small and Medium Enterprises as well as select institutional customers. In addition, there is a myriad of other customer touch points including 7 ATMs/CDMs, mobile and internet banking services and access to VISA ATMs/POs and 27,000 Coop Kwa Jirani Agents. The Bank is scheduled to open four new branches in the next 12 months to bring the footprint to 30 in a bid to penetrate the market even further.

Products and Services

Over the years, Kingdom Bank Limited has developed several products in response to the needs of its clients. Because these needs are dynamic and keep changing according to social economic trends, Kingdom Bank Limited commits to remain relevant to its clientele. Kingdom Bank Limited's products and services which are customer centric range from current accounts, savings accounts, term accounts, term loans, business loans as well as insurance and leasing products.

Risk Management

The Bank has put in place a robust risk management and corporate governance framework that scopes and explains the components of business risks, financial risks, operational risks as well as detailing the mitigation and response plans for each category of risk. The year ended 31 December 2025 was characterized by a myriad of risks ranging from uncertainties in the geopolitical environment and a turbulent operating environment which led to tight liquidity stances as well as heightened inflationary pressures which dampened consumers purchasing power with the direct consequence of curtailing consumption at the household level. The Bank will continue to monitor all risks affecting its business to ensure appropriate actions are taken to reduce potential impact.

Refer to note 4 of the financial statements for a description of the Bank's financial risks and how they are mitigated.

Future Outlook

Globally, Moody's and S&P project a stable global Banking outlook supported by steady but subdued global growth, lower policy rates improving asset quality and supporting borrowers. However, the environment remains sensitive to geopolitical tension and trade uncertainty.

In Kenya, the Banking sector enters 2026 with a resilient, profitable, but increasingly regulated banking industry. The sector benefits from declining interest rates, improving asset quality, and strong capital buffers, but faces challenges around NPLs, regulatory tightening, consolidation pressures, and the need for digital transformation.

However, profitability faces mild moderation as interest rates fall through 2026, though levels remain strong by regional standards.

NPLs ratio fell to 15.5% in Jan 2026, down from 16.7% (December 2025) and 17.6% (Aug 2025) with a further decline to 15% in the next 12 to 18 months anticipated buoyed by:

- i. Lower interest rates
- ii. Recovery in key sectors (real estate, manufacturing, construction, household loans)

Private sector credit growth hit 6.4% in Jan 2026, up from 5.9% in Dec 2025 and reversing a contraction of -2.9% a year earlier with credit expansion expected to be higher in trade, real estate, construction, and manufacturing, which form the bulk of bank lending activity.

The sector remains well capitalized. However, the new capital requirements are expected to see a rise in mergers, acquisitions and partnerships presenting opportunities for organic growth.

Kenya's banking sector enters 2026 with resilience, strong fundamentals, and improving stability, but must adapt to a landscape marked by:

- i. Stricter regulation
- ii. High but falling NPLs
- iii. Rising digital competition
- iv. Capital driven consolidation

Banks that invest in technology, governance, digital infrastructure, and customer-centric models will capture growth opportunities in 2026 and beyond.

Management maintains a positive outlook of the industry and country as a whole and anticipates an improved performance into 2026. The Bank will continue positioning itself through customer empowerment by offering meaningful financial education, proactively addressing customer needs, community empowerment, offering under one roof integrated financial services. This also includes increasing the penetration and visibility of the digital footprint.

AUDITORS

Deloitte & Touche LLP, having expressed their willingness to continue in office in accordance with provisions of section 719 (2) of the Kenyan 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



Caroline Kawira
Company Secretary
21st April, 2026



Faidi Dada

Financial solutions built for women who are building more in their businesses, careers and futures.

- Access to flexible financing
- Tailored savings & investment options
- Support that grows with you

STATEMENT ON CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Kingdom Bank Limited is fully committed to the principles of transparency, integrity and accountability. The Directors are ultimately accountable to all stakeholders for ensuring that the Bank's business is conducted in accordance with high standards of corporate governance. Of particular importance to the Bank are the observance of shareholders' interest, efficient practices and open corporate communication systems.

I. BOARD OF DIRECTORS

The names of the Directors who held office in the year and to the date of this report are set out on page 2.

The Board is responsible for formulating Bank's policies, strategies, and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. The Board also retains the overall responsibility for effective control of the Bank and implements corporate governance policies of the Bank.

The Board comprises six Non-Executive Directors and one Executive Director. The Directors have diverse skills and are drawn from various sectors of the economy. The Board is committed to the highest standards of corporate governance and best practice in management of the Bank's affairs.

A timetable of calendar dates for Board meetings to be held in the following year is fixed in advance by the Board. The notice of Board meetings is given in advance in accordance with the Bank's Articles of Association and is distributed together with the agenda and board papers to all the Directors beforehand. The Board meets regularly and at least four times annually. During the year, the Board convened and held six ordinary meetings.

The Bank's Secretary sits in the Board meetings and is responsible for monitoring and coordinating the completion and dispatch of Board and committee agenda, papers and other briefing materials. The secretary is always available to the Board of Directors.

a) Board evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its committees, an annual self-evaluation review is undertaken. The self-evaluation reviews the capacity, functionality and effectiveness of the Board and individual directors during the financial year. The review is also in accordance with the requirements of the Central Bank of Kenya Prudential Guidelines on Corporate Governance.

The evaluation measures the performance of the Board against its key duties and responsibilities, that of its committees and individual members of the Board. The annual board evaluation was carried out in March 2025 and a similar one is scheduled for 2026.

b) Directors' Emoluments and Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 33(e) to the financial statements for the year ended 31 December 2025. The Bank advanced loans to Directors and their associated companies as disclosed in Note 33.

c) Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Bank and its Directors or Management except those disclosed in Note 33 to the financial statements for the year ended 31 December 2025.

2. BOARD COMMITTEES

The Board has in place four committees, namely the Audit Committee, Credit Committee, Board Staff & Nomination committee, and the Risk Committee. To discharge its mandate effectively, the Board delegates its authority to various sub-committees, whose chairpersons report to the Board. The committees' duties were duly assigned to the respective Group Committees during the year under review. Kingdom Bank Limited

These committees assist the Board in ensuring that proper policies, strategies, internal controls, and organizational structure are in place to achieve the Bank's objectives and obligations to its stakeholders. All the committees have detailed terms of reference and hold meetings as necessary. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc task forces, as and when it is deemed necessary. The authority for the day-to-day running of the Bank is delegated to the Chief Executive Officer.

Audit Committee

The committee reviews internal controls as well as overall responsibility over operations, legal and regulatory compliance as well as information systems.

Credit Committee

This committee reviews all lending to ensure that they are undertaken per the Bank's policy framework, are within legal framework, Central Bank Prudential Guidelines and meet risk guidelines. Delegated lending to management are monitored via reviewing of lending reports to ensure that the Bank's policies are adhered to.

Board Staff & Nomination Committee

This committee manages the Human Resource function of the Bank by ensuring that the Bank hires and retains the best human resources, rewards them appropriately and ensures that performance appraisal systems are working well.

Risk Committee

The objective of this Committee is to provide independent oversight of the Group's risk management and independent compliance functions in the Bank and outline the scope of risk management work, monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impact, provide independent and objective oversight and review of the information presented by the management to ensure that risk policies and strategies are effectively monitored and managed and taking account of performance and risk appetite, risk trends, risk concentrations and key performance Indicators for risk.

3. RISK MANAGEMENT AND INTERNAL CONTROL

Management, in consultation with the Board Committees, is responsible for the Bank's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the Bank's system of internal control and for reviewing its effectiveness. The Bank has an ongoing process of identifying, evaluating and managing significant risks inherent in its business, by the Risk Management department.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Bank has in place a chain of controls and a Balanced Scorecard Tool which include, but are not limited to, an annual strategic planning and budgeting process, a regular review of strategic initiatives, a well-defined organizational structure which is kept under regular review by the Board, clearly laid down authority levels, and a review of quarterly financial and operating information by Management and the Board.

4. BUSINESS ETHICS

The Bank conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its decants, intermediaries, retrocession Aires, employees and other stakeholders are conducted at arm's length, with integrity and transparency.

5. RESPONSIBILITY FOR STAFF WELFARE AND TRAINING

As part of its policy, the Bank recognises the need for diversity, equal opportunities, gender sensitivity and provision of a safe and conducive work environment for its entire staff. The Bank assists its staff to undertake continuous professional and development training programs to fulfil their potential. This process is appropriately managed to align staff development with the Bank's strategic and business goals and objectives, and is reinforced with appropriate remuneration and incentive systems.

6. SHAREHOLDERS

The composition of shareholders and their individual holdings at the year ended 2025 and 2024 was in full compliance with the provisions of the Banking Act and Central Bank of Kenya Prudential Guidelines.

7. BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board meets at least once per quarter. Committee meetings are held on monthly basis. Additional meetings are also held as demanded by special circumstances. During the financial year ended 31 December 2025, the Board held six meetings. Attendance of Board meetings by Directors was as follows:

Name	Number of meetings held while in office	Number of meetings attended	Percentage of meetings attended
Mrs. Margaret Karangatha-Chair	6	6	100%
Mr. Macloud Malonza, MBS, HSC	6	6	100%
Dr. Gideon Muriuki-CBS, MBS	6	6	100%
Mr. Juilius Sitienei	6	6	100%
Mr. Charles Kamari	6	6	100%
Mr. Anthony Mburu	6	6	100%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015, requires the Directors to prepare separate and consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the financial year and of the operating results of the Group for that year. It also requires the Directors to ensure that the Bank and its subsidiaries keep proper accounting records that are sufficient to show and explain the transactions of the group and which disclose, with reasonable accuracy, the financial position of the Group and the Bank. The Directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of separate and consolidated financial statements in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015.

The Directors also accept responsibility for:

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

Having made an assessment of the Group's and Bank'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 Bank's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the separate and consolidated financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 17th March 2026 and signed on its behalf by:



Signed on behalf of the Chairperson

Chairperson



Managing Director & CEO



Savings & Investment

Simple, flexible solutions to help you save consistently and invest confidently.

- Build your savings
- Plan for the future
- Unlock opportunities

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KINGDOM BANK LIMITED

Report on the Audit of the Consolidated and the Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Kingdom Bank Limited (the "Bank") and its subsidiaries (together, the "Group"), set out on pages 17 to 89, which comprise the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2025 and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and the Separate Financial Statements* section of this report. We are independent of the Group and the Bank in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The Directors are responsible for the other information, which comprises the report of the Directors, statement on Corporate Governance and the Statement of Directors' Responsibilities. The other information does not include the consolidated and separate financial statements and our auditors' report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view

in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenya Companies Act, 2015 and for such internal controls as the Directors determine are necessary to enable the preparation of the consolidated and the separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated and the Separate Financial Statements

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

In our opinion the information given in the Report of the Directors on pages 4 - 9 is consistent with the consolidated and separate financial statements.

The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA Fred Aloo, Practicing certificate No. 1537.**



For and on behalf of Deloitte

Certified Public Accountants (Kenya)



UNIQUE CODE: 36109260331

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025


	Note	Group		Bank	
		2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
INTEREST INCOME	6	5,181,996	4,364,835	5,181,996	4,364,835
INTEREST EXPENSE	7	(2,478,678)	(2,260,622)	(2,478,678)	(2,260,622)
NET INTEREST INCOME		2,703,318	2,104,213	2,703,318	2,104,213
Fees and commission income	8 (a)	650,769	443,196	650,769	443,196
Foreign exchange gains/(losses)	8 (b)	102,965	(33,403)	102,965	(33,403)
Other operating income	9	244,837	235,222	76,298	119,844
OPERATING INCOME		3,701,889	2,749,228	3,533,350	2,633,850
Operating expenses	10 (a)	(2,328,600)	(1,413,515)	(2,248,308)	(1,361,023)
Net expected credit loss on loans and advances to customers	17 (a)	(239,146)	(243,446)	(239,146)	(243,446)
Net expected credit loss on other financial assets	17 (b) (c)	(8,825)	(23,840)	6,773	(27,359)
PROFIT BEFORE TAX		1,125,318	1,068,427	1,052,669	1,002,022
INCOME TAX EXPENSE	12	(179,095)	(471,987)	(176,216)	(453,028)
PROFIT FOR THE YEAR		946,223	596,440	876,453	548,994
OTHER COMPREHENSIVE INCOME					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value gain on re-measurement of investments measured at FVTOCI	14(b)	1,119,877	1,019,371	1,119,877	1,019,371
Total other comprehensive income/(loss) for the year		1,119,877	1,019,371	1,119,877	1,019,371
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		2,066,100	1,615,811	1,996,330	1,568,365

KINGDOM BANK LIMITED CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	Group		Bank	
		2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
ASSETS					
Cash and balances with Central Bank of Kenya	13	2,720,675	1,874,743	2,720,675	1,874,743
Government securities	14	20,323,833	20,501,523	20,323,833	20,501,523
Deposits and balances due from banking institutions	15	1,540,084	901,897	1,530,084	891,897
Loans and advances to customers (net)	16	22,193,035	14,009,959	22,193,035	14,009,959
Other assets	18	2,313,250	1,929,135	1,993,875	1,619,198
Corporate tax recoverable	12(c)	119,357	241,237	279,897	247,797
Property and equipment	19	1,483,975	1,281,565	1,372,668	1,213,922
Intangible assets - computer software	20	88,432	70,089	88,432	70,089
Equity investments	22 (a)	54,008	9,767	54,008	9,767
Investment in subsidiaries	22 (b)	-	-	255,039	255,039
Due from related companies	33 (c)	-	-	207,534	190,049
Right of use assets	23	337,728	269,740	337,728	269,740
TOTAL ASSETS		51,174,377	41,089,655	51,356,808	41,153,723
LIABILITIES					
Deposits and balances due to banking institutions	24	425,765	849,918	425,765	849,918
Customer deposits	25	29,744,353	21,464,540	29,936,935	21,631,506
Medium term loans	26	3,031,888	64,874	3,031,888	64,874
Long term loan	27	12,076,685	14,971,428	12,076,685	14,971,428
Other liabilities	28	305,906	361,344	202,762	255,561
Corporate tax payable	12 (c)	-	-	138,889	-
Deferred tax liability	21	72,294	23,856	128,585	59,158
Lease liabilities	29	373,846	276,155	373,846	276,155
TOTAL LIABILITIES		46,030,737	38,012,115	46,315,355	38,108,600
SHAREHOLDERS' FUNDS					
Share capital	30	1,867,947	1,867,947	1,867,947	1,867,947
Share premium	30	3,087,449	3,087,449	3,087,449	3,087,449
Accumulated losses		30,989	(915,234)	(71,198)	(947,651)
Investment revaluation reserve	32	157,255	(962,622)	157,255	(962,622)
SHAREHOLDERS' FUNDS		5,143,640	3,077,540	5,041,453	3,045,123
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		51,174,377	41,089,655	51,356,808	41,153,723

The financial statements on pages 17 to 71 were approved and authorised for issue by the Board of Directors on 18th March 2026 and were signed on its behalf by:



Signed on behalf of the Chairperson

Chairperson



Managing Director & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital Sh'000	Share premium Sh'000	Accumulated losses Sh'000	Investment revaluation reserve Sh'000	Statutory credit risk reserve Sh'000	Total Sh'000
At 1 January 2024	1,867,947	3,087,449	(1,511,674)	(1,981,993)	-	1,461,729
Total comprehensive income for the year	-	-	596,440	1,019,371	-	1,615,811
At 31 December 2024	1,867,947	3,087,449	(915,234)	(962,622)	-	3,077,540
At 1 January 2025	1,867,947	3,087,449	(915,234)	(962,622)	-	3,077,540
Total comprehensive income for the year	-	-	946,223	1,119,877	-	2,066,100
At 31 December 2025	1,867,947	3,087,449	30,989	157,255	-	5,143,640

The investment revaluation reserve represents the unrealized increase or decrease in the fair value of available for sale investments excluding impairment losses. The reserve is not distributable to the shareholders.

The statutory reserve represents an appropriation from retained earnings to comply with Central Bank of Kenya's prudential guidelines on impairment of loans and advances. It represents the excess of loan provision as computed in accordance with the Central Bank of Kenya prudential guidelines over net impairment of loans and advances computed per IFRS 9. The statutory reserve is not distributable.

BANK STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital Sh'000	Share premium Sh'000	Accumulated losses Sh'000	Investment revaluation reserve Sh'000	Statutory credit risk reserve Sh'000	Total Sh'000
At 1 January 2024	1,867,947	3,087,449	(1,496,645)	(1,981,993)	-	1,476,758
Total comprehensive income for the year	-	-	548,994	1,019,371	-	1,568,365
At 31 December 2024	1,867,947	3,087,449	(947,651)	(962,622)	-	3,045,123
At 1 January 2025	1,867,947	3,087,449	(947,651)	(962,622)	-	3,045,123
Total comprehensive income for the year	-	-	876,453	1,119,877	-	1,996,330
At 31 December 2025	1,867,947	3,087,449	(71,198)	157,255	-	5,041,453

The investment revaluation reserve represents the unrealized increase or decrease in the fair value of investments measured at fair value through other comprehensive income excluding impairment losses. The reserve is not distributable to the shareholders.

The statutory reserve represents an appropriation from retained earnings to comply with Central Bank of Kenya's prudential guidelines on impairment of loans and advances. It represents the excess of loan provision as computed in accordance with the Central Bank of Kenya prudential guidelines over net impairment of loans and advances computed per IFRS 9. The statutory reserve is not distributable.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
	Note	Sh'000	Sh'000
			Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operating activities	31 (a)	4,555,873	8,891,755
Tax paid	12 (c)	(8,777)	(736,210)
Interest paid on customer deposits		(2,178,605)	(1,550,495)
Net cash generated from operating activities		2,368,491	6,605,050
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	19	(329,059)	(245,109)
Purchase of intangible assets-computer software	20	(44,329)	(25,242)
Net cash used in investing activities		(373,388)	(270,351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term advances	24	-	-
Proceeds from medium term loan	26	3,000,000	-
Proceeds from long term loan	26	100,508	-
Repayment on short term advances	24	(424,153)	(1,432,677)
Medium term loan repayments	26	(50,251)	(1,828,715)
Long term loan repayment	27	(2,996,903)	(2,994,286)
Payment of lease liabilities	29	(140,185)	(79,974)
Net cash used in financing activities		(510,984)	(6,335,652)
INCREASE IN CASH AND CASH EQUIVALENTS		1,484,119	(953)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,776,640	2,777,593
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31 (b / d)	4,260,759	2,776,640

BANK STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 Sh'000	2024 Sh'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operating activities	31(a)	4,464,690	8,802,403
Tax paid	12(c)	-	(698,028)
Interest paid on customer deposits		(2,178,605)	(1,550,495)
Net cash generated from operating activities		2,286,085	6,553,880
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	19	(246,653)	(193,939)
Purchase of intangible assets-computer software	20	(44,329)	(25,242)
Investment in subsidiary	22(b)	-	-
Net cash used in investing activities		(290,982)	(219,181)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term advances	24	-	-
Proceeds from medium term loan	26	3,000,000	-
Proceeds from long term loan	26	100,508	-
Repayment on short term advances	24	(424,153)	(1,432,677)
Medium term loan repayments	26	(50,251)	(1,828,715)
Long term loan repayment	27	(2,996,903)	(2,994,286)
Payment of lease liabilities	29	(140,185)	(79,974)
Net cash used in financing activities		(510,984)	(6,335,652)
INCREASE IN CASH AND CASH EQUIVALENTS		1,484,119	(953)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,766,640	2,767,593
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31(b)	4,250,759	2,766,640

*Comparative figures have been restated. Refer to note 36.



Agriculture Financing

Financing designed around the rhythm of agriculture from planting to harvest.

- Up to Ksh 3M unsecured loans
- Up to Ksh 10M for contracted growers
- Repayment aligned to harvest cycles
- Technical support & market linkages

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

I REPORTING ENTITY

KINGDOM BANK LIMITED (the “Bank”) together with its subsidiaries (together, “the Group”) provide banking and related services. KINGDOM BANK LIMITED and its subsidiaries Kingdom Bancassurance Intermediary Limited and Kingdom Leasing Limited are incorporated in Kenya under the Companies Act, 2015 and are domiciled in Kenya.

The address of the Bank’s registered office is as follows:

Kingdom Bank Towers
Argwings Kodhek Road
P.O. Box 22741 – 00400
Nairobi.

The Group and the Bank are ultimately owned by the Co-Operative Bank of Kenya Limited which is domiciled and incorporated in Kenya.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated and separate financial statements of the Bank together referred to as “the financial statements”, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the Kenyan Companies Act, 2015.

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

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

i) New standards and amendments to published standards effective for the year ended 31 December 2025

In the current year, there were new and revised standards and interpretations that became effective during the year. The Directors have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Group’s financial statements.

The following revised IFRS was effective in the current year as described below.

Amendments to IAS 21	<i>The Effects of Changes in Foreign Exchange Rates Lack of Exchangeability</i>
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ii) New and revised IFRS Standards in issue but not yet effective in the year ended 31 December 2025

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the:

(c) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC)-(continued)

ii) New and revised IFRS Standards in issue but not yet effective in the year ended 31 December 2025

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 9 and IFRS 7-Amendments to the Classification and Measurement of Financial Instruments.	1 January 2026, with earlier application permitted
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027, with earlier application permitted
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027, with earlier application permitted

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

iii) Early adoption of standards

The Group and the Bank did not early adopt new or amended standards in 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Basis of Preparation

The Bank prepares its separate and consolidated financial statements under the historical cost convention as modified to include the revaluation of certain properties and financial instruments that are measured at fair value or revalued amounts at the end of each reporting period, as explained in the accounting policy below:

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:-

- Level 1 inputs are quoted in prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries for the year ended 31 December 2025. The Bank's subsidiaries are shown in note 22(b).

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power over the investee, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements for subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to the transactions between the members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment in Subsidiary

Investment in subsidiary companies are stated at cost less impairment loss where applicable.

Interest Income and Expense

Interest income and expense for all interest bearing financial instruments are recognised in profit or loss for the year on accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the carrying amount of the financial instruments. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

Fees and Commission Income

In the normal course of business, the Bank earns fees and commission income from a diverse range of services to its customers.

Other fees and commission income, including account servicing fees, commission on local bills discounted and banker's cheques, and placement fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Foreign Currency Trading Income

This arises from the margins, which are achieved through market making and customer business and from changes in market value caused by movements in exchange rates. It comprises gains fewer losses related to trading assets and liabilities, and includes all realised and unrealised foreign exchange differences.

Intangible Assets

Intangible assets comprise the cost of purchased computer software programs and other costs to bring the asset to the usable state. Expenditure is capitalised and amortised using the straight-line method over estimated useful life, of five years.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Property and Equipment

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

are stated at historical cost less depreciation and any accumulated impairment losses.

Increases in the carrying amount of land and buildings arising from revaluations are credited to other comprehensive income and accumulated in a revaluation reserve under a separate heading in the statement of changes in equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are charged to the profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.

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

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost or value of property and equipment over their expected useful lives. The rates generally in use are:

Buildings	Over the remaining period of the land lease
Land	Over the remaining period of the land lease
Office partitions	10% per annum
Motor vehicles	25% per annum
Equipment, fixtures and fittings	10% per annum
Computer equipment	20% per annum

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

Work in Progress

Work in progress relates to software development costs for the proposed core banking system and patch up models. Costs include direct labour and other direct expenses incurred in respect to the project. Depreciation of the assets commences when the assets are ready for their intended use.

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

Offsetting

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Taxation

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

(i) Current taxation

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

(ii) Deferred taxation

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

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

Cash and Cash Equivalents

In the statement of financial position, cash and cash equivalents are

comprised of cash (i.e. cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Deposits with central banks or other financial institution counterparties that are subject to third party contractual restrictions are included as part of cash unless the restrictions result in a deposit no longer meeting the definition of cash. Where the deposit does not meet the definition of cash, depending on the extent of the restriction, it may be a cash equivalent.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the reporting date. Transactions in foreign currencies during the year are translated at the rates ruling at the dates of the transactions. Exchange gains and losses are dealt with in the profit or loss.

Retirement Benefit Costs

i) The Group's defined contribution pension scheme

The Group and the Bank operates a defined contribution scheme for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the Bank. Benefits are paid to retiring staff in accordance with the scheme rules. The Group's contribution is charged to profit or loss.

ii) Statutory defined contribution pension scheme

The Group also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Group's obligations under the scheme are limited to specific contributions legislated from time to time. The Group's obligations to staff retirement benefit schemes are charged to the profit or loss in the year to which they relate.

iii) Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of the reporting period.

Some senior management staff are entitled to gratuity payments. A provision is made for the estimated liability for every month worked and at the expiry of employment contract, the payment is made net of applicable taxes.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of the profit or loss.

Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets-Initial Recognition and Measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through (FVOCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss (FVTPL).

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through (FVOCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through (FVOCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

Financial Assets at Amortised Cost (Debt Instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes loan and advances to customers, government securities and other receivables.

Financial Assets at Fair Value Through OCI (Debt Instruments)

For debt instruments at fair value through (FVOCI), gains or losses are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through (FVOCI) includes investments in Kenya government debt instruments included under government securities.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through (FVOCI) when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group did not make this election during the year.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and

either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 that the Group could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 4
- Debt instruments at fair value through OCI Note 4

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss (FVTPL)
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 25 and Note 26

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Contingent liabilities

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

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 (a) CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

(i) Critical accounting judgements in applying the Bank's accounting policies

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.

Impairment losses on loans and advances

Judgement is made on classification of financial assets assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely for Payment of Principal and Interest (SPPI) on the principal amount outstanding.

Judgement is made in establishing the criterion for determining whether credit risk on the financial instrument has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECLs) and selection and approvals of models used to measure ECL.

The Group and Bank recognises loss allowance at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Group and the Bank provides for 12-month ECLs. These are classified as Stage 1 assets. For credit exposures where there has been a significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

(ii) Key sources of estimation and uncertainty

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default:

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default:

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

Fair value measurement and valuation

Some of the company's assets and liabilities are measured at fair value for financial reporting process. In estimating the fair value of an asset or liabilities, the company uses market – observable data to the extent it is available. Where level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

In applying the lessee accounting for operating leases, the directors make assessment on the following matters which impact the recognition and measurement of the right of use assets and lease liabilities:

- Determination of the appropriate lease period in the contracts with extension and or termination options;
- Determination of the appropriate rate to discount the lease payments; and
- Assessment of whether a right-of-use asset is impaired.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Bank and Group has exposure to the following risks from its use of financial instruments - credit risk; liquidity risk; market risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Assets and Liabilities (ALCO) and a Credit Committee which are responsible for developing and monitoring the Bank's risk management policies.

The risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services. The Bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and its subsidiaries.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee. The Group's Credit Department reports to Management Credit Committee, which in turn reports to Board Credit Committee, which is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit Manager and the Managing Director. Larger facilities require approval by the Board Credit Committee or the Main Board as appropriate.
- Reviewing and assessing credit risk. Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Board Credit Committee.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Board Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Details of significant concentrations of the Group's assets, liabilities and off balance sheet items by industry groups are as detailed below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i)	Loans and advances - net	2025		2024	
		Sh '000	%	Sh '000	%
	Agriculture	435,994	1.96%	133,031	0.95%
	Building and construction	261,295	1.18%	53,660	0.38%
	Wholesale and retail	8,054,244	36.29%	4,574,047	32.65%
	Real estate	3,154,339	14.21%	1,405,394	10.03%
	Social community and personal services	7,777,832	35.05%	6,606,258	47.15%
	Transport and communication	2,469,505	11.13%	1,116,111	7.97%
	Energy & water	13,660	0.06%	1,680	0.01%
	Financial services	26,166	0.12%	119,778	0.85%
		22,193,035	100%	14,009,959	100%
(ii)	Customer deposits				
	Private Enterprises	11,291,257	38%	6,705,767	31%
	Non-profit institutions and individuals	18,645,678	62%	14,925,739	69%
		29,936,935	100%	21,631,506	100%
(iii)	Off balance sheet items – (letters of credit and guarantees)				
	Building and construction	338,169	51%	184,660	29%
	Transport and communication	71,016	11%	13,460	2%
	Others	248,437	38%	436,617	69%
		657,622	100%	634,737	100%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Management of credit risk (Continued)

Maximum exposure to credit risk before collateral held

	2025		2024	
	Sh' 000	%	Sh' 000	%
On-balance sheet				
Cash and bank balances with Central Bank of Kenya	2,720,675	5.57%	1,874,743	4.76%
Government and other securities				
- At amortised cost	7,399,577	15.15%	7,397,674	18.77%
- At FVTOCI	12,983,367	26.58%	13,163,490	33.40%
Placements with other banks	1,530,084	3.13%	891,897	2.26%
Loans and advances to customers	23,560,276	48.23%	15,446,909	39.20%
	48,193,979	98.65%	38,774,713	98.39%
Off-balance sheet items:				
Guarantees and indemnities	657,622	1.35%	634,737	1.61%
	48,851,601	100.00%	37,972,500	100.00%

The above table represents a worst-case scenario of credit risk exposure to the Group at 31 December 2025 and 31 December 2024, without taking account of any collateral held or other credit enhancements attached.

As shown above, 48.23% of the total maximum exposure is derived from loans and advances to customers (2024: 36.90%) and 41.72% represents investments in debt securities (2024: 54.15%)

Loans and advances to customers are secured by collateral in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The Bank does not perceive any significant credit risk on the following financial assets:

- Investments in Government securities and balances with Central Bank of Kenya.
- Off balance sheet items

Investments in Government securities are deemed adequately secured by the Government of Kenya with no inherent default risk whereas from history, the Group has not incurred any loss from off balance sheet items hence the low credit risk in the two categories of financial assets.

The credit risk on the deposits and balances due from banking institutions is considered to be low because the counterparties are banks and financial institutions with high credit ratings.

The board assesses the credit quality of each related party, taking into account its financial position, past experience and other factors before getting into any credit transactions with them. The credit risk on related parties is minimal as their ultimate holding company is also one of main shareholders of the Bank who have huge financial capacities as demonstrated by the regular capital injection over the years.

The following table sets out information about the credit quality and credit risk exposure of financial assets as at 31 December 2025. Unless specifically indicated, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the undrawn portion of amounts committed. Loan commitments are overdraft facilities. Explanation of the terms 'Stage 1', 'Stage 2', 'Stage 3' and purchased originated credit impaired (POCI) assets is included in Note 4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sh'000	2025					2024	
	Stage 1	Stage 2	Stage 3	POCI	Total	Total	
Cash and balances with Central Bank of Kenya;							
Performing	2,728,587	-	-	-	2,728,587	1,880,328	
ECL (note 17(b))	2,728,587 (7,912)	-	-	-	2,728,587 (7,912)	1,880,328 (5,585)	
Carrying amount	2,720,675	-	-	-	2,720,675	1,874,743	

In arriving at the ECL allowance for cash and balances with Central bank of Kenya, the Bank and Group has adopted S&P and GRC rankings. The S&P ranking has assigned a risk/default rate of 0.00% for financial institutions rated AAA, 0.02% for AA rated, 0.07% A rated, 0.29% for BBB rated, 0.76% for BB rated, 2.93% for B rated and 15.79% for CCC/C rated financial institutions (Source 2025 Annual Global Corporate Default Study, Standard & Poor).

GCR has carried out a credit rating of Kenyan banks but has not assigned risk/default rates for the various ratings given. On the other hand, S&P has not done a rating specific to Kenyan financial institutions but has risk rates assigned to various ratings as documented above whose description we have reviewed and came up with the risk rates applicable to Kenyan banks.

A GCR rating of BBB (2024:AA) with a risk weight of 0.76% (2024:0.02%) has been assumed for cash and balances with Central Bank of Kenya given the very high credit quality ranking of the Central Bank of Kenya (CBK) and its associated inherently strong protection factors. Adverse changes in business, economic or financial conditions would increase the default risk although not significantly.

Sh'000	2025					2024	
	Stage 1	Stage 2	Stage 3	POCI	Total	Total	
Government securities;							
Performing	20,382,943	-	-	-	20,382,943	20,561,164	
ECL (note 17)	20,382,943 (59,111)	-	-	-	20,382,943 (59,111)	20,561,164 (59,641)	
Carrying amount	20,323,833	-	-	-	20,323,833	20,501,523	

In arriving at the ECL allowance for cash and balances with Central bank of Kenya, the Bank and Group has adopted S&P and GRC rankings. The S&P ranking has assigned a risk/default rate of 0.00% for financial institutions rated AAA, 0.02% for AA rated, 0.07% A rated, 0.29% for BBB rated, 0.76% for BB rated, 2.93% for B rated and 15.79% for CCC/C rated financial institutions (Source 2025 Annual Global Corporate Default Study, Standard & Poor).

GCR has carried out a credit rating of Kenyan banks but has not assigned risk/default rates for the various ratings given. On the other hand, S&P has not done a rating specific to Kenyan financial institutions but has risk rates assigned to various ratings as documented above whose description we have reviewed and came up with the risk rates applicable to Kenyan banks.

A GCR rating of BBB (2024:AA) with a risk weight of 0.76% (2024:0.02%) has been assumed for cash and balances with Central Bank of Kenya given the very high credit quality ranking of the Central Bank of Kenya (CBK) and its associated inherently strong protection factors. Adverse changes in business, economic or financial conditions would increase the default risk although not significantly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Investments in Government securities are deemed adequately secured by the Government of Kenya with no inherent default risk. A GCR rating of BBB (2024:AA) with a risk weight of 0.29% (2024: 0.02%) has been assumed in arriving at the ECL given the very high credit quality ranking of the Central Bank of Kenya (CBK) and its associated inherently strong protection factors. Adverse changes in business, economic or financial conditions would increase the default risk although not significantly.

Sh'000	2025					2024
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Deposits and balances due from banking institutions;						
Performing	1,576,269	-	-	-	1,576,269	917,875
	1,576,269	-	-	-	1,576,269	917,875
ECL (note 17)	(46,185)	-	-	-	(46,185)	(25,978)
Carrying amount	1,530,084	-	-	-	1,530,084	891,897

In the GCR rating, Kenyan financial institutions are described as consistently having a stable outlook which is equated to the S&P description of financial institutions rated B (2024: BB). Hence a default rate of 2.93% (2024: 0.76%) has been considered for deposits and balances due from banking institutions in arriving at the ECL allowance.

Sh'000	2025					2024
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Off-balance sheet items;						
Guarantees and indemnities						
Performing	657,622	-	-	-	657,622	634,737
	657,622	-	-	-	657,622	634,737
ECL (note 17)	(16,520)	-	-	-	(16,520)	(45,297)
Carrying amount	641,102	-	-	-	641,102	589,440

From history, the Bank has not incurred any loss from off balance sheet items hence they have been assessed as having a low credit risk. In arriving at the ECL allowance we have considered history and the likelihood of the commitments being called up.

Classification of loans and advances

Sh'000	2025					2024
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Loans and advances to customers;						
Performing	19,349,325	-	-	-	19,349,325	11,841,714
Under performing	-	834,030	-	-	834,030	627,317
Non-performing	-	-	3,376,921	-	3,376,921	2,977,878
	19,349,325	834,030	3,376,921	-	23,560,276	15,446,909
ECL allowance (note 17)	(575,905)	(49,695)	(741,641)	-	(1,367,241)	(1,423,970)
Carrying amount	18,773,420	784,335	2,635,280	-	22,193,035	14,022,939

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

*The credit loss allowance for loans and advances to customers has been arrived at as detailed below:

	2025 Sh '000	2024 Sh '000
ECL allowance on loans and advances to customers		
at 01 January	1,436,950	1,945,160
Charge-through SOCI (note 17)	239,146	243,446
	1,676,096	2,188,606
Add; write offs:		
Recovery related	(62,498)	(518,069)
Financial assets derecognised-pay-offs	(246,357)	(233,587)
	(308,855)	(751,656)
ECL allowance on loans and advances to customers at 31 December	1,367,241	1,436,950

Loans and advances-performing

The Group classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress. These exposures are categorised as normal accounts in line with Central Bank of Kenya (CBK) prudential guidelines and a provision at 1% is made and appropriated from revenue reserves to statutory reserves.

Loans and advances-under-performing

These are loans and advances where contractual interest or principal payments are past due by less than 90 days but the Bank believes that impairment is not appropriate based on the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These exposures are categorised as watch accounts in line with Central Bank of Kenya (CBK) prudential guidelines and a collective impairment allowance of 3% made to cover losses, which have been incurred but have not yet been identified.

(a) Credit risk (Continued)

Management of credit risk (Continued)

Classification of loans and advances

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

	2025			Total	2024 Total
	Stage 1	Stage 2	Stage 3		
Loans and advances to customers;					
Current	19,349,325	-	-	19,349,325	11,841,714
Overdue < 30 days	-	834,030	-	834,030	627,317
Overdue > 90 days	-	-	3,376,921	3,376,921	2,977,878
Total	19,349,325	834,030	3,376,921	23,560,276	15,446,909

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

The Group and 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 Group and the Bank's historical experience, expert credit assessment and forward-looking information.

The Group and 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 DPD rebuttable presumption";
- an exposure has been restructured in the past due to credit risk related factors or which was nonperforming and is now regularised (subject to the regulatory cooling off period); or
- by comparing, where information is available, an exposures:
 - a. credit risk quality at the date of reporting; with
 - b. the credit risk quality on initial recognition of the exposure.

Significant increase in credit risk

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.

Determining whether credit risk has increased significantly

The Group and Bank has established a framework that incorporates both past due information and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group and Bank's internal credit risk management process.

The Group and Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, the financial asset is more than 90 days in arrears. Additionally, in certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group and Bank may determine that an exposure has undergone a significant increase in credit risk and classify the exposure as 'watch' if particular qualitative factors indicate so and those indicators may not be fully captured by its past due status on a timely basis.

The following qualitative criteria is applied:

- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB).
- Unavailable/inadequate financial information/financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff in the organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation;

- Deterioration in credit worthiness due to factors other than those listed above

As a backstop, and as required by IFRS 9, the Group and the Bank will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

Stage 3 - When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Credit risk grades

The Group and Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The credit risk grades within the Bank are based on a probability of default. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the nature and type of loans.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

The Bank grades its loans into five categories on the basis of the following criteria:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Performing loans, being loans which are well documented and performing according to contractual terms. Such loans are considered under stage 1 - no significant increase in credit risk for purposes of the ECL calculation;

Watch loans, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding for less than 30 days. Such loans are also classified as stage 1 for purposes of the ECL calculation;

Substandard loan, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six instalments have remained outstanding. Under this category, loans past due between 31 - 90 days (or 2-3 pending instalments) are classified within in stage 2 – significant increase in credit risk for purposes of the ECL calculation. Loans aged beyond 90 days are classified as stage 3 - credit impaired;

Doubtful loans, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty-one to three hundred and sixty days or where seven to twelve instalments have remained outstanding. Such loans are classified as stage 3 for purposes of the ECL calculation; and

Loss loans, being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding. Such loans are also classified as stage 3 for purposes if the ECL calculation.

Definition of default

The Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Group and the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Group and the Bank. This definition is largely consistent with the Central Bank of Kenya definition that is used for regulatory purposes.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

Under IFRS 9, the Group and Bank will incorporate forward-looking information in its measurement of ECLs.

The Group and the Bank applies linear regression to determine the forward-looking adjustment to incorporate in its ECL. The Group and

the Bank formulates three economic scenarios: a base case, which is the median scenario assigned a probability of occurring based on the predictive strength of the relationship between the Group and Bank's default rate and the macro economic variables (MEV's), and two less likely scenarios, one upside and one downside, each assigned a probability of occurring based on half the difference between the Base case and 100%.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Kenya, supranational organisations such as the World Bank and the International Monetary Fund, and selected private- sector and academic forecasters.

The Bank has identified key drivers of credit risk and credit losses for its overall portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These are reviewed by management periodically to ascertain relevance based on management's understanding of the current industry environment.

The key drivers for credit risk are GDP in as much as it affects customers ability to pay their outstanding loan commitments, growth in commercial bank loans, exports of goods and services and inflation.

Modified financial assets

The contractual terms of loans and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loans and advances recognised as a new loans and advances at fair value.

Modified financial assets

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

The Group and Bank renegotiates loans and advances with customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Group and Bank's restructuring policy, loans and advances restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank Credit Committee regularly reviews reports on restructuring activities. Generally, forbearance 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.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- Probability of Default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed models and other historical data that leverage industry information. The PD is adjusted to reflect forward- looking information as described above.

PD

Loan listings payment history and the borrower prudential guideline risk classifications from 2015 to date were used as the primary input in the determination of the PD structures.

PD estimates for loans and advances are estimates at a certain date, calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and will be assessed at individual borrower level.

The PD estimates for other financial instruments assessed for impairment is based on external credit rating information obtained from reputable external rating agencies such as Moody's, Standard and Poors, Fitch and Global credit rating.

The PD estimates applied are probability weighted incorporating a forward-looking adjustment which is determined based on a base scenario, upside and downside scenario. Please see the section on forward-looking information.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group and the Bank will estimate LGD parameters based on collateral available against exposures and the history of recovery rates of claims against defaulted counterparties.

The LGD models will consider the type of collateral, seniority of the claim, time to recover in the event of foreclosure, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated to consider the time to recover cash flows for different collateral types and apply the forced sale value (FSV) of collateral. The collateral values to consider will be calculated on a discounted cash flow basis using the effective interest rate (EIR) or a close proxy of the EIR.

Exposure at Default

EAD represents the expected exposure in the event of a default. The Group and the Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. For loan commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and the Bank will measure ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group and the Bank considers a longer period.

The maximum contractual period extends to the date at which the Group and the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For guarantee facilities, overdrafts and other revolving facilities that include both a drawn and an undrawn commitment component, the Group and the Bank will measure ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

Amount arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**

2025	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
Loans and advances to customers	Sh '000	Sh '000	Sh '000	Sh '000
Loss allowance as at 1 January 2025	118,481	(32,493)	1,350,961	1,436,950
– Transfer to stage 1	142,461	(11,825)	(130,636)	-
– Transfer to stage 2	(7,622)	28,514	(20,892)	-
– Transfer to stage 3	(13,931)	(75)	14,006	-
New financial assets originated or purchased (POCI)	643,493	125,333	184,121	952,947
Financial assets that have been derecognized	(50,323)	(17,342)	(241,190)	(308,855)
Repayments effect and interest capitalization	(256,654)	(42,417)	(414,730)	(713,801)
Loss allowance as at 31 December 2025	575,905	49,695	741,640	1,367,241

2024	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
Loans and advances to customers	Sh '000	Sh '000	Sh '000	Sh '000
Loss allowance as at 1 January 2024	214,578	8,833	1,721,748	1,945,160
– Transfer to stage 1	33,393	(21,085)	(12,308)	-
– Transfer to stage 2	(16,930)	20,726	(3,796)	-
– Transfer to stage 3	(17,204)	(27,002)	44,206	-
New financial assets originated or purchased (POCI)	350,785	41,589	82,163	474,537
Financial assets that have been derecognized	(305,678)	(35,071)	(410,907)	(751,656)
Repayments effect and interest capitalization	(140,463)	(20,483)	(70,145)	(231,091)
Loss allowance as at 31 December 2024	118,481	(32,493)	1,350,961	1,436,950

(a) Credit risk (Continued)**Management of credit risk (Continued)****Amount arising from ECL (Continued)***Loss allowance (continued)***Loans and advances individually impaired**

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

	Loans		Overdrafts	
	2025	2024	2025	2024
	Sh'000	Sh'000	Sh'000	Sh'000
Individually assessed impaired loans and Advances - retail	2,202,127	596,887	305,993	14,200
– corporate	876,555	1,932,200	-	438,300
	3,078,682	2,529,087	305,993	452,500
Discounted value of securities	4,716,642	3,800,290	1,733,174	1,174,599

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Loans and advances to customers	
	Gross Sh'000	Net Sh'000
31 December 2025		
Grade 5: Individually impaired	460,576	-
Grade 3 & 4: Individually impaired	2,924,099	2,187,427
	3,384,675	2,187,427
31 December 2024		
Grade 5: Individually impaired	2,524,900	1,731,568
Grade 3 & 4: Individually impaired	456,689	53,536
	2,981,589	1,785,104

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when credit determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are

based on a product specific past due status.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

Collateral held

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over deposits and balances due from banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against government securities, and no such collateral was held at 31 December 2025 and 31 December 2024.

An estimate of the fair value of collateral and other security enhancements held against impaired financial assets is shown below:

	2025 Sh'000	2024 Sh'000
Discounted value of securities held		
For loans classified as:		
Neither past due nor impaired	17,693,624	10,197,129
Past due but not impaired	1,388,424	983,687
Impaired	6,449,816	3,969,892
	25,531,864	15,150,708
Analysis of nature of collateral held:		
Past due but not impaired		
Property	909,336	796,999
Motor vehicle	367,373	126,978
Other	111,715	59,710
	1,388,424	983,687
Analysis of nature of collateral held:		
Impaired		
Property	5,420,855	2,325,609
Motor vehicle	515,195	373,907
Other	513,766	1,270,376
	6,449,816	3,969,892

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Central Bank of Kenya requires that the Bank maintain a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Bank monitors liquidity ratios on a daily basis.

Liquidity risk based on undiscounted cash flows

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

	2025	2024
At 31 December	70.29%	91.72%
Average for the period	78.06%	121.81%
Maximum for the period	90.24%	154.43%
Minimum for the period	66.30%	91.72%
Statutory minimum requirement	20%	20%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

The tables below represent cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2025 and 31 December 2024. The amounts disclosed in the table are the contractual undiscounted cash flows. All figures are in thousands of Kenya Shillings.

	Up to 1		1-3		3-6		6-12		1-3		3-5		Over		Total
	Month	Months	Months	Months	Months	Months	Months	Months	Years	Years	Years	Years	5 Years	Sh'000	
At 31 December 2025															
Customer deposits	9,583,104	7,920,839	5,762,539	6,610,676	59,777	-	-	-	-	-	-	-	-	29,936,935	
Deposits and balances due to banking institutions	-	-	-	-	425,765	-	-	-	-	-	-	-	-	425,765	
Medium term loan	-	-	-	-	-	-	-	-	-	3,031,888	-	-	-	3,031,888	
Long term loan	-	-	-	-	-	-	-	-	-	-	-	-	12,076,685	12,076,685	
Total financial liabilities (contractual maturity dates)	9,583,104	7,920,839	5,762,539	6,610,676	485,542	3,031,888	12,076,685	45,471,273							
Financial assets															
Cash and bank balances with Central Bank of Kenya	2,720,675	-	-	-	-	-	-	-	-	-	-	-	-	2,720,675	
Government securities	-	-	-	-	4,500,000	2,900,000	12,923,833	20,323,833							
Deposits and balances due from banking institutions	1,530,084	-	-	-	-	-	-	1,530,084							
Loans and advances to customers	975,439	221,803	497,195	493,634	2,265,019	2,268,676	15,471,269	22,193,035							
Total financial assets (expected maturity dates)	5,226,198	221,803	497,195	493,634	6,765,019	5,168,676	28,395,102	46,767,627							
Net liquidity (surplus)/gap *	4,356,906	7,699,036	5,265,344	6,117,042	(6,279,477)	(2,136,788)	(16,318,417)	(1,296,354)							

* The mismatch in the categories under up to 1 month, 1-3 and 3-6 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

	Up to 1	1-3	3-6	6-12	1-3	3-5	Over	Total
	Month	Months	Months	Months	Years	Years	5 years	Sh'000
At 31 December 2024								
Customer deposits	9,684,210	5,521,895	3,542,006	2,821,911	61,483	-	-	21,631,506
Deposits and balances due to banking institutions	849,918	-	-	-	-	-	-	849,918
Medium term loan	-	-	-	-	64,874	-	-	64,874
Long term loan	-	-	-	-	-	-	14,971,428	14,971,428
Due to related parties	-	-	-	-	-	163	-	163
Total financial liabilities (contractual maturity dates)	10,534,128	5,521,895	3,542,006	2,821,911	126,357	163	14,971,428	37,517,889
Financial assets								
Cash and bank balances with Central Bank of Kenya	1,874,743	-	-	-	-	-	-	1,874,743
Government securities	-	-	-	-	3,800,000	4,900,000	11,801,523	20,501,523
Deposits and balances due from banking institutions	891,897	-	-	-	-	-	-	891,897
Loans and advances to customers	1,175,848	439,252	242,761	463,337	2,074,127	2,033,238	7,581,396	14,009,959
Total financial assets (expected maturity dates)	3,942,488	439,252	242,761	463,337	5,874,127	6,933,238	19,382,919	37,278,122
Net liquidity (surplus)/gap *	6,591,640	5,082,643	3,299,245	2,358,574	(5,747,770)	(6,933,075)	(4,411,491)	239,767

* The mismatch in the categories under up to 1 month, 1-3 and 3-6 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing return on risk. Overall responsibility for managing market risk rests with the Board of Directors. The Managing Director is responsible for the development of detailed risk management policies (subject to review and approval by Board of Directors) and for the day-to-day implementation of those policies.

(i) Currency risk

The Group operates wholly within Kenya and its assets and liabilities are reported in the local currency. The Group's currency risk is managed within the Central Bank of Kenya exposure guidelines of 10% of core capital.

The exchange rates used for translating the major foreign currency balances as at year end were as follows:

	2025 Sh	2024 Sh
US Dollar	129.00	129.30
GB Pound	173.50	162.15
Euro	151.30	134.50

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2025 and 31 December 2024. Included in the table are the Group's financial instruments, categorized by currency.

At 31 December 2025	Kshs Sh'000	USD Sh'000	GBP Sh'000	Euro Sh'000	Others Sh'000	Total Sh'000
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	2,555,143	130,096	4,618	30,805	13	2,720,675
Government securities	20,323,833	-	-	-	-	20,323,833
Deposits and balances due from banking institutions	840,571	633,900	5,580	50,033	-	1,530,084
Loans and advances to customers	21,923,515	269,520	-	-	-	22,193,035
Total financial assets	45,643,062	1,033,516	10,198	80,838	13	46,767,627
FINANCIAL LIABILITIES						
Customers deposits	29,091,979	838,697	997	5,262	-	29,936,935
Deposits and balances due to banking institutions	425,765	-	-	-	-	425,765
Medium term loan	3,031,888	-	-	-	-	3,031,888
Long term loan	12,076,685	-	-	-	-	12,076,685
Total financial liabilities	44,626,317	838,697	997	5,262	-	45,471,273
Net foreign currency exposure	(1,016,745)	(194,819)	(9,201)	(75,576)	(13)	(1,296,354)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

(i) Currency risk (continued)

At 31 December 2024	Kshs Sh'000	USD Sh'000	GBP Sh'000	Euro Sh'000	Others Sh'000	Total Sh'000
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	1,725,726	53,798	3,904	91,302	13	1,874,743
Government securities	20,501,523	-	-	-	-	20,501,523
Deposits and balances due from banking institutions	141,949	702,735	17,027	30,186	-	891,897
Loans and advances to customers	13,764,896	245,063	-	-	-	14,009,959
Total financial assets	36,134,094	1,001,596	20,931	121,488	13	37,278,122
FINANCIAL LIABILITIES						
Customers deposits	20,511,595	1,095,874	2,056	21,981	-	21,631,506
Deposits and balances due to banking institutions	849,918	-	-	-	-	849,918
Medium term loan	64,874	-	-	-	-	64,874
Long term loan	14,971,428	-	-	-	-	14,971,428
Total financial liabilities	36,397,815	1,095,874	2,056	21,981	-	37,517,726
Net foreign currency exposure	(263,722)	(94,278)	18,875	99,507	13	(239,604)

The Group does not have off-balance sheet items represented by the difference between the notional amounts of foreign currency derivative financial instruments and their fair values.

Foreign currency risk stress test

The table below summarizes the estimated impact of a 10% decline/appreciation of the Kenya Shilling against the three major currencies traded by the Group i.e. US Dollar, British Pound and Euro.

	2025 Shs'000	2024 Shs'000
10% depreciation of the Kenya Shilling	15,182	6,904
10% appreciation of the Kenya Shilling	15,182	(6,904)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

(ii) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Group does not bear an interest rate risk on off balance sheet items. All figures are in thousands of Kenya Shillings.

At 31 December 2025

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Non- interest bearing Years	Total
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	-	-	-	-	2,720,675	2,720,675
Government securities	-	-	-	7,400,000	12,923,833	20,323,833
Deposits and balances due from banking institutions	1,530,084	-	-	-	-	1,530,084
Loans and advances to customers	975,439	238,323	990,829	19,988,444	-	22,193,035
Total financial assets	2,505,523	238,323	990,829	27,388,444	15,644,508	46,767,627
FINANCIAL LIABILITIES						
Customers deposits	9,583,104	7,920,839	12,373,215	59,777	-	29,936,935
Deposits and balances due to banking institutions	-	-	425,765	-	-	425,765
Medium term loan	-	-	-	3,031,888	-	3,031,888
Long term loan	-	-	-	-	12,076,685	12,076,685
Total financial liabilities	9,583,104	7,920,839	12,798,980	3,091,665	12,076,685	45,471,273
Net gap	(7,077,581)	(7,682,516)	(11,808,151)	24,296,779	3,567,823	1,296,354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

(ii) Interest rate risk (Continued)

At 31 December 2024

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Non- interest bearing Years	Total
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	-	-	-	-	1,874,743	1,874,743
Government securities	-	-	-	20,501,523	-	20,501,523
Deposits and balances due from banking institutions	891,897	-	-	-	-	891,897
Loans and advances to customers	1,175,848	439,252	706,098	11,688,761	-	14,009,959
Total financial assets	2,067,745	439,252	706,098	32,190,284	1,874,743	37,278,122
FINANCIAL LIABILITIES						
Customers deposits	9,684,210	5,521,895	6,363,918	61,483	-	21,631,506
Deposits and balances due to banking institutions	849,918	-	-	-	-	849,918
Medium term loan	-	64,874	-	-	-	64,874
Long term loan	-	-	-	-	14,971,429	14,971,429
Total financial liabilities	10,534,128	5,586,769	6,363,918	61,483	14,971,429	37,517,727
Net gap	(8,466,383)	(5,147,517)	(5,657,820)	32,128,801	(13,096,686)	(239,605)

The impact that an immediate hypothetical increase or decrease in interest rates of 10% applied at the beginning of the year would have on the profit for the year assuming a growing balance sheet and current interest rate risk profile would be as follows:

	2025 Sh'000	2024 Sh'000
10% increase in interest rates	29,121	(20,762)
10% decrease in interest rates	(29,121)	20,762

The model does not take into account any corrective action in response to interest rate movements, particularly in adverse situations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

(iii) Fair values of financial assets and liabilities

Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

(i) The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2025				
	Level 1	Level 2	Level 3	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Financial assets				
Government securities – FVTOCI				
investments (note 14)	12,983,366	-	-	12,983,366
Equity investments (note 22(a))	54,008	-	-	54,008
Land & buildings (note 19)	-	807,975	-	807,975
	13,037,374	807,975	-	13,845,349
At 31 December 2024				
Financial assets				
Government securities – FVTOCI investments (note 14)				
	13,163,490	-	-	13,163,490
Equity investments (note 22(a))	9,767	-	-	9,767
Land & buildings (note 19)	-	798,200	-	798,200
	13,173,257	798,200	-	13,971,457

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table below provides information about how the fair values of these financial and non-financial assets and liabilities are determined (i.e. in particular, valuation techniques and inputs used).

Assets liabilities	Fair values as at		Fairvalue hierarchy	Valuation techniques and key inputs
	31/12/2025 Sh'000	31/12/2024 Sh'000		
Government securities - at FVTOCI investments	12,983,366	13,163,490	Level 1	Quoted bid prices in an active manner.
Equity investments	54,008	9,767	Level 1	Quoted bid prices in an active manner.
Land & buildings	807,975	798,200	Level 2	Open market valuation

(iii) Except as indicated above, the directors consider that the fair values of financial and non-financial assets and liabilities approximates their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- To comply with the capital requirements set by the Central Bank of Kenya;
- To safeguard the Bank's ability to continue as a going concern, so that it can aim to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The Central Bank of Kenya requires each bank to:

- hold the minimum level of regulatory capital of Sh 3 billion (2024: Sh 1 billion);
- maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10.5%;
- maintain core capital of not less than 10.5% of total deposit liabilities; and
- maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Bank had met the minimum core capital requirement as at year-end. The Bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): which includes ordinary share capital, share premium, retained earnings, after deductions for

intangible assets (excluding computer software), investments in equity instruments of other institutions and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence to sustain future development of the business.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses

***The Central Bank of Kenya (CBK) through *Business Laws (Amendment) Act, 2024* Enacted on December 11, 2024, and effective from December 27, 2024 raised the Core Capital Requirement for Banks and mortgage finance companies to Ksh 10 billion spread over five (5) to end of 2029

There have been no material changes in the Bank's management of capital during the period. The Bank had met the minimum core capital requirement of Sh 3 billion (2024: Sh 1 billion) as at 31 December 2025.

The table below summarises the composition of regulatory capital and ratios of the Bank as at 31 December:

	2025 Sh'000	2024 Sh'000
Tier 1 capital		
Share capital	1,867,947	1,867,947
Share premium	3,087,449	3,087,449
Accumulated losses	(71,198)	(947,651)
	4,884,198	4,007,745
Tier 2 capital		
Subordinated debt (Note 26)	2,442,099	-
***Total regulatory capital	7,226,297	4,007,745
Risk-weighted assets		
On-balance sheet	21,955,845	14,830,358
Off-balance sheet	578,618	599,833
Total risk-weighted assets	22,534,463	15,430,191
Total regulatory capital expressed as a percentage of total risk-weighted assets (CBK minimum – 14.5%)	25.8%	19.1%
Total tier 1 capital expressed as a percentage of risk-weighted assets (CBK minimum – 10.5%)	17.2%	19.1%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INTEREST INCOME	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
Loans and advances to customers	2,578,934	1,559,305	2,578,934	1,559,305
Deposits and balances due from banking institutions	190,952	245,243	190,952	245,243
Government securities – At FVTOCI	1,458,480	1,604,045	1,458,480	1,604,045
Government securities – At amortised cost	953,630	956,242	953,630	956,242
	5,181,996	4,364,835	5,181,996	4,364,835
7. INTEREST EXPENSE				
Interest on customer deposits	2,451,877	2,096,285	2,451,877	2,096,285
Interest on borrowings	26,801	164,337	26,801	164,337
	2,478,678	2,260,622	2,478,678	2,260,622
8. a) FEES AND COMMISSION INCOME				
Loan related fees and commissions	388,364	237,312	388,364	237,312
Other fees and commissions	262,405	205,884	262,405	205,884
	650,769	443,196	650,769	443,196
b) FOREIGN EXCHANGE GAINS/(LOSSES)	102,965	(33,403)	102,965	(33,403)
Gains on foreign currency dealings arose from trading in foreign currency transactions and on the translation of foreign currency denominated assets and liabilities.				
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
9. OTHER OPERATING INCOME				
Other income	244,837	235,222	76,298	119,844

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		Group		Bank	
		2025	2024	2025	2024
		Sh'000	Sh'000	Sh'000	Sh'000
10 (a)	OPERATING EXPENSES				
	Contributions to Deposit Protection Fund	28,605	16,937	28,605	16,937
	Depreciation of property and equipment (note 19)	126,649	92,037	87,907	71,410
	Amortisation of intangible assets (note 20)	25,986	10,468	25,986	10,468
	Auditors' remuneration- current year (10 (b))	16,767	17,218	14,729	16,160
	Staff costs (note 11)	851,270	730,961	833,842	717,353
	Directors' emoluments - fees	12,817	13,320	12,817	13,320
	- other emoluments	2,353	2,090	2,353	2,090
	Travel, accommodation and entertainment	138,160	75,370	137,179	74,506
	Telephone, postage, internet	29,208	24,440	29,208	24,440
	Subscriptions	30,097	5,110	30,097	5,110
	Legal and professional fees	124,132	237	123,905	(789)
	Rent and rates	-	525	-	-
	Repairs and maintenance	24,610	23,238	24,581	23,238
	Licenses, permits and insurances	10,211	9,690	10,191	9,473
	General office expenses	588,854	183,422	568,366	169,352
	Advertising, marketing and publicity	65,776	39,538	65,437	38,927
	Printing and stationery	16,984	16,083	16,984	16,083
	Electricity and water	21,455	18,114	21,455	18,114
	Security	60,822	47,255	60,822	47,369
	Depreciation on right of use assets (note 23)	117,732	65,399	117,732	65,399
	Interest on lease liabilities (note 29)	36,112	20,914	36,112	20,914
	Fair value loss on equity investments (note 22 (a))	-	1,149	-	1,149
		2,328,600	1,413,515	2,248,308	1,361,023
10 (b)	AUDITORS' REMUNERATION				
	Statutory audit fees	11,495	10,947	9,911	9,439
	Other regulatory mandated audits	4,355	4,147	4,355	4,147
	Tax fees	917	874	463	441
	Other fees	-	1,250	-	2,133
		16,767	17,218	14,729	16,160
11.	STAFF COSTS				
	Salaries and wages	704,982	623,788	687,611	610,180
	Pension costs – defined contribution plan	45,805	30,655	45,805	30,655
	Medical costs	78,171	53,014	78,171	53,014
	Other staff costs	22,312	23,504	22,255	23,504
		851,270	730,961	833,842	717,353

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Group and Bank	
	2025	2024
Management	101	69
Supervisory	32	46
Clerical	416	321
Other categories	129	132
Total	678	568

	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
12. (a) TAXATION				
Taxation charge				
Current taxation charge	130,657	47,277	106,789	32,100
Deferred taxation charge (note 21)	48,438	192,449	69,427	188,667
	179,095	239,726	176,216	220,767
Prior year tax assessment	-	232,261	-	232,261
	179,095	471,987	176,216	453,028
12. (b) Reconciliation of tax charge to the expected tax based on accounting loss				
Accounting profit before taxation	1,125,318	1,068,427	1,052,669	1,002,022
Tax at the applicable rate of 30%	337,595	320,528	315,801	300,607
Tax effect of expenses not allowable for tax purposes	149,474	13,980	148,435	11,344
Tax effect of incomes not subject to tax	(298,095)	(323,740)	(298,095)	(323,740)
Prior year tax assessment	-	232,261	-	232,261
Prior year under provision on provisions	(9,879)	228,958	10,075	232,556
	179,095	471,987	176,216	453,028
12.(c) Corporate taxation balance				
At beginning of the year	(241,237)	177,125	(247,797)	185,873
Charge for the year	130,657	47,277	106,789	32,100
Tax paid during the year	(8,777)	(465,639)	-	(465,770)
Tax (receivable)/payable	(119,357)	(241,237)	(141,008)	(247,797)
Analysed as follows:				
Corporate tax recoverable	(119,357)	(241,237)	(279,897)	(247,797)
Corporate tax payable	-	-	138,889	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
Cash on hand	691,318	783,739	691,318	783,739
Balances with Central Bank of Kenya:				
Balances with Central Bank of Kenya:	2,037,269	1,096,589	2,037,269	1,096,589
	2,728,587	1,880,328	2,728,587	1,880,328
Less ECL allowance (note 4)	(7,912)	(5,585)	(7,912)	(5,585)
At 31 December	2,720,675	1,874,743	2,720,675	1,874,743

14. GOVERNMENT SECURITIES – Group and Bank

	2025	2024	2025	2024
	Sh'000	Sh '000	Sh'000	Sh '000
(a) Treasury bonds				
At amortised cost – maturing after 5 years)	7,399,577	7,397,674	7,399,577	7,397,674
At Fair value through other comprehensive income (FVTOCI)- Note (b)	12,983,367	13,163,490	12,983,367	13,163,490
	20,382,944	20,561,164	20,382,944	20,561,164
Less ECL allowance (note 4)	(59,111)	(59,641)	(59,111)	(59,641)
	20,323,833	20,501,523	20,323,833	20,501,523
(b) Movement in treasury bonds FVTOCI is as follows:				
At start of year	13,163,490	13,624,718	13,163,490	13,624,718
Disposal	-	-	-	-
Maturity	(1,300,000)	(1,480,600)	(1,300,000)	(1,480,600)
Fair value gain	1,119,877	1,019,371	1,119,877	1,019,371
At end of year	12,983,367	13,163,490	12,983,367	13,163,490

Treasury bonds are debt securities issued by the Government of Kenya and are classified as amortised cost and FVTOCI based on the investment's business model. The weighted average effective interest rate on treasury bonds at 31 December 2025 was 11.89%. (2024 – 11.70%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
Balances due from banking institutions	113,494	170,409	103,494	170,409
Deposits due from banking institutions	1,472,775	757,466	1,472,775	747,466
Less: ECL allowance (note 4)	1,586,269 (46,185)	927,875 (25,978)	1,576,269 (46,185)	917,875 (25,978)
	1,540,084	901,897	1,530,084	891,897

The above deposits mature within 3 months after year-end. The effective interest rate on deposits due from banking institutions at 31 December 2025 was 9.25.% (2024: 13.50%) and nil for balances due to banking institutions.

16. LOANS AND ADVANCES TO CUSTOMERS – Group and Bank

	2025 Sh '000	2024 Sh '000
Loans and advances to customers	23,079,212	15,098,684
Loans and advances to staff	481,064	348,225
Less: allowance for ECL (note 17 (a))	23,560,276 (1,367,241)	15,446,909 (1,436,950)
At 31 December	22,193,035	14,009,959
Maturity of gross loans and advances		
Maturing:		
Within one year	2,188,045	3,575,312
One year to three years	2,209,889	1,965,976
Three years to five years	2,139,757	2,232,596
After five years	17,022,585	7,693,025
	23,560,276	15,466,909
Gross loans and advances to customers by type		
Overdrafts	1,000,565	1,132,636
Term loans	22,559,711	14,334,273
	23,560,276	15,466,909

Non-performing loans and advances to customers

The aggregate amount of gross non-performing loans and advances as at 31 December 2025 was Sh 3,910,373,000 (2024 - Sh 2,977,878,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The effective interest rate on loans and advances at 31 December 2025 was 16.31% (2024: 16.48%).

The related party transactions and balances are covered under note 33 and concentrations of gross advances to customers are covered under note 4.

17. EXPECTED CREDIT LOSS (ECL) RECOGNISED IN STATEMENT OF PROFIT OR LOSS

(a) Loans and advances to customers Group & Bank

	Note	Stage 1 Sh'000	Stage 2 Sh'000	Stage 3 Sh'000	Total Sh'000		
At 1 January 2024		409,709	82,573	1,452,878	1,945,160		
Expected credit loss		77,341	22,864	143,241	243,446		
Loans and advances derecognised		(305,678)	(35,071)	(410,907)	(751,656)		
At 31 December 2024	4	181,372	70,366	1,185,212	1,436,950		
At 1 January 2025		181,372	70,366	1,185,212	1,436,950		
Expected credit loss		151,945	6,531	80,670	239,146		
Loans and advances derecognised		(62,020)	(27,202)	(219,633)	(308,855)		
At 31 December 2025	4	271,297	49,695	1,046,249	1,367,241		
(b) Other financial assets-Group							
	Note	Cash and balances with Central Bank of Kenya	Government securities	Deposits and balances due from banking institutions	Guarantees and indem- nities	Other assets	Total
At 1 January 2025							
Performing		5,585	59,641	25,978	45,297	28,835	165,336
Under performing		-	-	-	-	-	-
Non-performing		-	-	-	-	-	-
		5,585	59,641	25,978	45,297	28,835	165,336
ECL allowance;							
Performing		2,327	(530)	20,207	(28,777)	15,598	8,825
Under performing		-	-	-	-	-	-
Non-performing		-	-	-	-	-	-
		2,327	(530)	20,207	(28,777)	15,598	8,825
At 31 December 2025							
Performing		7,912	59,111	46,185	16,520	44,433	174,161
Under performing		-	-	-	-	-	-
Non-performing		-	-	-	-	18,282	-
		7,912	59,111	46,185	16,520	62,715	174,161
At 1 January 2024							
Performing		3,864	60,974	16,494	27,810	32,354	141,496
Under performing		-	-	-	-	-	-
Non-performing		-	-	-	-	-	-
		3,864	60,974	16,494	27,810	32,354	141,496
ECL allowance;							
Performing		1,721	(1,333)	9,484	17,487	(3,519)	23,840
Under performing		-	-	-	-	-	-
Non-performing		-	-	-	-	-	-
		1,721	(1,333)	9,484	17,487	(3,519)	23,840
At 31 December 2024							
Performing		5,585	59,641	25,978	45,297	28,835	165,336
Under performing		-	-	-	-	-	-
Non-performing		-	-	-	-	-	-
		5,585	59,641	25,978	45,297	28,835	165,336

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. EXPECTED CREDIT LOSS (ECL) RECOGNISED IN STATEMENT OF PROFIT OR LOSS (CONTINUED)

(c) Other financial assets-Bank

	Cash and balances with Central Bank of Kenya Sh '000	Government securities Sh '000	Deposits and balances due from banking institutions Sh '000	Guarantees and indemnities Sh '000	Total Sh '000
4					
At 1 January 2025;					
Performing	5,585	59,641	25,978	45,297	136,501
Under performing	-	-	-	-	-
Non-performing	-	-	-	-	-
	5,585	59,641	25,978	45,297	136,501
ECL allowance;					
Performing	2,327	(530)	20,207	(28,777)	(6,773)
Under performing	-	-	-	-	-
Non-performing	-	-	-	-	-
	2,327	(530)	20,207	(28,777)	(6,773)
At 31 December 2025;					
Performing	7,912	59,111	46,185	16,520	129,728
Under performing					
Non-performing					
	7,912	59,111	46,185	16,520	129,728
At 1 January 2024;					
Performing	9	60,974	16,494	27,810	109,142
Under performing	-	-	-	-	-
Non-performing	-	-	-	-	-
	3,864	60,974	16,494	27,810	109,142
ECL allowance;					
Performing	1,721	(1,333)	9,484	17,487	27,359
Under performing	-	-	-	-	-
Non-performing	-	-	-	-	-
	1,721	(1,333)	9,484	17,487	27,359
At 31 December 2024;					
Performing	5,585	59,641	25,978	45,297	136,501
Under performing	-	-	-	-	-
Non-performing	-	-	-	-	-
	5,585	59,641	25,978	45,297	136,501

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. OTHER ASSETS

	Group		Bank	
	2025 Sh '000	2024 Sh '000	2025 Sh '000	2024 Sh '000
Other receivables	1,479,416	1,695,190	1,097,326	1,356,418
Prepayments and deposits	896,549	259,866	896,549	259,866
Legal deposits	-	2,914	-	2,914
ECL allowance	2,375,965 (62,715)	1,957,970 (28,835)	1,993,875 -	1,619,198 -
	2,313,250	1,929,135	1,993,875	1,619,198

19. PROPERTY AND EQUIPMENT – Group

	Land & building	Office parti-tions	Furniture, fittings and equipment	Motor vehicles	Work in progress	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
COST						
At 1 January 2024	775,800	209,637	642,138	16,801	122,501	1,766,877
Additions	-	69,650	126,377	-	49,082	245,109
Transfer from WIP	-	53,519	35,442	-	(88,961)	-
Transfer to Intangible Asset	-	-	-	-	(24,080)	(24,080)
Fair value adjustment	22,400	-	-	-	-	22,400
At 31 December 2024	798,200	332,806	803,957	16,801	58,542	2,010,306
At 1 January 2025	798,200	332,806	803,957	16,801	58,542	2,010,306
Additions	9,775	92,645	82,960	5,991	137,688	329,059
At 31 December 2025	807,975	425,451	886,917	22,792	196,230	2,339,365
DEPRECIATION						
At 1 January 2024	-	133,947	481,666	21,091	-	636,704
Charge for the year	-	35,029	57,008	-	-	92,037
At 31 December 2024	-	168,976	538,674	21,091	-	728,741
At 1 January 2025	-	168,976	538,674	21,091	-	728,741
Charge for the year	-	40,091	85,659	899	-	126,649
At 31 December 2025	-	209,067	624,333	21,990	-	855,390
NET BOOK VALUE						
At 31 December 2025	807,975	216,384	262,584	802	196,230	1,483,975
At 31 December 2024	798,200	163,830	265,283	(4,290)	58,542	1,281,565

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. PROPERTY AND EQUIPMENT – Bank

	Land & building Sh'000	Office parti- tions Sh'000	Furniture, fittings and equipment Sh'000	Work in prog- ress Sh'000	Total Sh'000
COST					
At 1 January 2024	775,800	236,428	268,788	122,511	1,403,527
Additions	-	69,650	75,207	49,082	193,939
Transfer from WIP	-	53,519	35,442	(88,961)	-
Transfer to Intangible Asset	-	-	-	(24,080)	(24,080)
Fair value adjustment	22,400	-	-	-	22,400
At 31 December 2024	798,200	359,597	379,437	58,552	1,595,786
At 1 January 2025	798,200	359,597	379,437	58,552	1,595,786
Additions	9,775	92,645	6,545	137,688	246,878
At 31 December 2025	807,975	452,242	385,982	196,240	1,842,439
DEPRECIATION					
At 1 January 2024	-	151,336	159,118	-	310,454
Charge for the year	-	35,029	36,381	-	71,410
At 31 December 2024	-	186,365	195,499	-	381,864
At 1 January 2025	-	186,365	195,499	-	381,864
Charge for the year	-	40,091	47,816	-	87,907
At 31 December 2025	-	226,456	243,315	-	469,771
NET BOOK VALUE					
At 31 December 2025	807,975	225,786	142,667	196,240	1,372,668
At 31 December 2024	798,200	173,232	183,938	58,552	1,213,922

The work in progress relates to ongoing core banking development costs and on-going fabrication for new branches to be capitalised on completion.

Land & buildings relates to the building situated on Nairobi/Block 19/638 (Formerly LR no. 1/859) along Arwings Kodhek road in Kilimani, Nairobi. The property is held at its carrying value as at 31 December 2025.

The land and buildings was last revalued (Level 2) as at 9th February 2026 by Morgan Wright Limited, independent valuers on the basis of open market value for existing use.

19 PROPERTY AND EQUIPMENT – Bank (Continued)

Morgan Wright Limited are members of the Institute of Surveyors of Kenya and have appropriate qualifications and relevant and recent experience in fair value measurement of properties in the various locations in Kenya. Valuations were made on the basis of open market value for existing use and by reference to market evidence of recent transactions for similar properties.

The title of the property is freehold and is registered in the name of the Bank as absolute proprietors. It is encumbered through a legal charge to the Co-operative Bank of Kenya securing a mortgage facility as disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. INTANGIBLE ASSETS – Group and Bank

	Sh '000
COST	
At 1 January 2024	458,080
Additions	25,242
Transfer from work in progress	24,080
At 31 December 2024	507,402
At 1 January 2025	507,402
Additions	44,329
At 31 December 2025	551,731
AMORTISATION	
At 1 January 2024	426,845
Charge for the year	10,468
At 31 December 2024	437,313
At 1 January 2025	437,313
Charge for the year	25,986
At 31 December 2025	463,299
NET BOOK VALUE	
At 31 December 2025	88,432
At 31 December 2024	70,089

The intangible assets relate to computer software.

21. DEFERRED TAX ASSET

	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
The net deferred tax asset is attributable to the following items:				
Accelerated capital allowances	56,127	51,113	93,420	92,787
Unrealized exchange losses	13,017	(31,779)	13,017	(31,779)
Other provisions and temporary differences	(40,787)	(9,935)	(21,789)	(13,519)
Tax losses	-	2,788	-	-
Provision for impairment of financial assets	(449,091)	(481,359)	(449,091)	(481,359)
Deferred asset not recognized	493,028	493,028	493,028	493,028
Deferred tax asset-net	72,294	23,856	128,585	59,158
Movement in deferred tax asset is as follows:				
At 1 January	23,856	(130,281)	59,158	(129,509)
(Credit)/charge to profit or loss (note 12(a))	48,438	154,137	69,427	188,667
At 31 December	72,294	23,856	128,585	59,158

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. EQUITY INVESTMENTS

	2025 Sh'000	2024 Sh'000
(a) Investment in quoted company – At fair value through profit and loss (FVTPL)	54,008	9,767
Uchumi Supermarkets Limited		
At 1 January	9,767	10,916
Fair value gain/(loss) (note 9)	44,241	(1,149)
At 31 December	54,008	9,767

The investment in Uchumi Supermarkets Limited is held at fair value through profit or loss. The share price closed at Sh 0.94 as at 31 December 2025 (2024: Sh 0.17) and a revaluation gain of Sh 44,241,000 (2024: Sh 1,149,000-Loss) was recognized in the financial statements under other operating income in note 9.

22. EQUITY INVESTMENTS- At fair value through profit or loss – Group and Bank (Continued)

	No. of shares	% Hold- ing	2025 Sh'000	2024 Sh'000
Kingdom Bancassurance Intermediary Limited				
At 1 January and At 31 December	5,000,000	100%	5,039	5,039
Kingdom Leasing Limited				
At 1 January	250,000,000	100%	250,000	250,000
			255,039	255,039

The subsidiaries are wholly owned Limited Liability Companies incorporated and domiciled in Kenya.

Kingdom Bancassurance Intermediary Limited was incorporated in 30 May 2015. The principal activity of the Bank is insurance agency business.

Kingdom Leasing Limited was incorporated in 30 September 2016. The principal activity of the Bank is leasing business.

23. RIGHT-OF-USE ASSETS – Group & Bank

The Group leases office space and equipment for its use. Information about the leases in which the Group is a lessee is presented below:

	2025 Building Sh'000	2024 Building Sh'000
COST		
At 1 January	476,878	251,774
Additions	201,764	225,104
Escalation adjustment	(16,044)	-
At 31 December	662,598	476,878
DEPRECIATION		
At 1 January	207,138	141,739
Charge for the year	117,732	65,399
At 31 December	324,870	207,138
NET BOOK VALUE		
At 31 December	337,728	269,740

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. RIGHT-OF-USE ASSETS – Group & Bank (Continued)

Amounts recognized in profit or loss:

	2025 Building Sh'000	2024 Building Sh'000
Depreciation expense on right-of-use assets	117,732	65,399
Interest expense on lease liabilities (note 29)	36,954	20,914
	154,686	86,313

All of the property and equipment leases in which the Group is the lessee contain only fixed payments.

The total cash outflow for leases amount to Sh 140.2 million (2024: Sh 79.9 million). There were no restrictions or covenants imposed by lessors

24. DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS - Group and Bank

	2025 Sh '000	2024 Sh '000
Balances due to banking institutions	425,765	849,918

25. CUSTOMER DEPOSITS - Group and Bank

	Group		Bank	
	2025 Sh '000	2024 Sh '000	2025 Sh '000	2024 Sh '000
Current and demand accounts	6,596,607	4,800,608	6,596,607	4,800,608
Savings accounts	756,536	610,747	756,536	610,747
Fixed deposit accounts	22,391,210	16,053,185	22,583,792	16,220,151
	29,744,353	21,464,540	29,936,935	21,631,506
Maturity analysis of customer deposits				
Repayable:				
On demand	9,583,105	5,448,703	9,583,105	5,448,703
Within 90 days	7,728,257	9,761,990	7,920,839	9,761,990
Within 180 days	5,762,539	3,542,006	5,762,539	3,542,006
Within 360 days	6,670,452	2,711,841	6,670,452	2,878,807
	29,744,353	21,464,540	29,936,935	21,631,506

The effective interest rate on interest bearing customer deposits at 31 December 2025 was 11.63% (2024 14.39%). The related party transactions and balances are covered under note 33 and concentrations of customer deposits is covered under note 4 (a).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. MEDIUM TERM LOANS – Group and Bank

	2025	2024
	Sh '000	Sh '000
* Co-operative Bank of Kenya Limited-Mortgage Facility	14,623	64,874
** Co-operative Bank of Kenya Subordinated Debt-3Bn	3,017,265	-
	3,031,888	64,874
The movement in borrowings is as follows:		
At 1 January	64,874	1,893,589
Addition	3,000,000	-
Loan repayment	(50,251)	(1,828,715)
Accrued interest	17,265	-
At 31 December	3,031,888	64,874
On demand or within one year	31,888	-
Between 2 to 3 years	-	64,874
Over 3years	3,000,000	-

*The Co-operative Bank of Kenya Limited Mortgage facility is denominated in Kenya Shillings. Its effective interest rate is 13% per annum and a tenor of 3 years 4 months (40 months). It is secured via legal charge over LR No: 1/859 as disclosed in note 19.

**The Co-operative Bank of Kenya Limited Subordinated Debt -3Bn facility is denominated in Kenya Shillings. Its effective interest rate is 7.7789% per annum as at 31 December 2025 pegged on the 91 day treasury bill rate with interest payable quarterly.

The facility has a tenor of 5 years with the principal payable as a bullet payment upon maturity. The facility is un-secured.

27. LONG TERM LOANS – Group and Bank

	2025	2024
	Sh '000	Sh '000
Central Bank of Kenya (CBK)-Other advances*	11,977,142	14,971,428
Kenya Mortgage Refinance Company (PLC)**	99,543	-
	12,076,685	14,971,428
The movement in borrowings is as follows:		
At 1 January	14,971,428	17,965,714
Additions	100,508	-
	15,071,936	17,965,714
Interest expense-CBK other advances	(1,319,348)	(1,517,661)
Amortisation of deferred benefit-CBK other advances	1,319,348	1,517,661
Repayment-CBK Other advances	(2,994,286)	(2,994,286)
Interest accrual-KMRC	1,652	-
Repayment-KMRC	(2,617)	-
At 31 December	12,076,685	14,971,428

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*The above amount relates to liquidity support financing received from the Central Bank of Kenya (CBK) of Sh 20,960,000,000 in the year 2020 in exercise of its statutory mandate as regulator towards strengthening the liquidity position in a bid to turnaround the institution and stabilize the banking sector.

The facility has an effective interest rate of zero. It is repayable in seven (7) years quarterly from commencement of repayment, which started in March 2024. Management has assumed an effective interest rate of 12.87% (2024: 12.87%) in arriving at the fair value and deferred benefit.

**The above amount relates to advances made towards refinancing of Mortgages under the World Bank credit line. It has a tenure of 15.25 years effective 13th August 2025 and an effective interest rate of 6.60% p.a. The facility is secured by lien/assignment by way of security deed over advanced mortgages.

28. OTHER LIABILITIES

	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
Bankers cheque liability	7,768	9,106	7,768	9,106
Sundry payables	298,738	352,238	194,994	246,455
	306,506	361,344	202,762	255,561

29. LEASE LIABILITIES

	Group	Bank
	2025 Sh'000	2024 Sh'000
The movement in the lease liabilities is as follows:		
At 1 January	276,155	110,111
Additions	201,764	225,104
Payment of lease liabilities	(140,185)	(79,974)
Interest on lease liabilities	36,954	20,914
Escalation adjustment	(842)	-
At 31 December	373,846	276,155
Amounts due for settlement within 12 months	140,185	79,974
Amounts due for settlement after 12 months	233,661	196,181
	373,846	276,155

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's treasury function. All lease obligations are denominated in Kenya Shillings.

30. SHARE CAPITAL – Group and Bank

	2025	2024
	Sh '000	Sh '000
Authorised:		
224,153,541 Class A ordinary shares of Sh 1 each	224,154	224,154
46,200,000 Class B ordinary shares of Sh 66 each	3,049,200	3,049,200
	3,273,354	3,273,354
Issued and fully paid:		
224,153,541 Class A ordinary shares of Sh 1 each	224,154	224,154
24,905,959 Class B ordinary shares of Sh 66 each	1,643,793	1,643,793
	1,867,947	1,867,947

	No. of shares	Share capital Sh'000	Share premium Sh'000
Balance at 31 December 2025	249,059,490	1,867,947	3,087,449
Balance at 31 December 2024	249,059,490	1,867,947	3,087,449

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. NOTES TO THE STATEMENT OF CASH FLOWS - Group

		2025 Sh'000	2024 Sh'000 Restated*
(a)	Reconciliation of loss before taxation to cash generated from operations		
	Profit before taxation	1,125,318	1,068,427
	Adjustment:		
	Depreciation of property and equipment	19 126,649	92,037
	Amortisation of intangible assets	20 25,986	10,468
	Depreciation expense on right-of-use assets	23 117,732	65,399
	Fair value loss on equity investments	22 (a) (44,241)	1,149
	Fair value gain on land and building	19 -	(22,400)
	Right of use assets escalation adjustment	23 16,044	-
	Right of use asset-terminations	-	-
	Lease liability escalation adjustment	29 (842)	-
	Interest on lease liability	36,954	20,914
	Interest on Medium term loan	17,265	-
	Interest on long term loan	1,652	-
	Interest on customer deposits	2,178,605	1,550,495
		3,601,122	2,786,489
	Working capital changes;		
	Increase in loans and advances to customers	(8,183,076)	(4,193,824)
	Increase in other assets	(384,115)	(231,084)
	Increase in customer deposits	8,279,813	9,296,604
	(Decrease)/increase in other liabilities	(55,438)	(244,063)
	Net movement in related party balances	-	-
	Net movement in Government securities	1,297,567	1,477,633
	Net cash generated from operations	4,555,873	8,891,755
(b)	Analysis of the balances of cash and cash equivalents		
	Cash on hand	13 691,318	783,739
	Balances with the Central Bank of Kenya	13 2,029,357	1,091,004
	Deposits and balances due from banking institutions	15 1,540,084	901,897
		4,260,759	2,776,640

*Comparative figures have been restated. Refer to note 36.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. NOTES TO THE STATEMENT OF CASH FLOWS - Bank

		2025 Sh'000	2024 Sh'000 Restated*
(c) Reconciliation of loss before taxation to cash generated from operations	Note		
Profit before taxation		1,052,669	1,002,022
Adjustment:			
Depreciation of property and equipment	19	87,907	71,410
Amortisation of intangible assets	20	25,986	10,468
Depreciation expense on right-of-use assets	23	117,732	65,399
Fair value loss on equity investments	22 (a)	(44,241)	1,149
Fair value gain on land and building	19	-	(22,400)
Right of use assets escalation adjustment	23	16,044	-
Right of use asset-terminations		-	-
Lease liability escalation adjustment	29	(842)	-
Interest on lease liability		36,954	20,914
Interest on Medium term loan		17,265	-
Interest on long term loan		1,652	-
Interest on customer deposits		2,178,605	1,550,495
		3,489,731	2,699,457
Working capital changes;			
Increase in loans and advances to customers		(8,183,076)	(4,193,824)
Increase in other assets		(374,677)	(240,869)
Increase in customer deposits		8,305,429	9,335,193
(Decrease)/increase in other liabilities		(52,799)	(253,885)
Net movement in related party balances		(17,485)	(21,302)
Net movement in Government securities		1,297,567	1,477,633
Net cash generated from operations		4,464,690	8,802,403
(d) Analysis of the balances of cash and cash equivalents			
Cash on hand	13	691,318	783,739
Balances with the Central Bank of Kenya		2,029,357	1,091,004
Deposits and balances due from banking institutions	15	1,530,084	891,897
		4,250,759	2,766,640

*Comparative figures have been restated. Refer to note 36.

	Group		Bank	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
(e) Analysis of increase in Government Securities				
Movement in Government Securities				
Non-cash flow items – revaluation of FVOCI:				
Treasury bonds (note 14(b))	1,119,877	1,019,371	1,119,877	1,019,371
Included in the cash flow statement	1,119,877	1,019,371	1,119,877	1,019,371

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the purposes of the cash flow statement, cash equivalents include short-term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months of the reporting date. Cash and cash equivalents excludes the cash ratio requirement balance held with the Central Bank of Kenya since these amounts were not readily available to finance the Bank's daily operations.

32. INVESTMENT REVALUATION RESERVE

The investment revaluation reserve represents the unrealized increase or decrease in the fair value of investments measured at fair value through other comprehensive income excluding impairment losses. The reserve is not distributable to the shareholders.

33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

All transactions with related parties are at arm's length and in the normal course of business and on terms and conditions similar to those applicable to other customers. Details of related party balances and transactions are as follows.

	Group		Bank	
	2025 Sh '000	2024 Sh '000	2025 Sh '000	2024 Sh '000
(a) Loans and advances				
At 1 January	11,023	8,857	11,023	8,857
Additions	3,500	3,500	3,500	3,500
Interest charged	1,692	1,345	1,692	1,345
Repayments	(4,081)	(2,679)	(4,081)	(2,679)
	12,134	11,023	12,134	11,023
Staff loans and advances	481,064	348,225	481,064	348,225
(b) Due to The Co-operative Bank of Kenya Limited				
At 1 January	64,874	107,457	64,874	107,457
Additions (note 26)	3,017,265	-	3,017,265	-
Repayments	(50,251)	(42,583)	(50,251)	(42,583)
At 31 December	3,031,888	64,874	3,031,888	64,874
(c) Due from related companies				
i) Kingdom Leasing Limited				
At 1 January	-	-	136,046	125,381
Additions	-	-	11,568	10,665
At 31 December	-	-	147,614	136,046
i) Kingdom Bancassurance Intermediary Limited				
At 1 January	-	-	54,003	43,366
Additions	-	-	5,917	10,637
At 31 December	-	-	59,920	54,003
Total	-	-	207,534	190,049

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. RELATED PARTY TRANSACTIONS (Continued)

	Group		Bank	
	2025 Sh '000	2024 Sh '000	2025 Sh '000	2024 Sh '000
(c) Due from related companies (continued)				
i) The Co-operative Bank of Kenya Limited-Bank balances				
At 1 January	828,864	587,157	828,864	587,157
Deposits	12,723,168	14,373,922	12,723,168	14,373,922
Withdrawals	(11,823,152)	(14,132,215)	(11,823,152)	(14,132,215)
	1,728,880	828,864	1,728,880	828,864

	Directors		Companies associated to directors	Total Sh'000
	Sh'000		Sh'000	
(d) Deposits – Group and Bank				
At 1 January 2024		3,858	48	3,906
Deposits		18,923	17,516	36,439
Interest paid		-	-	-
Withdrawals		(19,702)	(17,450)	(37,152)
Balance at 31 December 2024		3,079	114	3,193

At 1 January 2025	3,079	114	3,193
Deposits	19,405	22,413	41,818
Interest paid	-	-	-
Withdrawals	(18,852)	(21,760)	(40,612)
Balance at 31 December 2025	3,632	767	4,399

(e) Key management compensation – Group and Bank

The remuneration of directors and other members of key management during the year were as follows:

	2025 Sh '000	2024 Sh '000
Salaries and other benefits	49,052	47,918
Directors' remuneration		
Fees for services as directors	12,753	13,298
Other emoluments (included in key management compensation above)	-	-
	12,753	13,298

34. CONTINGENCIES INCLUDING OFF BALANCE SHEET ITEMS – Group and Bank

	2025 Sh '000	2024 Sh '000
(a) Collaterals and guarantees	657,622	634,737
(b) Litigation against the Bank	32,130	24,506

Litigations against the Bank relate to civil suits lodged against the Bank by customers and other parties in the normal course of business. The likely outcome of these suits cannot be determined as at the date of signing these financial statements. The directors, however, do not anticipate that any liability will accrue from the pending suits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. ASSETS PLEDGED AS SECURITIES

As at 31 December 2025 and 31 December 2024, except as disclosed under note 19, there were no other assets pledged by the Bank to secure liabilities and there were no secured bank liabilities.

36. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

During the year ended 31 December 2025, the Bank identified and corrected an accounting treatment relating to the classification of cash and cash equivalents. These adjustments have been applied retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, and the comparative figures for the prior periods have been restated accordingly.

*The Bank reviewed its definition of Cash and Cash Equivalents to include mandatory cash reserve ratio (CRR) amounts held at the Central Bank in line with the Institute of Certified Public Accountants of Kenya (ICPAK) advisory on the treatment of CRR by Kenyan Banks under IAS 7 – statement of cash flows. CRR forms part of cash and balances with Central Bank as per the definition of IAS 7 and were previously excluded from cash and cash equivalent balances. The cash reserve (CRR) is accessible for utilization throughout the day to support clearing and settlement of transactions. Although Banks are required to maintain a minimum end-of-day balance to comply with CRR requirements, this represents a restriction on use only, not a restriction on access and as such it should form part of cash and cash equivalents. This reclassification resulted in an increase in the reported cash and cash equivalents balances for the prior period to more accurately reflect the Bank's liquidity position.

The adjustment reflects the cash reserve ratio (CRR) for the prior periods previously restricted representing 4.25% (2024:4.25%) of customer deposits.

** Restatement of the Group and Bank's Statement of Cash Flows where previously - Balances due to banking institutions representing short term borrowings, were treated as bank overdraft and taken as part of cash and cash equivalents for both the Group and the Bank. However, they should be classified as part of financing activities rather than as cash and cash equivalents.

*** Restatement of the Group and Bank's Statement of Cash Flows where previously, the Bank did not disclose interest expense and interest paid on customer deposits separately in the statement of cash flows, as required by IAS 7. This restatement ensures that interest expense and interest paid on customer deposits is now presented separately, in compliance with the accounting standards.

The impact of the restatements to the financial statements is as summarized below:

Statement of cashflows (extract)

	Group				Bank			
	Note	Restatement	As previously reported	Adjustment	As Restated	As previously reported	Adjustment	As Restated
			Sh '000	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000
Analysis of the balances of cash and cash equivalents (31(d))								
Balances with Central Bank of Kenya	31	*	171,665	919,339	1,091,004	171,665	919,339	1,091,004
Balances due to banking institutions	24	**	(849,918)	849,918	-	(849,918)	849,918	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2024	31 (b / d)		1,007,383	1,769,257	2,776,640	1,007,383	1,769,257	2,776,640
CASH FLOWS FROM FINANCING ACTIVITIES								
Interest paid on customer deposits		***	-	(1,550,495)	(1,550,495)	-	(1,550,495)	(1,550,495)
Net cash generated from operating activities		***	8,155,545	(1,550,495)	6,605,050	8,104,375	(1,550,495)	6,553,880
Reconciliation of loss before taxation to cash generated from operations (31(c))								
Interest paid on customer deposits		***	-	1,550,495	1,550,495	-	1,550,495	1,550,495
Increase in cash ratio requirement		*	(396,746)	396,746	-	(396,746)	396,746	-
Net cash generated from operations			6,944,515	1,947,240	8,891,755	6,855,163	1,947,240	8,802,403

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. CAPITAL COMMITMENTS – Group and Bank

The Bank had no authorised capital commitments as at 31 December 2025 (2024 - nil).

38. COUNTRY OF INCORPORATION

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

39. CURRENCY

These financial statements are presented in Kenya shillings thousand (Sh'000).

39. NON FINANCIAL DISCLOSURES

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. It seeks to identify why a loss happened and at the broadest level includes the breakdown by four causes: people, processes, systems and external factors. The Bank has developed, implemented and maintains an enterprise wide Operational Risk Management Framework that is fully integrated into the Bank's overall risk management processes. This Framework for operational risk management is regularly reviewed by senior management and the Board to ensure all risks are covered. The operational framework consists of the following key components that are targeted to help manage the operational risk of the Bank and hence manage incidental risks therein:

(i) Board and senior management oversight

The senior management is responsible for consistently implementing and maintaining policies, processes and systems for managing operational risk in all our material products, services and activities, consistent with the Bank's risk appetite and tolerance.

The board provides oversight on senior management's activities through the board audit and risk committee, which receives quarterly reports of the status of the operational risk facing the Bank. These reports are made by an independent risk function with a direct reporting to the board.

(ii) Policies & procedures

The Bank has documented operational risk policies and procedures, which are aligned to the overall business strategy that clearly define the way all aspects of operational risk are managed. The support the continuous improvement of the risk management environment in the Bank. These policies are communicated to staff and signed off at least once in a year. They define the Bank's overall risk appetite, and are developed based on the requirements of regulatory authorities and input from the Board of Directors and senior Management. The policies also provide guidance to the business units by setting boundaries on the types and levels of risks the Bank is prepared to assume.

Guidelines

These are directives provided to implement policies and limits as set out above. They describe the facility types, aggregate facility exposures and conditions under which the Bank is prepared to do business. Risk taking outside these guidelines has to be approved by senior Management of the Bank, or by the Board of Directors, depending on set approval limits

Processes & standards

These are activities associated with identifying, evaluating, documenting, reporting and controlling risk. They define the breadth and quality of information required to make decisions and the expectation in terms of quality of analysis and presentation. At the operating level, these activities must be achieved before risk decisions are taken.

(iii) Measurement, monitoring & control

The Bank places a lot of emphasis in continuous identification and assessment of the various operational risks facing. This helps us to better understand our risk profile and effectively target risk management resources and strategies. In order to do so the Bank, through the risk management department has developed various measurement and reporting tools across products, activities and business units. Such tools include internal data loss collection and analysis, Risk self-assessments, business process mapping and scenario analysis. After measurement, the department monitors the various aspects of operational risk through event logs and escalates any red flags to senior management and if necessary the board for appropriate action. The Bank has rolled out a raft of internal controls and programmes, which provide reasonable assurance that we have efficient and effective operations, we safeguard our assets, and we produce reliable financial reports; and comply with applicable laws and regulations.

The Bank also conducts stress testing for a variety of short-term and protracted institution-specific and operational risks stress scenarios to identify sources of potential operational risks and to ensure that we are prepared to continue in business after minor and major operational risk events.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(iv) Independent review

The Internal audit department and the external auditors independently monitor the effectiveness of the risk management programs and internal controls through periodic testing of the design and operations of processes related to identification, measurement or assessment, monitoring, controlling and reporting of risks. Additionally, the Bank's internal audit programs are derived from a risk based assessment to focus its audit assessment attention to risk areas of the business units deemed high on probability or impact.

40. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING DATE

Impact of Russia vs Ukraine and Israel vs Palestine wars

Kenya is geographically distant from the conflicts, but highly exposed economically through supply chains, commodities markets, foreign exchange movements, and global investor sentiment.

Russia's fullscale invasion of Ukraine marks its 5th anniversary with no breakthrough in sight with the Geneva talks having collapsed despite US intervention, with Moscow controlling just over 19% of Ukraine's territory, including Crimea and parts of Donbas.

In the West Bank and specifically the Gaza Strip, despite a ceasefire announced in October 2025, the situation has continued to escalate with Hezbollah and Lebanon roped in.

Below are the key transmission channels of the effects of the conflict:

(i) Trade routes

Kenya's trade routes are experiencing disruptions due to global tensions caused by these conflicts. Disturbances in major shipping lanes especially along the red sea and the suez canal, influenced by geopolitical instability, has affected Kenya's imports and exports. For instance, if maritime routes through the Suez Canal are, have disrupted Kenya's trade flow, impacting the banking sector's financing of trade transactions.

(ii) Exchange rates volatility

Geopolitical tensions have affected the global currency markets, leading to fluctuations in exchange rates. Kenya's banking sector, especially those engaged in forex trading and cross-border transactions, have been impacted by significant shifts in exchange rates leading to uncertainty in global financial markets. It has also resulted in volatility in the Kenyan shilling's value against major currencies, affecting trade finance and investment decisions.

(iii) Commodity prices

Global conflicts have influenced commodity prices, especially oil and gas, which are critical for the country's energy needs and transportation costs. Escalation in the Middle East and Eastern Europe has lead to spikes in oil prices, affecting Kenya's inflation rate and trade balance. Banks have had to adjust their lending rates and risk assessments accordingly.

(iv) Diaspora remittances and inflows

Whereas the country relies significantly on remittances from its diaspora community, particularly from regions such as the Middle East and Europe. Conflicts in these regions has disrupted remittance flows, affecting household incomes and consumption patterns. This, in turn, has impacted the banking sector's deposit base and loan repayment capacity for households and businesses leading to higher rates of delinquency in the Banking sector.

Despite the trickle-down effects of the ongoing wars to the Kenyan economy, the bank has not for now experienced negative impact on the quality of the loan book by way of affected customers seeking deferrals on payments thereby creating room for SICR to occur. That said, the bank will keep conducting stress tests on its loan book to ascertain whether there's correlation between quality of its book and the ongoing war, in which case necessary corrective measures will be put in place as may behave from time to time.

2025 INITIATIVES BY KINGDOM BANK

1.0 Kingdom Bank KBA CX Award 2024



In February 2025, Kingdom Bank was named the 3rd Best Tier 3 Bank for Customer Experience in the 2024 Banking Industry Customer Satisfaction Report, an honor awarded by the Kenya Bankers Association (KBA), from feedback provided by over 37,000 customers.

Kennedy Mutisya, KBA Chief Finance Officer, Millicent Madegwa, Kingdom Bank Head of Institutional Banking, Esther Kang'ethe, Kingdom Bank Head of Customer Experience and Raimond Molenje, KBA CEO.

2.0 Kingdom Bank MSME Clinics



In 2025, Kingdom Bank held a series of MSME Clinics aimed at empowering business owners with the knowledge and skills to grow and scale their businesses. The clinics were conducted across various locations in the country

Photos from the 2025 Gikomba MSME Clinic. Our MSME clinics bring together entrepreneurs for a day of non-financial training and networking, reflecting the Bank's commitment to empowering customers beyond financing



Photos from the 2025 Meru MSME Clinic.

2025 INITIATIVES BY KINGDOM BANK

3.0 Kingdom Bank CSR Scholarships



In 2025, Kingdom Bank awarded 40 scholarships to high school students, reinforcing its commitment to education support and talent development.

Two Kingdom Bank scholarship beneficiaries at Kingdom Bank Head Office.

4.0 Kingdom Bank CSR Tree Planting

In 2025, Kingdom Bank planted 32,700 trees across the country through its branch network and departments, in partnership with 40 local institutions, reinforcing its commitment to environmental sustainability.



Kingdom Bank Kisumu Branch, together with Kaloleni Muslim Primary School, during a tree planting exercise held at the school



Kingdom Bank Utawala Branch staff participating in a tree planting exercise at Mihango Primary School and ECD Center.



Kingdom Bank partners with Kirigu Primary School, Dr Muthiora Primary School and Muituni Primary School for a tree planting exercise.

5.0 Kingdom Bank Branch Launch

In 2025, Kingdom Bank opened three new branches, further expanding its network across the country.



Kingdom Bank MD & CEO Anthony Mburu (left) and Bungoma Governor H.E. Ken Lusaka (right) during the ribbon-cutting ceremony at the opening of the Kingdom Bank Bungoma Branch



Kingdom Bank Board Chair Mrs. Margaret Karangatha and MD & CEO Anthony Mburu during the Kingdom Bank Kariobangi Branch launch ceremony.



Kingdom Bank MD & CEO Anthony Mburu officially opens the doors to the Kingdom Bank Tom Mboya Branch during the branch opening ceremony



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