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2025 ANNUAL REPORT & FINANCIAL STATEMENTS

PARAMOUNT BANK

Enabling You To Reach Your Peak

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STRATEGIC FRAMEWORK

AIM

Our aim is to achieve and sustain a reputation for quality by offering banking products and services that exceed the requirements of our customers. We strive to remain the bank of first choice in all our products and services.

VISION

To be the most progressive Bank providing the highest quality products and services.

MISSION

To provide the ultimate customer centric banking experience.

CORPORATE INFORMATION

DIRECTORS	**Anwarali Padany**	**- Chairman**
	Ayaz Merali	**- Chief Executive Officer**
	Noorez Padamshi	
	Mercy Kamau	
	Jones Kimeu	
AUDIT COMMITTEE	**Jones Kimeu**	**- Chairperson**
	Noorez Padamshi	
	Anwarali Padany	
	Mercy Kamau	
	Henry Onkunya	
	Amir Parpia	
CREDIT COMMITTEE	**Mercy Kamau**	**- Chairperson**
	Jones Kimeu	
	Anwarali Padany	
	Ayaz Merali	
	Micheal Riitho	
ASSET LIABILITY COMMITTEE	**Ayaz Merali**	**- Chairperson**
	Nicholas Odera	
	Fred Maina	
	Micheal Ritho	
	Amir Parpia	
RISK MANAGEMENT COMMITTEE	**Jones Kimeu**	**- Chairperson**
	Anwarali Merali	
	Noorez Padamshi	
	Aamir Sheikh	
BOARD NOMINATIONS AND REMUNERATION COMMITTEE	**Anwarali Padany**	**- Chairperson**
	Mercy Kamau	
	Jones Kimeu	
COMPANY SECRETARY	Elizabeth Karua Certified Public Secretary (Kenya) C/o Stamford Corporates Services LLP 5th Floor, West Wing, ICEA Lion Centre Riverside Park, Chiromo Road, Nairobi P O Box 10643 Nairobi, GPO 00100	

CORPORATE INFORMATION
(CONTINUED)

REGISTERED OFFICE	LR Plot No 1870/IX/140 4th Floor, Sound Plaza Woodvale Groove P O Box 14001- 00800 Nairobi, Westlands
AUDITORS	Deloitte & Touche LLP Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P O Box 40092 Nairobi, GPO 00100
LEGAL ADVISERS	Walker Kontos Hakika House, Bishops Road P O Box 60680 Nairobi, City Square 00200 Ngatia & Associates Advocates Bishop Garden Towers, 1st Ngong Avenue P O Box 56688 Nairobi, City Square 00200 Mwaniki Gachoka & Co Advocates Design Centre, 3rd Floor Office suite no. 1A & 3A P O Box 13439 Nairobi, GPO 00800
PRINCIPAL CORRESPONDENT BANKS	Crown Agent Bank, UK Standard Bank of South Africa, Johannesburg HDFC Bank, India BMCE, Spain

RECOGNITION OF EXCELLENCE

AWARDS & ACHIEVEMENTS

We are proud to be recognised among the best in the industry. These awards reflect our commitment to innovation, customer excellence, and delivering exceptional banking experiences.

BEST BANK IN MOBILE BANKING

Paramount Bank

2nd Runner-Up

Recognised for delivering a seamless and innovative mobile banking experience.

BEST BANK IN CORPORATE BANKING

Paramount Bank

2nd Runner-Up

Honoured for providing exceptional solutions and service to businesses across all sectors.

THE BEST BANK IN TIER IV

Paramount Bank

Winner

Awarded for our outstanding performance and leadership in the Tier IV category.

BEST BANK IN RETAIL BANKING

Paramount Bank

1st Runner-Up

Celebrated for putting customers first and delivering best-in-class retail banking services.

THE MOST CUSTOMER-CENTRIC BANK

Paramount Bank

2nd Runner-Up

Recognised for our unwavering focus on customer satisfaction and trust.

A COMMITMENT THAT CONTINUES TO DRIVE US FORWARD.

These accolades inspire us to keep raising the bar and creating value for our customers and communities.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2025, in accordance with Section 653(1) of the Kenyan Companies Act, 2015, which discloses the state of affairs of Paramount Bank Limited (the “Bank) and its subsidiary (together the “Group).

INCORPORATION

The bank and its subsidiary, Paramount Bancassurance Intermediary Limited (formerly Parabank Insurance Agency Limited), are both incorporated in the Republic of Kenya under the Companies Act, 2015, and are domiciled in Kenya.

PRINICIPAL ACTIVITIES

The principal activity of the bank, which is licensed under the Banking Act, is the provision of banking, financial and related services. The principal activity of the subsidiary is to provide bancassurance services.

GROUP & BANK RESULTS

The following is the summary of the results for the year ended 31 December 2025:

	GROUP		BANK	
	2025 Sh’000	2024 Sh’000	2025 Sh’000	2024 Sh’000
Profit before taxation	306,292	310,801	305,171	308,457
Taxation credit	64,023	29,136	63,977	29,450
Profit for the year	370,315	339,937	369,148	337,907

BUSINESS REVIEW

The Bank

Paramount Bank Limited began operations under the name Combined Finance Limited in 1993. The Bank’s paid-up capital was Sh 25 million, and the services offered were general deposits and minor personal lending. Over the years the institution grew into a fully-fledged bank offering almost all services including digital, credit cards facilities that are provided in the banking industry today. The Bank has seven branches spread across major towns in Kenya. During the year the bank achieved the minimum core capital requirement of Ksh 3bn as per Central bank of Kenya (CBK) guidelines .For more information on the Bank please visit the Bank’s website at www.paramountbank.co.ke.

External Environment

The Banking Sector navigated a complex global economy with a surge in investment in Artificial Intelligence technology particularly in the United States and China. Central banks in the major economies have continued to ease monetary policy but at a cautious and uneven pace depending on their inflation and growth outlook. This outlook is subject to risks, including adverse weather conditions, elevated trade policy uncertainties, and geopolitical tensions. Commercial banks started implementing the formula on loan pricing from December 1, 2025 and going forward use the new pricing model on new loans booked but from March 1, 2026 the new pricing model will be used to book existing loans. However, risks persist from climate shocks, geopolitical instability, and elevated NPLs. The sector’s outlook hinges on balancing regulatory reforms such as increasing core capital gradually to Ksh 10 billion by 2029, digital adoption, and macroeconomic stability to sustain resilience amid these dual pressures.

REPORT OF THE DIRECTORS (CONTINUED)

The Group's Performance

The financial performance for 2025 reflects a positive and progressive trajectory, with total interest income marginally decreasing from Ksh 1.90 Bn in 2024 to Ksh 1.86 Bn in 2025. However, there was slight growth of 13% was in income from government securities (Ksh 858.44M in 2025 compared to Ksh 758.68M in 2024) and a 6% increase in income from deposit balances from financial institutions (Ksh 51.11M in 2025 versus Ksh 48.21M in 2024). Interest on loans and advances declined by 13%, reflecting the reduction on CBR (Central Bank Rate) by CBK to encourage banks to increase lending thus loan interest rates on customers were adjusted downwards. On the expense side, customer deposit expenses declined by 5% to Ksh 1.10 Bn, aligning with lowering of interest rates. On the flip side the government was also lowering interest rate on government securities There was a marginal decline of profit before tax.

The balance sheet remains stable, with customer deposits increasing modestly by 4% to Ksh 13.35 Bn showcasing customer confidence. Loans and advances also increase slightly by 6%, this reflects prudent credit management practices. Overall, the organization has achieved significant financial progress, positioning itself for continued growth and success in the coming years

Looking ahead

In 2026, given the prevailing economic climate, our strategic focus will remain on elevating customer experience and expanding our product offerings to meet evolving needs. The CBK is lowering the CBR to address several economic and financial factors including global Monetary policy trends and Jump start economic growth. The economy is expected to remain resilient with real GDP growth projected to pick up at 5.5 percent in 2026 and 5.6 percent in 2027 supported by the resilience of the services sector, continued recovery of industrial sector and stable growth of agriculture,

On 22 January 2026, the Competition Authority of Kenya (CAK) approved the acquisition of Paramount Bank Kenya Limited by Nigeria's Zenith Bank Plc, a company listed on both Nigeria Exchange Group and London Stock Exchange. Zenith Bank Plc intends to acquire 100% shareholding in Paramount Bank Kenya Limited. The CAK's approval is subject to the condition that the acquirer retains the target's employees for at least 12 months following completion.
The proposed transaction is subject to shareholder and relevant regulatory approvals and is expected to be concluded during the 2026 financial year. If completed, it will result in a change of control, with Paramount Bank Limited becoming a subsidiary of Zenith Bank Plc.
Management has assessed the nature of this event in accordance with IAS 10, "Events after the Reporting Period". The proposed acquisition represents a non-adjusting event after the reporting period as the transaction was not concluded as at the reporting date and does not provide evidence of conditions that existed at the reporting date.
However, the transaction is considered material and of such significance that non-disclosure could influence the economic decisions of users of the financial statements. Accordingly, the following disclosures are made:

- If completed, the transaction will result in a change of control, with Paramount Bank Limited becoming a subsidiary of Zenith Bank Plc.
- The business combination positions Paramount Bank Limited as the cornerstone investment vehicle for Zenith Bank Plc's East African expansion.
- The transaction is expected to strengthen Paramount Bank's financial position, ensuring compliance with enhanced core capital requirements set by the Central Bank of Kenya.

The Bank will continue to monitor developments and will provide further disclosures as appropriate in future reporting periods.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2025 (2024: Nil).

DIRECTORS

The present members of the Board of Directors are as listed on page 2.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO THE AUDITOR

Each of the 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 Group's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015, and subject to approval by the Central Bank of Kenya in accordance with Section 24 of the Banking Act. 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

Elizabeth W. Karua
Certified Public Secretary
Reg. No. 2861

Elizabeth Karua
Secretary

Nairobi, Kenya

31ST MARCH 2026

CHAIRMANS REPORT

On behalf of the Board of Directors, it is my pleasure to present Paramount Bank Limited’s Annual Report and Financial Statements for the year ended 31 December 2025.

The 2025 financial year was one of resilience, transformation and significant strategic progress for the Bank. Against a backdrop of a challenging global economy, evolving regulatory requirements and a dynamic domestic operating environment, Paramount Bank remained committed to its core principles of prudent banking, sound governance and exceptional customer service. Throughout the year, Kenya’s banking sector continued to demonstrate resilience despite inflationary pressures, exchange rate volatility and elevated interest rates. These conditions required financial institutions to remain agile while continuing to support businesses and individuals across the economy. Paramount Bank successfully navigated these challenges through disciplined risk management, strong capital planning and a continued focus on customer relationships.

During the year, the Bank recorded a solid financial performance, underpinned by growth across key business segments and improved operational efficiency. Our balance sheet remained robust, asset quality was carefully managed, and liquidity and capital ratios continued to remain comfortably above the minimum regulatory requirements. This performance reflects the dedication of our management team, the commitment of our employees and the confidence placed in us by our customers and stakeholders.

A defining milestone during the year was the strengthening of the Bank’s capital position through the successful completion of our capital raising initiatives, enabling Paramount Bank to comfortably meet the Central Bank of Kenya’s enhanced minimum core capital requirement. This achievement not only reinforces the Bank’s financial strength but also positions us for sustainable growth in the years ahead. The Board also remained focused on strengthening governance, enhancing risk management practices and investing in technology to improve operational resilience and customer experience. We continued to modernize our digital capabilities while maintaining the personalized banking service that has distinguished Paramount Bank for many years.

The Board remains committed to maintaining the highest standards of corporate governance, transparency and ethical leadership. Our governance framework continues to evolve in line with international best practices, ensuring that the Bank remains resilient, accountable and well positioned to respond to an increasingly complex financial services landscape. Looking ahead, we remain optimistic about Kenya’s economic prospects. While challenges persist, opportunities continue to emerge across trade, infrastructure, manufacturing, agriculture and the SME sector. Paramount Bank will continue to support these sectors by providing innovative financial solutions, fostering long-term customer relationships and contributing meaningfully to Kenya’s economic development.

On behalf of the Board, I extend my sincere appreciation to our shareholders for their continued confidence and support. I also wish to thank our customers for choosing Paramount Bank as their trusted financial partner, our regulators for their guidance, our business partners for their collaboration, and our employees for their professionalism, resilience and unwavering commitment throughout the year.

Finally, I express my gratitude to my fellow Directors for their invaluable counsel, stewardship and dedication. Together, we remain committed to building a stronger institution that creates sustainable value for all stakeholders.

Thank you.

Anwarali Padany
Chairman
Paramount Bank Limited

STATEMENT ON CORPORATE GOVERNANCE

The Bank's board of directors is responsible for the governance of the Bank and is accountable to the shareholders for ensuring that the Bank complies with the law, the highest standards of corporate governance and business ethics. The directors attach great importance to the need to conduct the business and operation of the Bank with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of Directors

The board of directors meets at least four times a year. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The board nonetheless retains responsibility for establishing and maintaining the Group's overall internal control over financial, operational and compliance issues. Details of attendance for each member of board are as below.

Directors	No. of meetings attended 2025
Anwarali Padany (Chairman)	4
Ayaz Merali	4
Noorez Padamshi	4
Mercy Kamau	4
Jones Kimeu	4

Directors' Remuneration

One executive director is paid a monthly salary and is eligible for pension scheme membership. The other two non-executive directors are paid sitting allowance for board meetings and board sub-committee meetings. Directors' emoluments are shown in note 30. Other two directors are not paid any sitting allowances for board meetings.

Committees of the Board

Audit Committee

The board has constituted an audit committee that meets as required. Its responsibilities include review of financial information, budgets, development plans, compliance with accounting standards in financial reporting and liaison with the external auditors, remuneration of external auditors and overseeing internal control systems. Internal and external auditors and other executives attend audit committee meetings as required.

Credit Committee

The board has constituted a credit committee that meets as required. Its responsibilities include a review of the overall lending policy of the Bank, ensuring that there are effective policies and procedures to effectively manage credit risk, monitor and review all matters, which may materially impact the present and future quality of the institution's credit risk management.

Assets Liability Committee

The board has constituted an Assets and Liabilities Committee (ALCO) that meets as required. Its responsibilities include deriving the most appropriate strategy in respect of the assets and liabilities of the Bank given future expectations, changes and consequence of liquidity constraints, interest rate movements, changes in prices and foreign exchange exposures.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Committees of the Board (Continued)

Risk Management Committee

The board has constituted a Risk Management Committee that meets as required. Its responsibilities include carrying out risk assessment and putting in place risk indicators and monitoring the risk.

Board Nominations and Remuneration Committee

The board has constituted Nominations and Remuneration Committee. The committee deals with all aspects of appointment of an institution's directors, review the mix of skills and experience and other qualities in order to assess the effectiveness of the board. The committee is also responsible for overseeing the compensation system in place on behalf of the board of directors.

Statement on Risk Management

The Bank recognises the responsibility to manage risks related to its business as a financial institution. The Bank has built strong internal systems to ensure that sound banking practices results in income streams that are commensurate with the risks taken.

The Integrated Risk Management Policy of the Bank is fully committed to adopting best practices in identifying, measuring, controlling and monitoring the risks faced.

Corporate Governance Statement on Conflict of Interest

The board of directors has approved a code of conduct that gives disclosure guidance on potential conflicts of interest situations. Reporting procedures are in place for this. The code of conduct has to be signed annually by all staff members.

The Bank aims at:

- Integrating risk management into the culture of the organization.
- Eliminating or reducing risk to the lowest acceptable levels.
- Developing risk sensitivity as a core competency of all stakeholders.
- Continually identifying potential risks and pro-actively mitigating them.
- Focusing on key risks and controlling them cost-effectively.

The Bank has developed a risk infrastructure that is appropriate to the size and volatility of the business. Decision making at all levels are inspired by the aspiration to be a risk intelligent organization. Risk management is used as an enabler to exploit the potential for increased business by taking informed risks with awareness and control.

Compliance

The Bank operates within the requirements of the Banking Act, among other Acts, and adopts certain universally accepted principles in the areas of human rights, labour standards and environment in its commitment to best practice. Additionally, the Group prepares its financial statements in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IASB).

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Anwarali Padany - Director	Ayaz Merali - Director

31ST MARCH 2026

STATEMENT OF DIRECTOR' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Bank and of the Group as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the Bank and the Group maintain proper accounting records that are sufficient to show and explain the transactions of the Bank and the Group and disclose, with reasonable accuracy, the financial position of the Bank and the Group. The directors are also responsible for safeguarding the assets of the Bank and 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 these financial statements in accordance with the IFRS Accounting Standards as issued by International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on **31ST MARCH 2026** and signed on its behalf by:

…………………………………..	………………………………………..
Anwarali Padany - Director	Ayaz Merali - Director

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PARAMOUNT BANK LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Our Opinion

We have audited the accompanying separate financial statements of Paramount Bank Limited (the Bank) and the consolidated financial statements of the Bank and its subsidiary (together the Group) set out on pages 12 to 80, which comprise the consolidated and separate statements of financial position at 31 December 2025 and 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 consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of the Group and of the Bank 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 Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Kenya. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report of directors, statement of corporate governance and the appendices but does not include the consolidated and separate financial statements and our auditor's 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, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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, 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.

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and 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 judgement 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 the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PARAMOUNT BANK LIMITED (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report of the directors

In our opinion, the information given in the report of the directors on pages 4 to 5 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is
FCPA Fred Aloo, Practising certificate No. **1537**.

Deloitte & Touche

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

31 March 2026

UNIQUE CODE: 53728260331

CONSOLIDATED AND BANK STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

		GROUP		BANK	
		2025	2024	2025	2024
	Note	Sh'000	Sh'000	Sh'000	Sh'000
INTEREST INCOME	4	1,860,201	1,901,307	1,860,201	1,901,307
INTEREST EXPENSE	5	(1,103,814)	(1,249,824)	(1,103,814)	(1,249,824)
NET INTEREST INCOME		756,387	651,483	756,387	651,483
FEES AND COMMISSION INCOME	6	16,007	17,102	10,516	10,812
TOTAL OPERATING INCOME		772,394	668,585	766,903	662,295
Gains on foreign exchange dealings	7	13,965	6,689	13,965	6,689
Other operating income	8	191,094	184,330	191,094	184,330
Impairment losses on financial assets	18(b)	(132,471)	(40,095)	(132,471)	(40,095)
NET OPERATING INCOME		844,982	819,509	839,491	813,219
Staff costs	10	(189,094)	(170,967)	(189,094)	(170,967)
Amortisation of right of use assets	16	(23,327)	(25,433)	(23,327)	(25,433)
Depreciation of property & equipment	20	(5,520)	(5,474)	(5,520)	(5,474)
Amortisation of intangible assets	21	(3,462)	(3,451)	(3,451)	(3,451)
Finance cost on lease liabilities	26	(6,772)	(5,898)	(6,772)	(5,898)
Other operating expenses	9(a)	(310,515)	(297,485)	(306,156)	(293,539)
PROFIT BEFORE TAX		306,292	310,801	305,171	308,457
INCOME TAX CREDIT	11(a)	64,023	29,136	63,977	29,450
PROFIT FOR THE YEAR		370,315	339,937	369,148	337,907
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		370,315	339,937	369,148	337,907
EARNINGS PER SHARE – Basic and diluted	12	278,02	339.94	277.14	337.91

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		GROUP		BANK	
		2025	2024	2025	2024
	Note	Sh'000	Sh'000	Sh'000	Sh'000
ASSETS					
Cash and balances with Central Bank of Kenya	13	1,913,205	1,608,411	1,913,205	1,608,411
Deposits and balances due from banking institutions	14	1,157,003	931,869	1,157,003	931,869
Government securities	15	4,491,743	4,459,399	4,481,802	4,449,163
Right of use assets	16	63,338	86,665	63,338	86,665
Advances to customers (net)	17	8,790,714	8,270,382	8,790,714	8,270,382
Other assets	19	316,739	245,599	315,067	240,086
Corporate tax recoverable	11(c)	43,810	43,765	42,951	42,951
Equipment	20	24,746	17,880	24,746	17,880
Intangible assets	21	6,220	9,378	6,220	9,366
Deferred tax asset	22	298,304	234,280	298,224	234,245
Investment in subsidiary	23	-	-	11,000	11,000
TOTAL ASSETS		17,105,823	15,907,628	17,104,269	15,902,018
LIABILITIES					
Customer deposits	24	13,348,074	12,806,709	13,358,799	12,815,245
Other liabilities	25	51,550	72,002	49,673	67,091
Lease liability obligation	26	79,794	104,827	79,794	104,827
Amount due to local banks	31	-	-	-	-
TOTAL LIABILITIES		13,479,418	12,983,538	13,488,266	12,987,163
SHAREHOLDERS' FUNDS					
Share capital	27	1,332,000	1,000,000	1,332,000	1,000,000
Retained earnings		2,294,405	1,924,090	2,284,003	1,914,855
TOTAL SHAREHOLDERS' FUNDS		3,626,405	2,924,090	3,616,003	2,914,855
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		17,105,823	15,907,628	17,104,269	15,902,018

The financial statements on pages 17 to 83 were approved and authorised for issue by the board of directors on 2026 and were signed on its behalf by:

Anwarali Padany - Director

Ayaz Merali - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital Sh'000	Retained earnings Sh'000	Statutory reserve* Sh'000	Fair value reserve Sh'000	Total Sh'000
At 1 January 2024	1,000,000	1,584,153	-	-	2,584,153
Total comprehensive income for the year	-	339,937	-	-	339,937
At 31 December 2024	1,000,000	1,924,090	-	-	2,924,090
At 1 January 2025	1,000,000	1,924,090	-	-	2,924,090
Share Capital Subscription	332,000	-	-	-	332,000
Total comprehensive income for the year	-	370,315	-	-	370,315
At 31 December 2025	1,332,000	2,294,405	-	-	3,626,405

*Any excess of loans provisions as computed as per the Central Bank of Kenya prudential guidelines over impairment of loans and receivables computed as per IFRS 9 is presented as a statutory reserve and is recorded as an appropriation of retained earnings. The statutory reserve is not distributable. No such reserve was recognised during the year (2024 : nil).

Retained earnings relate to the cumulative earnings from operations and are distributable.

SEPERATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital Sh'000	Retained earnings Sh'000	Statutory Reserve* Sh'000	Fair value reserve Sh'000	Total Sh'000
At 1 January 2024	1,000,000	1,576,948	-	-	2,576,948
Total comprehensive income for the year	-	337,907	-	-	337,907
At 31 December 2024	1,000,000	1,914,855	-	-	2,914,855
At 1 January 2025	1,000,000	1,914,855	-	-	2,914,855
Share Capital Subscription	332,000	-	-	-	332,000
Total comprehensive income for the year	-	369,148	-	-	369,148
At 31 December 2025	1,332,000	2,284,003	-	-	3,616,003

*Any excess of loans provisions as computed as per the Central Bank of Kenya prudential guidelines over impairment of loans and receivables computed as per IFRS 9 is presented as a statutory reserve and is recorded as an appropriation of retained earnings. The statutory reserve is not distributable. No such reserve was recognised during the year (2024 : nil).

Retained earnings relate to the cumulative earnings from operations and are distributable.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

		GROUP		BANK	
		2025	2024	2025	2024
	Note	Sh'000	Sh'000	Sh'000	Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	28(a)	1,347,191	1,479,201	1,347,146	1,479,054
Tax paid during the year	11(c)	(45)	(13,277)	-	(13,130)
Interest paid on customer deposits	5	(1,103,814)	(1,249,824)	(1,103,814)	(1,249,824)
Net cash generated from operating activities		243,332	216,100	243,332	216,100
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	20	(12,495)	(7,930)	(12,495)	(7,930)
Proceeds from sale of motor vehicle		-	330	-	330
Cash flows used in investing activities		(12,495)	(7,600)	(12,495)	(7,600)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities	26	(31,805)	(30,005)	(31,805)	(30,005)
Capital injection		332,000	-	332,000	-
Cash flows generated from/(used) in financing activities		300,195	(30,005)	300,195	(30,005)
INCREASE IN CASH AND CASH EQUIVALENTS		531,032	178,495	531,032	178,495
IMPACT OF EXCHANGE RATE MOVEMENT ON CASH AND CASH EQUIVALENT		(1,030)	(4,698)	(1,030)	(4,698)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,527,355	2,353,558	2,527,355	2,353,558
CASH AND CASH EQUIVALENTS		3,057,358	2,527,355	3,057,358	2,527,355

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Compliance with IFRS Accounting Standards

The financial statements are prepared in compliance with IFRS Accounting Standards as issued by International Accounting Standards Board and in accordance with the Kenyan Companies Act, 2015. The financial statements are presented in thousands of Kenya shillings rounded to the nearest thousand (Sh'000) and are prepared under the historical cost convention except where otherwise stated in the accounting policies below.

(b) Use of estimates

The preparation of financial statements in conformity with IFRS Accounting Standards as issued by International Accounting Standards Board requires the use of certain critical accounting estimates and assumptions. It also requires the directors to exercise judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

(c) Changes in accounting policies and disclosures

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

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

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability	The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency. The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so. When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

1 ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies and disclosures (Continued)

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

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability (continued)	The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include: • a spot exchange rate for a purpose other than that for which an entity assesses exchangeability. • the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate). An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented. In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

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

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

IFRS 18 Presentation and Disclosures in Financial Statements

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

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

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

1 ACCOUNTING POLICIES (Continued)

(f) Changes in accounting policies and disclosures (Continued)

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

IFRS 18 Presentation and Disclosures in Financial Statements (Continued)

The directors of the entity anticipate that the application of IFRS 18 and the related amendments to other IFRS Accounting Standards may have an impact on the entity's separate financial statements in future periods.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:
- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

A subsidiary has public accountability if:
- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statements may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

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

1 ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies and disclosures (continued)

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

Amendments to IFRS 9 and IFRS 7—Amendments to the Classification and Measurement of Financial Instruments

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

Derecognition of a financial liability settled through electronic transfer

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

Classification of financial assets

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

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

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

Disclosures

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

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

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

1 ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies and disclosures (continued)

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

Amendments to IFRS 9 and IFRS 7—Amendments to the Classification and Measurement of Financial Instruments (Continued)

• The amendments also include amendments to IFRS 19, which limit the disclosure requirements for qualifying subsidiaries.

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

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

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

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

Annual Improvements to IFRS Accounting Standards—Volume 11

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

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

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

IFRS 7 *Financial Instruments: Disclosures*—Gain or loss on derecognition
The amendments remove an obsolete cross-reference in IFRS 7:B38 to a paragraph that had been deleted when IFRS 13 was issued and align the wording of this paragraph with the terms used in IFRS 13.

Guidance on implementing IFRS 7—Disclosure of deferred difference between fair value and transaction price

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

Guidance on implementing IFRS 7—Introduction and credit risk disclosures

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

IFRS 9 *Financial Instruments*—Derecognition of lease liabilities

The amendments add a cross-reference to IFRS 9:3.3.3 in IFRS 9:2.1(b)(ii) to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9:3.3.3 and therefore recognise any resulting gain or loss in profit or loss.

1 ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies and disclosures (continued)

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

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

IFRS 9 *Financial Instruments*—Transaction price

The amendments replace ‘their transaction price (as defined in IFRS 15)’ in IFRS 9:5.1.3 with ‘the amount determined by applying IFRS 15’ to address inconsistency between IFRS 9:5.1.3 and the requirements of IFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognised as revenue. Additionally, the reference to ‘transaction price’ (as defined in IFRS 15) is deleted from Appendix A of IFRS 9.

IFRS 10 *Consolidated Financial Statements*—Determination of a ‘de facto agent’

The amendments address concerns that the requirements in IFRS 10:B73-B74 might, in some situations, be contradictory. IFRS 10:B73 refers to ‘de facto agents’ as parties acting on the investor’s behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of IFRS 10:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor’s behalf. The amendments update IFRS 10:B74 to use less conclusive language and to clarify that the relationship described in IFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.

IAS 7 *Statement of Cash Flows*—Cost method

The amendments replace the term ‘cost method’ with ‘at cost’ in IAS 7:37 in line with the removal of the definition of ‘cost method’ from the IFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. An entity is required to apply the amendments to IFRS 9:2.1(b)(ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies these amendments. No specific transition provisions are provided in respect of the other amendments.

Amendments to IFRS 9 and IFRS 7—*Contracts Referencing Nature-dependent Electricity*

The amendments in *Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)* are:

Amendments to IFRS 9 *Financial Instruments*

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

1 ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies and disclosures (continued)

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

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

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

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

Early adoption of standards

The Group/Bank has not early-adopted any new or amended standards in the year ended 31 December 2025.

(q) Basis of preparation

These financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies 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 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 dated.
- 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.

1 ACCOUNTING POLICIES (Continued)

(r) Basis of consolidation

These financial statements incorporate the financial statements of the Bank and its subsidiary, Paramount Bancassurance Intermediary Limited. 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 Group 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 Group 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.

(s) Interest income and expense

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

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

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

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

(t) 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. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

1 ACCOUNTING POLICIES (Continued)

(g) Net trading income

Net trading income arises from the margins which are achieved through market marking and customer business and from changes in market caused by movements in interest and exchange rates, prices and other market variables. It comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

(h) Equipment

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of equipment over their expected useful lives using the following rates:

Computers and office equipment	20%
Motor vehicles	25%
Furniture, fittings and office renovations	12.5%
	=====

(i) Intangible assets-computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense incurred. However, a cost that is clearly associated with an identifiable and unique product which will be controlled by the Bank or its subsidiary and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original costs of the software. Computer software development costs recognised as assets are stated at cost less amortisation. Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 5 years.

(j) Impairment of non-financial assets

At the end of each reporting period, the directors review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1 ACCOUNTING POLICIES (Continued)

(k) 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 profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 tax

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

Deferred tax assets arising from deductible temporary differences 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 carrying amounts of the assets and liabilities at the end of the reporting period, are expected to be recovered or settled.

(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 the equity respectively.

(l) Foreign currencies

Transactions in foreign currencies during the year are translated at the rates ruling at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of each reporting date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated. Gains and losses on exchange of monetary items are dealt with in the profit or loss in the period in which it arises.

(m) Provisions

Provisions are recognised when there is 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 obligations; and a reliable estimate of the amount of the obligation can be made.

1 ACCOUNTING POLICIES (Continued)

(n) Statutory reserve

IFRS 9 requires the Bank to recognise an impairment loss if there is expected losses on loans and receivables. However, Central Bank of Kenya prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IFRS 9. Any such amounts set aside are appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory reserve.

(o) Financial instruments

IFRS 9, Financial Instruments, is applied to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Recognition

Financial assets and liabilities are recognised when the Bank or its subsidiary becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets are classified on the basis of two criteria:

i) the business model within which financial assets are managed, and
ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

The business model criteria is assessed at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features; (ii) non-recourse arrangements; and (iii) features that could modify the time value of money.

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI. Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election on initial recognition for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

1 ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

Accounting for loans and advances and deposits held at amortised cost

Loans and advances to customers including other banks, customer accounts and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate. Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the financial assets are required to be held until maturity. When determining if the business model objective is to collect contractual cash flows the past sales and expectations about future sales are considered.

(*i*) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the risk of a default occurring on the financial instrument at the reporting date is compared with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort are considered. Forward-looking information considered includes the future prospects of the industries in which the borrowers operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant decrease in the borrower's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, it is presumed that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless there is a reasonable and supportable information that demonstrates otherwise.

1 ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, there is a presumption that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset has a low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

(ii) Definition of default

The following constitutes an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the borrower; or
- information developed internally or obtained from external sources indicates that the borrower is unlikely to pay its lenders and/or creditors in full (without taking into account any collateral held).

Irrespective of the above analysis, a default occurs when a financial asset is more than 90 days past due unless there is a reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above);
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

A financial asset is written off when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery e.g., when the borrower has been placed under liquidation or has entered into bankruptcy proceedings or when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the contractual recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

1 ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default; loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the understanding of the specific future financing needs of the borrower, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

If the loss allowance for a financial instrument has been measured at an amount equal to lifetime ECL in the previous reporting period, but it has been determined that at the current reporting date that the conditions for lifetime ECL are no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting date.

Derecognition of financial assets

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when they are and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

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

Derecognition of financial liabilities

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

1 ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

Borrowings

Borrowings are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Offsetting financial instruments

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

(q) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Bank of Kenya (CBK), items in the course of collection from other banks, deposits held at call with banks and treasury bills with original maturities of less than three months. Such assets are generally subject to insignificant risk of changes in their fair value and are used by the bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(r) Leases

An assessment is made whether a contract contains a lease at inception. A right of use asset and a corresponding lease liability are recognised 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 lease payments are recognised 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.

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 incremental borrowing rate is used.

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 rate method and by reducing the carrying amount to reflect the lease payments made).

The lease liability is remeasured (and a corresponding adjustment is made 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.

1 ACCOUNTING POLICIES (Continued)

(r) Leases

There were no 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 loses.

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 Bank or its subsidiary 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.

IAS 36 is applied determining whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property 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.

(s) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off financial position transactions and disclosed as contingent liabilities.

(t) Fiduciary activities

Financial assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank or its subsidiary acts in a fiduciary capacity such as nominee, trustee or agent.

(u) Employee benefit costs

i) Group's defined contribution retirement benefit scheme

The Bank and its subsidiary operate a defined contribution retirement benefit scheme for its permanent employees. The assets of the scheme are held and administered independently of the assets of the Bank and its subsidiary by an insurance company. The scheme is funded by contributions from both the employer and employees.

ii) Statutory defined benefit obligation pension scheme

The Bank and its subsidiary contribute to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. Contributions are determined by local statute. The contributions of the Bank and of its subsidiary to the statutory retirement benefit scheme are charged to the profit or loss for 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 liability for annual leave outstanding at the financial position date.

(v) Comparatives

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the group's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies.

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Business model assessment	The classification and measurement of financial assets depend on the results of the SPPI and the business model tests. The group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Judgement is required in assessing the relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The group monitors the derecognition of financial assets measured at amortised cost or FVTOCI prior to their maturity to understand the reason for their disposal, including whether the disposal is consistent with the objective of the business model in which the asset was held. Monitoring is part of the group's continuous assessment of whether the business model in which financial assets are held continues to be appropriate.
Significant increase in credit risk	ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. A financial asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of a financial asset has significantly increased, the group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario	When measuring ECL the group uses reasonable and supportable forward-looking information, based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
Probability of default	Probability of default constitutes a key input in measuring ECL. It 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	Loss given default 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.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty(continued)

Probability of Default

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. This is a key component of calculating ECLs and in assessing whether a significant increase in credit risk has occurred. In line with IFRS 9, the PD computed by the Bank reflects management's current view of the future and is unbiased.

The standard requires the use of distinct types of PD in the calculation of ECL, these include:

12-month PDs: This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12- month ECLs.

Lifetime PDs: This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'Stage 2' and 'Stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9. The lifetime PD used for Stage 3 is 100%.

PD Estimation Approach

In estimating PD for the Bank's loan portfolios, the transition matrix approach was adopted.

Transition Matrix

A transition matrix approach has been used in estimating the probability of default. The approach has been explained based on the steps described below. Quarterly data starting from March 2019 relating to the outstanding balance and arrears status of the facilities has been used to perform the analysis. The data used is updated on a quarterly basis by adding the latest quarterly data to the history.

The steps taken in computation of PD for loan portfolio using Transition Matrix method are as follows:

Step 1: The various facilities in the listing may be classified into risk statuses based on the days past due into either; 'Normal' (Stage 1), 'Watch' (Stage 2) or 'NPL' (Stage 3). The staging criteria used has been described in the previous section in this document.

Step 2: The facilities are tracked by checking their risk status in the next quarter. This is repeated for all the quarters in the data. For facilities that are not found to be existing in the next period, they are termed as NAs (exits). For the latest quarter, all the facilities' next status is in NAs as there is no comparison period forward.

Step 3: Based on the current and next status derived, the outstanding balances are aggregated at the product level into a matrix that considers 3 states. The transition matrix appear as follows:

	Next Status			
Current Status		Normal	Watch	Default
	Normal	AAA	BBB	CCC
	Watch	DDD	EEE	FFF
	Default	GGG	HHH	III

The probabilities of default are extracted from the matrix as follows:

Stage 1 PD: CCC/ (AAA+BBB+CCC)
Stage 2 PD: FFF/ (DDD+EEE+FFF)
Stage 3 PD: 100%
Stage 3 is assumed to be an absorbing state.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty(continued)

Transition Matrix (Continued)

The extracted probabilities are transformed into cumulative PDs ($Cum\ PDt$) by matrix multiplication to obtain point in time cumulative PDs.

The marginal probabilities are obtained as per below formula:

$$Marginal\ PDt = Cum\ PDt - Cum\ PDt{-}1$$

The final forward-looking information adjusted PD is obtained as follows:

$$FLI\ Adjusted\ PDt = Marginal\ PDt * FLI\ adjustment\ factor$$

The FLI adjustment factor derivation has been described in a section that follows.

Due to the limited transition data available for some of the sector groupings, the bank has elected to determine portfolio level Stage 1 and Stage 2 PDs for use for the interim period. The bank will continually monitor the individual sector performance and will utilize sector specific PDs once enough transition data has been accumulated. The current structure of the PD model has considered the sector groupings that will be used as more data becomes available.

The 'ALL' grouping has considered the entire portfolio experience and has been utilized for the 31 December 2025 reporting period. Further, the forward-looking Information adjustment multipliers has followed a similar process as outlined above. The 'ALL' grouping forward looking information adjustment multipliers have been utilized.

Exposure at Default

Exposure at Default (EAD) is the estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

EAD measures the utilized exposure at default. For on-balance sheet exposures, the gross value of the exposure is taken into account.

For non-revolving facilities, the preferred approach to determine EAD is to assume contractual rundown of the facilities. A simple contractual rundown through regular payments has been assumed with no consideration for prepayment and refinancing. The contractual rundown has been performed using the loan repayment details. (I.e. repayment frequency, repayment dates, contractual profit rate).

The bank considers the expectation of some missed instalments for the period leading to a default event. The following have been assumed as per the classification:

For accounts in Stage 1, expectation of two missed instalments, such that the forecasted point in time EAD for month 1 and month 2 assumes no repayment of the expected instalments.

For accounts in Stage 2, expectation of one missed instalment, such that the forecasted point in time EAD for month 1 assumes no repayment of the expected instalment.

Loss Given Default

Loss Given Default is an estimate of expected credit loss arising on default. It is usually computed as the difference between the contractual cash flows due and those that the lender would expect to receive, (including from any collateral and credit enhancements that are part of the contractual terms of financial instrument and not recognized separately by the entity) discounted at the contractual profit rate. It is expressed as a percentage of the outstanding amount at the time of default.

Under IFRS 9, irrespective of whether foreclosure is probable, the estimate of expected cash short falls on a collateralized financial asset reflects:

- The amount and timing of cash flows that are expected from foreclosure (including cash flows that are expected beyond the asset's contractual maturity) less
- Incremental and directly attributable costs for obtaining and selling the collateral.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty(continued)

Loss Given Default (Continued)

In addition, the standard requires that LGD estimates must meet the following criteria:

- LGD estimates must be forward-looking.
- All cash flows must be taken into consideration, rather than only those relating to collateral.
- Forecasted values of collateral and best estimates of haircut should be used.
- In case the LGD model uses EAD as an input parameter or segmentation variable, the projected EAD values of the EAD model should be reflected in the LGD model.

LGD Estimation Approach

The Loss Given Default (LGD) is a measure of the loss in the event of a default. It is measured in two steps as follows:

Step 1: Determine the Unsecured LGD

$$Unsecured\ Loss\ Given\ DefaultSector\ i = (1 - Cash\ Recovery\ RateSector\ i)* (1 - Cure\ RateSector\ i)$$

The average cash recovery rate for each industry sector is based on total discounted recoveries against the total outstanding balances in 'NPL' Status in a quarter.

$$Cash\ Recovery\ Rate_{Sectori} = \frac{\Sigma Discounted\ Recoveries_{Sector\ i}}{\Sigma Outstanding\ Balances\ in\ NPL_{Sector\ i}}$$

The discounting period is based on the difference between the recovery date and the default date.

The discounted recoveries are capped to ensure that they are not in excess of the outstanding balance at default such that the recovery rate estimated would be at a maximum of 100%.

Step 2: Determine the Secured LGD

The secured LGD is based on consideration of the collateral amounts on a customer level. The secured LGD is obtained as follows:

$$Secured\ LGD_{account\ i} = \frac{(EAD_i - Allocated\ Collateral^{(-TTR)} * (1 - Cost\ of\ realisation))}{EAD_i} * Unsecured\ LGD_{Sector\ i}$$

The allocated collateral value is based on apportioning the total collateral value to each account for a customer based on the outstanding account balances.

The following table details the assumptions utilized:

LGD Assumption	Description
Haircut	The collateral value used is the forced sale value and hence a haircut adjustment is applied on the current market values. The haircut percentages applied are based on management's objective evidence on the nature, type, and state of collateral as well as past experience observed by the bank. The bank may assess some specific collateral and may assign a lower or higher haircut based on the nature, type, or condition of the collateral.
Time to realization (emergence period)	This has been based on management's objective evidence on standard time expected to realize the collateral based on the type and nature of collateral.
Discount Rate	The contractual interest rate has been used to discount the collateral values.

Application of Forward-Looking Information

A measure of Expected Credit Loss (ECL) is an unbiased probability-weighted amount that is determined by evaluating a range of outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions. This section discusses how the Bank has incorporated FLI into its ECL components.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty(continued)

Application of Forward-Looking Information

IFRS 9 notes that ECL should be based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions. This implies that in arriving at point-in-time estimates of expected credit losses, it is recommended that a firm incorporates the impact of not only past and current events but also forecasts of future macro-economic conditions.

The Bank on a regular basis obtains the key macro-economic indicators and forecasts from credible economic data vendors based on the historical trends observed in the country. Considering IFRS 9 requirements of incorporating probability weighted outcomes into the ECL computation, management have produced the following weights for the multiple economic scenarios based on their view of the future economic prospects of the country and this shall be updated as events unfold.

- Base Case Scenario: 50%
- Optimistic Case Scenario: 30%
- Pessimistic Case Scenario: 20%

The following are the various macroeconomic variables that will impact the Bank's IFRS 9 risk model:

- Nominal GDP, LCU, % change y-o-y
- Nominal GDP per capita, LCU, % change y-o-y
- Real GDP per capita, LCU, % change y-o-y
- Total labour force, % change y-o-y
- Total unemployment, % change y-o-y
- Number of households, % change y-o-y
- Consumer price index inflation, eop, % change y-o-y
- Total household spending, LCU, % change y-o-y
- M3, LCU, % change y-o-y
- Lending rate, %, eop
- M1, LCU, % change y-o-y
- M2, LCU, % change y-o-y
- LCU per USD, eop, % change y-o-y
- LCU per EUR, eop, % chg y-o-y
- Nominal Effective Exchange Rate, % change y-o-y
- Real effective exchange rate index, % change y-o-y
- Total revenue, LCU, % chg y-o-y
- Total reserves ex gold, USD, % change y-o-y
- Imports of goods and services, LCU, % change y-o-y
- Exports of goods and services, LCU, % change y-o-y

The following are the steps followed in determining the scenario-weighted forward looking adjustment factor:

Step 1: Determine the average yearly non-performing loan rates by sector.
Step 2: Correlate the average yearly transition rates obtained from step 1 with historical macro-economic data on the various macro-economic variables.
Step 3: Assess the correlation result and sign (whether positive or negative) based on expected relation of default rates with macro-economic variables.
Step 4: For the macro-economic variables that shows the expected relation, rank these based on the absolute correlation values. The highest correlated variable is selected for the next steps.
Step 5: Perform a regression analysis of the average transition rate to default on the chosen macro-economic variable(s) based on the historical data points available. Obtain the regression coefficients.
Step 6: Prepare forecast values of the chosen macro-economic variable under the base, optimistic and pessimistic scenarios.
Step 7: Using the regression coefficients and outputs, obtain predicted values of the transition rates to default for each of the scenarios.
Step 8: Relate the average predicted values of the pessimistic and optimistic to the base scenario to obtain the forward-looking scalars for each scenario.
Step 9: Compute the weighted adjustment factor based on multiplying the forward-looking scalars to the scenario weights.

3 FINANCIAL RISK MANAGEMENT

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

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

- Credit risk
- Liquidity risk
- Market risks

A CREDIT RISK

Credit risk refers to the current or prospective risk to earnings and capital arising from an obligator's failure to meet the terms of any contract with the bank or if an obligator otherwise fails to perform as agreed. It arises principally from lending, leasing, trade finance and treasury activities. The Bank's credit risk is primarily attributable to its loans and receivables. The amounts presented in the statement of financial position are net of allowances for doubtful advances, estimated by the bank's management based on prior experience and their assessment of the current economic environment.

i) Credit quality analysis

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3A(iii).

	Year ended 2025				
Loans and advances to customers at amortised cost	**Stage 1 12-month ECL Shs**	**Stage 2 Lifetime ECL Shs**	**Stage 3 Lifetime ECL Shs**	**Total Shs**	**Year ended 2024 Total Shs**
Grade 1: Normal	6,574,848	-	-	6,574,848	6,928,709
Grade 2: Watch	-	1,794,731	-	1,794,731	564,936
Grade 3: Substandard	-	-	1,859,818	1,859,818	1,589,529
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	-	-	-
Total gross carrying amount	**6,574,848**	**1,794,731**	**1,859,818**	**10,229,397**	**9,083,174**
Loss allowance	65,842	53,947	1,318,894	1,438,683	812,792
Carrying amount	**6,509,006**	**1,740,784**	**540,924**	**8,790,714**	**8,270,382**

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

i) Credit quality analysis (Continued)

Cash and cash equivalents

The Bank held cash and cash equivalents of Shs 2.9 Bn at 31 December 2025 (2024: Shs 2.3 Bn). The cash and cash equivalents are held with central banks and financial institution counterparties that are rated at least B to AA+, based on Moody's ratings.

ii) Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure

	Percentage of exposure that is subject to collateral requirements		
In thousands Kenya Shillings	**31 December 2025**	**31 December 2024**	**Principal type of collateral held**
Loans and advances to customers	923,997	1,231,068	Cash deposit
Loans and advances to customers	5,136,462	4,600,664	Property discounted forced sale value
Loans and advances to customers	133,993	129,997	Debenture (25% of registered value)
Loans and advances to customers	2,596,262	2,308,651	Others including movable assets.
	8,790,714	8,270,382	

The following table stratify credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral.

The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired loans the value of collateral is based on the most recent appraisals.

In thousands Kenya Shillings	**31 December 2025**	**31 December 2024**
LTV ratio		
Less than 50%	3,208,860	2,281,846
51–70%	656,947	226,274
71–90%	1,784,827	690,013
91–100%	1,077,862	604,987
More than 100%	1,525,904	3,704,416
Total	8,254,400	7,507,536
Credit-impaired loans		
Less than 50%	106,777	392,985
51–70%	93,725	110,057
More than 70%	335,812	259,804
Total	536,314	762,846
Total	**8,790,714**	**8,270,382**

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

ii) Collateral held and other credit enhancements (continued)

Loans and advances to corporate customers

The general creditworthiness of customers tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security, and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2025, the gross carrying amount of credit-impaired loans and advances to customers amounted to Shs 2,064 million (2024: Shs 1,345 million) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to Shs 901,401 million (2024: Shs 596 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Other types of collateral and credit enhancements

The Bank does not hold any other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The Bank has not obtained any assets by taking possession of collateral.

iii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

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

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).

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due

Credit risk grades

The 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. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files –e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes • Data from credit reference agencies, press articles, changes in external credit ratings • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data on customer behaviour – e.g. utilisation of credit card facilities • Affordability metrics • External data from credit reference agencies, including industry-standard credit scores	• Payment record – this includes overdue status as well as a range of variables about payment ratios • Utilisation of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions

- The table below provides an indicative mapping of how the Bank's internal credit risk grades relate to PD and to external credit ratings of Moody's.
- The customer loans portfolio of the Bank comprises ordinary loans, business loans, current account loans, credit cards and bank guarantees.

Grading	12-month weighted-average PD	External rating
Grades 1: Normal	1%	AAA to B
Grades 2: Watch	3%	B- to C
Grades 3–5: Substandard and Doubtful	100%	Default

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

Generating the term structure of PD

The Bank collects sector wise performance and default information about its credit risk exposures analysed by type of product and borrower. For some portfolios e.g government securities, information purchased from external credit reference agencies is also used.

In estimating PD for the Bank's loan portfolios, the transition matrix approach was adopted. Transition Matrix.

A transition matrix approach has been used in estimating the probability of default. The approach has been explained based on the steps described below. Quarterly data relating to the outstanding balances and arrears status of the facilities has been used to perform the analysis. The data used is updated on a quarterly basis by adding the latest quarterly data to the history.

The steps taken in computation of PD for loan portfolio using Transition Matrix method are as follows:

Step 1: The various facilities in the listing may be classified into risk statuses into either; 'Normal' (Stage 1), 'Watch' (Stage 2) or 'NPL' (Stage 3).

Step 2: The facilities are tracked by checking their risk status in the next quarter. This is repeated for all the quarters in the data. For facilities that are not found to be existing in the next period, they are termed as NAs (exits). For the latest quarter, all the facilities' next status is in NAs as there is no comparison period forward.

Step 3: Based on the current and next status derived, the outstanding balances are aggregated at the product level into a matrix that considers 3 states.

The transition matrix would appear as follows:

	Next Status			
Current Status		Normal	Watch	Default
	Normal	AAA	BBB	CCC
	Watch	DDD	EEE	FFF
	Default	GGG	HHG	III

The probabilities of default are extracted from the matrix as follows:

Stage 1 PD: CCC/ (AAA+BBB+CCC)

Stage 2 PD: FFF/ (DDD+EEE+FFF)

Stage 3 PD: 100%

The extracted probabilities are transformed into cumulative PDs $(Cum\ PD_t)$ by matrix multiplication to obtain point in time cumulative PDs.

The marginal probabilities are obtained as per below formula:

$$Marginal\ PD_t = Cum\ PD_t - Cum\ PD_{t-1}$$

The final forward-looking information adjusted PD is obtained as follows:

$FLI\ Adjusted\ PD_t = Marginal\ PD_t * FLI\ adjustment\ factor$

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

Determining whether credit risk has increased significantly.

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the sectorial information.

The Bank considers credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being rated as “watch”. The Credit Committee reviews the loans periodically and the movement in the probability of default (PD) between the reporting period and initial recognition date of the loan to determine whether there has been a significant increase in credit risk.

Lifetime PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank’s credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

For an explanation of the relevant qualitative indicators used for determining whether there has been a significant increase in credit risk, see Note 1 (m)(i).

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a three months’ probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Definition of default

The Bank considers 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 Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
- In assessing whether a borrower is in default, the Bank considers indicators that are:
  - qualitative: e.g. breaches of covenant.
  - quantitative: e.g. overdue status and non-payment on 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.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside – Best Case and one downside – Worst Case, with Best Case having a 20% probability of occurring and Worst Case having a 30% Probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by economic data vendors, governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund and selected private-sector and academic forecasters.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk is GDP growth which generally incorporates other indicates such as inflation, exchange rates etc. Another importance source of information used is the sector wise or industry wise total loans and advances and non-performing loans and advances as experienced by the banking industry. This information is published by the Central Bank of Kenya annually. The exposures are classified sector wise and credit losses computed for each sector individually.

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

Uncertain events

Uncertain events that are relevant to the risk of default occurring but for which, despite best efforts, the bank is not able to estimate the impact on ECL because of lack of reasonable and supportable information include:

1. Impact of the slowing down global economy on the growth rate of the Kenyan Economy
2. The unpredictable volatility of the global oil prices and its impact on the Kenyan Economy. This is specially the case when is Kenya is a net importer.
3. Unpredictable weather conditions considering Kenya is a predominately agricultural economy.
4. The unpredictable political environment both local and regional which has a direct impact on economic performance.
5. The rising impact of the Kenya's debt to GDP ratio and its impact on the economic output.

Key Assumptions

In all the three scenarios of Base, Best- and Worst-case positive GDP growth and labour force growth are assumed. This assumption is well reasoned given the tested resilience strength of the Kenyan Economy during distress times.

Modified financial assets

The contractual terms of a loan 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 loan recognised as a new loan at fair value in accordance with the accounting policy.

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:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance 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. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.
Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL(Continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. The bank considers the expectation of some missed instalments for the period leading to a default event. The following have been assumed as per the classification: For accounts in Stage 1, expectation of two missed instalments, such that the forecasted point in time EAD for month 1 and month 2 assumes no repayment of the expected instalments. For accounts in Stage 2, expectation of one missed instalment, such that the forecasted point in time EAD for month 1 assumes no repayment of the expected instalment.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL 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 credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level.

This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type.
- collateral type.
- remaining term to maturity.
- industry.

The groupings are subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The Bank does not have portfolios for which external benchmark information represents a significant input into measurement of ECL.

Loss allowance

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

Loans and advances to customers	**Stage 1 12-month ECL Shs**	**Stage 2 Lifetime ECL Shs**	**Stage 3 Lifetime ECL Shs**	**Total Shs**
Loss allowance as at 1 January 2025	7,633	11,382	793,777	**812,792**
Changes in the loss allowance:				
– Transfer to stage 1	(5,680)	5,624	56	-
– Transfer to stage 2	-	(1,726)	1,726	-
– Transfer to stage 3	-	-	-	-
Impact on ECL of transfers				
New financial assets originated	63,888	38,667	523,336	**625,891**
Financial assets derecognized	-	-	-	-
Financial Assets remeasured	-	-	-	-
Loss allowance as at 31 December 2025	**65,841**	**53,947**	**1,318,895**	**1,438,683**

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

Loans and advances to customers	**Stage 1 12-month ECL Shs**	**Stage 2 Lifetime ECL Shs**	**Stage 3 Lifetime ECL Shs**	**Total Shs**
Gross carrying amount as at 31 December 2024 & 1 January 2025	7,366,512	657,360	1,059,303	9,083,175
Changes in the loss allowance:				
– Transfer to stage 1	(218,563)	187,482	31,081	-
– Transfer to stage 2		(35,744)	35,744	-
– Transfer to stage 3	-	-	-	-
New financial assets originated	175,030	898,118	641,568	1,714,716
Financial assets that have been derecognised	(568,494)	-	-	(568,494)
Gross carrying amount as at 31 December 2025	**6,579,457**	**1,794,731**	**1,855,211**	**10,229,397**

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

iii) Amounts arising from ECL (Continued)

Loss allowance (continued)

Modified financial assets

There were financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

iv) Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, loan commitments and financial guarantees is shown below.

(i) Loans and advances to customers

	2025 Sh '000	%	2024 Sh '000	%
Agriculture, Fishing & Forestry	1,274,231	12	998,123	10
Mining and Quarrying	77,064	1	67,218	1
Manufacturing	203,930	2	230,782	2
Electricity & Water	179,757	2	179,936	2
Building & Construction	238,717	2	312,868	3
Wholesale & Retail Trade	4,966,137	48	4,930,618	50
Transport & Communication	523,182	5	495,811	5
Finance & Insurance	12,343	0	8,591	0
Real Estate	2,025,209	19	1,883,926	19
Tourism, Restaurant & Hotels	208,238	2	193,483	2
Social, Community & Personal Services	738,486	7	615,441	6
Total	10,447,294	100	9,916,797	100

(ii) Customer deposits

	2025 Sh '000	%	2024 Sh '000	%
Private enterprises	10,283,134	77	9,864,761	77
Not for profit institutions and individuals	3,075,665	23	2,950,484	23
Total	13,358,799	100	12,815,245	100

(iii) Off – balance sheet items

	2025 Sh '000	%	2024 Sh '000	%
Business services	2,148	3	31,214	32
Wholesale and retail	41,549	58	26,525	27
Transport and communications	18,725	26	23,293	24
Other	9,468	13	15.549	17
Total	71,890	100	96,581	100

3 FINANCIAL RISK MANAGEMENT (Continued)

A CREDIT RISK (Continued)

v) Offsetting financial assets and financial liabilities

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

B LIQUIDITY RISK (Bank)

Liquidity risk is the risk that the bank cannot obtain the necessary funds to meet its obligations associated with financial instruments as they fall due. The amount of liquidity required depends very much on the banks ability to forecast demand and its access to outside sources. The board of directors has assigned the authority for the management oversight of the liquidity risk policy to the Assets and Liability Committee (ALCO). The committee which is composed of the CEO, Treasury Manager, and other bank officers as necessary review various liquidity and funding decisions and related risks. Formal minutes pertaining to committee actions are recorded and maintained for review by the board of directors.

Liquidity management

The bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, management ensures that the mismatch is controlled in line with allowable risk levels. Liquidity is managed on a daily basis and incorporates assets and liabilities of the bank based on the remaining period up to 31 December 2025 to the contractual maturity date.

Liquidity risk is addressed through the following measures:

- The bank enters into lending contracts subject to availability of funds.
- The bank has an aggressive strategy aimed at increasing the customer deposit base.
- The bank invests in short term liquid instruments which can easily be sold in the market when the need arises.
- Investments in equipment are properly budgeted for and done when the bank has sufficient cash flows.

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The table below details the liquidity ratio trends over the year:

	2025	2024
	%	%
As at 31 December		
Average for the period	55	51
Maximum for the period	56	54
Minimum for the period	54	47
Statutory minimum requirement by Central Bank	20	20
	====	====

Undiscounted cash flows

The table below shows the undiscounted cash outflows on the bank and group's financial assets and liabilities based on their contractual maturity dates and the discounted cash inflows on the bank's financial assets based on their expected maturity dates. The banks expected cash flows on these instruments could vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

3 FINANCIAL RISK MANAGEMENT (Continued)

B LIQUIDITY RISK (Continued)

Undiscounted cash flows (continued)

i) Bank

	Upto 1 Month Sh '000	1-3 Months Sh '000	4-12 Months Sh '000	1-5 Years Sh '000	Over 5 Years Sh '000	Total Sh'000
As at 31 December 2025						
FINANCIAL ASSETS						
Cash and balances with CBK	1,349,240	470,558	45,604	47,604	-	1,913,205
Deposits and balances from banking institutions	1,157,003	-	-	-	-	1,157,003
Government securities	-	-	725,877	902,441	2,853,484	4,481,802
Advances to customers	653,535	1,447,143	1,918,511	4,203,884	567,640	8,790,714
	3,159,778	1,917,701	2,690,192	5,153,929	3,421,124	16,342,724
FINANCIAL LIABILITIES						
Customer deposits	2,616,593	8,963,010	872,448	906,748	-	13,358,799
Other liabilities	49,670					49,670
Total Liabilities	2,666,263	8,963,010	872,448	906,748	-	13,408,469
Net liquidity gap	493,515	(7,045,309)	1,817,744	4,247,181	3,421,124	2,934,255
As at 31 December 2024						
Total financial assets	2,658,392	1,889,156	2,187,300	5,123,521	3,401,455	15,259,824
Total financial liabilities	2,616,755	8,419,294	872,448	906,748	-	12,815,245
Net liquidity gap	41,638	(6,530,138)	1,314,852	4,216,773	3,401,455	2,444,580

3 FINANCIAL RISK MANAGEMENT (Continued)

B LIQUIDITY RISK (Continued)

Undiscounted cash flows (continued)

ii) Group

	Upto 1 Month Sh '000	1-3 Months Sh '000	4-12 Months Sh '000	1-5 Years Sh '000	Over 5 Years Sh '000	Total Sh'000
As at 31 December 2025						
FINANCIAL ASSETS						
Cash and balances with CBK	1,349,240	470,558	45,804	47,604	-	1,913,205
Deposits and balances from banking institutions	1,157,003	-	-	-	-	1,157,003
Government securities	-	-	725,877	902,441	2,863,425	4,491.743
Advances to customers	653,535	1,447,143	1,918,511	4,203,884	567,640	8,790,714
	3,159,778	1,917,701	2,690,192	5,153,929	3,431,065	16,352,665
FINANCIAL LIABILITIES						
Customer deposits	2,616,593	8,963,010	872,448	906,748	-	13,358,799
Other liability	51,547					51,547
Total Liabilities	2,668,140	8,963,010	872,448	906,748	-	13,410,346
Net liquidity gap	491,638	(7,045,309)	1,817,744	4,247,181	3,431,065	2,942,319
As at 31 December 2024						
Total financial assets	2,658,392	1,889,156	2,187,300	5,123,521	3,411,691	15,270,060
Total financial liabilities	2,608,219	8,419,294	872,448	906,748	-	12,806,709
Net liquidity gap	50,173	(6,530,138)	1,314,852	4,216,773	3,411,691	2,463,351

The gross nominal inflow/(outflow) disclosed is the contractual, undiscounted cash flow on the financial liability or commitment.

3 FINANCIAL RISK MANAGEMENT (Continued)

C MARKET RISK

(i) Interest rate risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. Interest rates on advances to customers are either pegged to the bank's base lending rate or Treasury bill rate.

The interest rates, therefore, fluctuate depending on the movement in the market interest rates. The bank also invests in fixed interest rate instruments issued by the Central Bank of Kenya. Interest rate on customer deposits is negotiated between the bank and the customer. The bank has the discretion to change the rates in line with changes in market trends.

The board of directors has assigned the authority for the management oversight of the interest rate risk policy to the Assets and Liability Committee (ALCO). The committee which is composed of the CEO, Treasury Manager, and other bank officers meets as necessary for specific credit risk situations, reviews various liquidity and funding decisions and related risks.

Formal minutes pertaining to committee actions are recorded and maintained for review by the board of directors.

3 FINANCIAL RISK MANAGEMENT (Continued)

C MARKET RISK (Continued)

(i) Interest rate risk (Continued)

The table below summarises the exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The bank does not bear an interest rate risk on off financial position items. All figures are in thousands of shillings.

	Up to 1 Month Sh '000	1-3 Months Sh '000	4-12 Months Sh '000	1-5 years Years Sh '000	Over 5 Years Sh '000	Non-interest Bearing Sh '000	Total Sh'000
FINANCIAL ASSETS							
Cash in hand	-	-	-	-	-	139,368	139,368
Balances with Central Bank of Kenya	-	-	-	-	-	1,773,837	1,773,837
Deposits and balances due from banking institutions	-	-	-	-	-	1,157,003	1,157,003
Government securities	-	-	725,877	902,441	2,853,484	-	4,481,802
Advances to customers	653,535	1,447,143	1,918,511	4,203,885	567,640	-	8,790,714
Total financial assets	653,535	1,447,143	2,644,388	5,106,326	3,421,124	3,070,208	16,342,724
FINANCIAL LIABILITIES							
Customer Deposit	2,616,593	8,963,010	872,448	906,748	-	-	13,358,799
Other liabilities	49,670						49.670
Total financial liabilities	2,666,263	8,963,010	872,448	906,748		-	13,408,469.
Interest rate sensitivity gap	(2,012,728)	(7,515,867)	1,771,940	4,199,578	3,421,124	3,070,208	2,934,255
As at 31 December 2024							
Total financial assets	653,535	1,447,143	2,141,496	5,075,917	3,401,454	2,540,279	15,259,824
Total financial liabilities	2,616,755	8,419,294	872,448	906,748	-	-	12,815,245
Interest rate sensitivity gap	(1,963,220)	(6,972,151)	1,269,048	4,169,169	3,401,454	2,540,279	2,444,579

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for a bank's interest to completely be matched due to the nature of business terms and types.

3 FINANCIAL RISK MANAGEMENT (Continued)

C MARKET RISK (Continued)

i) Interest rate risk (Continued)

Exposure to interest rate risk (Bank)

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

Interest rate risk – stress test-as at 31 December 2025

Interest Rate risk Stress Test	*Amount Sh'000*	*Scenario 10% Increase in Net Margins*	*Scenario 10% Decrease in Net Margins*
Profit before tax	305,171	426,194	312,102
Adjusted Core Capital	3,306,777	3,363,829	3,249,737
Adjusted Total Capital	3,306,777	3,363,829	3,249,737
Risk Weighted Assets (RWA)	7,698,961	7,698,961	7,698,961
Adjusted Core Capital to RWA	34%	35%	34%
Adjusted Total Capital to RWA	34%	35%	34%

Interest rate risk – stress test-as at 31 December 2024

	Amount Sh'000	Scenario 10% Increase in net margin Sh'000	Scenario 10% Decrease in net margin Sh'000
Profit before taxation	308,457	382,697	234,215
Adjusted core capital	2,892,877	2,967,118	2,818,636
Adjusted total capital	2,677,082	2,751,323	2,602,841
Risk weighted assets (RWA)	6,263,673	6,263,673	6,263,673
Adjusted core capital to RWA	46%	47%	45%
Adjusted total capital to RWA	43%	44%	42%
	=======	=======	=======

ii) Foreign exchange risk

Foreign exchange risk is the risk that may occur to earnings or capital that results from movement of foreign exchange rates. This type of risk affects the bank due to cross-border investing and operating activities. The board of directors has assigned authority for management oversight of the foreign exchange risk policy to the CEO and Treasury manager.

3 FINANCIAL RISK MANAGEMENT (Continued)

C MARKET RISK (Continued)

ii) Foreign exchange risk (Continued)

Management of foreign exchange risk

The bank operates wholly within Kenya and its assets and liabilities are reported in the local currency. The bank's currency risk is managed within the Central Bank of Kenya exposure guideline of 20% core capital. The bank's management monitors foreign currency exposure on a daily basis.

The bank's currency position is as follows:

	SHS Sh '000	GBP Sh '000	USD Sh '000	EURO Sh '000	OTHERS Sh '000	Total Sh '000
At 31 December 2025						
FINANCIAL ASSETS						
Cash in hand	91,811	4,538	28,671	14,252	97	139,368
Balances with CBK	1,382,070	43	387,758	3,739	227	1,773,837
Deposits and balances due from banking institutions	12,906	84,830	1,045,681	8,159	5,428	1,157,003
Government securities	4,481,802	-	-	-	-	4,481,802
Other securities						
Advances to customers	8,454,678	1,839	280,108	54,089	-	8,790,714
		-	-	-	-	
Total financial assets	14,423,267	91,250	1,742,218	80,238	5,751	16,342,724
FINANCIAL LIABILITIES						
Customer deposits	10,832,880	211,645	2,234,447	79,827	-	13,358,799
Other liabilities	49,670	-	-	-	-	49,670
Total financial liabilities	10,882,550	211,645	2,234,447	79,827	-	13,408,469
Net balance sheet position	3,540,717	(120,395)	(492,230)	412	5,751	2,934,255
At 31 December 2024						
Total financial assets	14,007,293	187,155	1,073,769	216,459	15,235	15,499,911
Total financial liabilities	10,240,982	372,272	2,081,347	187,286	-	12,882,336
Net balance sheet position	3,766,311	(185,567)	(1,007,577)	29,173	15,235	2,617,575

3 FINANCIAL RISK MANAGEMENT (Continued)

C MARKET RISK (Continued)

ii) Foreign exchange risk (Continued)

The table below shows the foreign exchange risk sensitivity analysis. The net position is after a 10% increase or decrease in foreign currency exchange rates against the Kenya shilling.

	Amount Sh'000	Scenario 10% increase in foreign currency rate Sh'000	Scenario 10% decrease in foreign currency rate Sh'000
At 31 December 2025			
Profit before taxation	305,171	307,927	430,370
Adjusted core capital	3,306,777	3,256,559	3,379,002
Adjusted total capital	3,306,777	3,256,782	3,379,002
Risk weighted assets (RWA)	7,698,661	7,698,661	7,698,661
Adjusted core capital to RWA	42%	41%	43%
Adjusted total capital to RWA	42%	41%	43%
	=======	=======	========
At 31 December 2024			
Profit before taxation	308,457	201,319	434,113
Adjusted core capital	2,669,611	2,564,212	2,797,006
Adjusted total capital	2,669,611	2,564,212	2,797,006
Risk weighted assets (RWA)	7,295,738	7,295,738	7,295,738
Adjusted core capital to RWA	37%	35%	38%
Adjusted total capital to RWA	37%	35%	38%
	=======	=======	=======

iii) Price risk

Treasury bonds held at fair value are stated at their market value on the last day of business in the year. These are subject to frequent variations due to changes in their market prices.

An increase or decrease in rates by 10% with all other variables held constant, will have no impact on shareholders' equity (2024: Nil).

D CAPITAL MANAGEMENT

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for the bank.

The bank's objectives when managing capital are:

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

3 FINANCIAL RISK MANAGEMENT (Continued)

D CAPITAL MANAGEMENT (Continued)

Regulatory capital (Continued)

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed 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:

a) Hold the minimum level of regulatory capital of Sh 10 billion by 2029.
b) Maintain a ratio of total regulatory capital; to risk weighted assets plus risk weighted off balance assets at above the required minimum of 8%;
c) Maintain a core capital of not less than 8% of total deposit liabilities and
d) Maintain total capital of not less than 12% of risk weighted assets plus risk weighted off financial position items.

In addition to the above minimum capital adequacy ratios of 8% and 12%, with effect from 1 January 2023, institutions are required to hold a capital conservation buffer of 2.5% over and above these minimum ratios to enable institutions withstand future periods of stress. This brings the minimum core capital to risk weighted assets and total capital to risk weighted assets requirements to 10.5% and 14.5% respectively. The capital conservation buffer is made up of high-quality capital which should comprise mainly of common equity, premium reserves and retained earnings.

Institutions that currently meet the minimum capital ratios of 8% and 12% but remain below the buffer-enhanced ratios of 10% and 14.5% should maintain prudent earnings retention policies with a view to meeting the conservation buffer within 24 months effective from 1 January 2024.

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

- Tier 1 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, which includes 25% revaluation surplus which have received prior CBK approval, qualifying subordinated liabilities and collective impairment allowances.

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

The bank has complied with all externally imposed capital requirements throughout the period.

3 FINANCIAL RISK MANAGEMENT (Continued)

D CAPITAL MANAGEMENT (Continued)

Regulatory capital (Continued)

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

	Nominal financial position amounts		Risk weighted amounts	
	2025	2024	2025	2024
ASSETS	Sh'000	Sh'000	Sh'000	Sh'000
Cash (including foreign notes and coins)	139,368	187,297		-
Cash balances with Central Bank of Kenya	1,773,837	1,421,114		-
Government securities	4,481,802	4,449,163	114,983	220,968
Deposits and balances due from banking institutions	1,157,003	931,869	231,400	186,373
Loans and advances to customers	8,790,714	8,270,382	6,659,642	6,169,815
Other assets	315,065	240,086	315,065	240,086
Investment in subsidiary	11,000	11,000	11,000	11,000
Property and equipment	24,746	17,880	24,746	17,880
Intangible assets	6,220	9,365	6,220	9,365
Deferred tax asset	298,224	214,055	298,224	214,055
Right of Use Asset	63,337	86,664	63,337	86,664
Tax recoverable	42,951	42,951	42,951	42,951
Total assets on balance sheet	17,104,267	15,881,825	7,767,568	7,199,157
Total asset off balance sheet	71,890	96,581	71,890	96,581
Total allowance for operations risk				
Total allowance for market risk				
Total risk weighted assets	17,176,158	15,978,406	7,839,458	7,295,738
Tier 1 Capital	3,306,782	2,669,611		
Tier 1 + Tier 2 Capital	3,306,782	2,669,611		
Basel ratio				
Tier 1 (CBK minimum – 10.5%)	34.5%	31%		
Tier 1 + Tier 2 (CBK min – 14.5%)	34.5%	31%		

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Risk and Credit, and is subject to review by the Credit Committee or ALCO as appropriate.

3 FINANCIAL RISK MANAGEMENT (Continued)

E OPERATING RISK

Non-financial risk management disclosures

The Board of Directors has put in place a framework for management of non-financial risk management of the bank. The Board Risk Management Committee (BMRC) is responsible for monitoring compliance of this framework with the bank's overall risk management policies and procedures, and review of the adequacy of the risk management framework in relations to non-financial risks faced by the bank

The key non-financial risks the bank faces are strategic risk, operational risks, reputational risk, compliance /legal risk.

i) Strategic risk

Strategic risk is a function of the internal and the external environment. The strategic risk policy of the bank provides direction and guidance to the board of directors for anticipating change, both externally and internally.

The bank uses key indicators to measure strategic risk such as: Current and forecasted economic conditions such as economic growth, inflation, interest rates, foreign exchange trends and other useful key economic data such as demography and demographic structures; trends within the banking sector such as, Competition both from existing players and new entrants; Merger and acquisition activities; Changes in customer needs, wants and behaviour; development of new products and use of technology; Changes in the bank's various sector exposures and the associated risks; and achievement of the targets, goals and objectives set by the board.

Responsibilities of strategic risk

The board of directors is responsible for the formulation and overall implementation of the bank's strategy. Strategy execution, strategic risk planning and overall strategic risk management is delegated to managing director.

Management of strategic risk

The board and management use the board, committees, and strategic plan to manage strategic risk. Regular and adhoc meetings of the board, the board committees review reports of the management and take corrective action. The execution of the bank's 5-year strategic plan is a key tool for strategic risk with the current strategic plan being 2010 - 2025. The next strategic plan cycle plan is being developed.

ii) Bank operational risk

The bank's operational risk framework is designed to identify risks, measures and mitigate operational risks. These are risks associated with human error, system failures or technological failure, inadequate procedures and controls, unforeseen catastrophes, or other operational problems which may result in unexpected losses.

Responsibilities for operational risk management

The General Manager-Operations continually reports to the Managing Director on all the key risks of the bank. Risk & Compliance department as well as Internal Audit reports both report to the managing director and their respective board committees.

Through use of key performance indicators (KPI's) so as to adequately reflect the key risk area, and report on them. KPI's are reported monthly, quarterly, or on emergencies, whichever is appropriate. An example of a KPI is 'Incident/Fraud/ Suspicious Activities and Transaction Reports.

3 FINANCIAL RISK MANAGEMENT (Continued)

E OPERATING RISK (Continued)

ii) Bank operational risk

Management of operational risk (Continued)

These detail those process related operational risk incidents combined with what remedial action was taken and what steps implemented to avoid a repeat occurrence. These reports are submitted as soon as the incident is discovered and notable trends reported quarterly on a summary report.

Reporting operational risk is a key part of risk management and staff are required to report all incidents which could fall within any of the six key risk areas (as above) – whether or not they resulted in any actual loss to the bank.

iii) Reputational risk

Reputational risk is the potential that negative publicity may lead to decline of its customer base, costly litigation, revenue reduction and subsequently its value and brand. All other risks may lead to reputational risks.

Main source of reputational risks are: business viability, business practices, fraudulent activities, litigations, customer satisfaction, anti-money laundering (AML) and rumours.

Responsibilities for reputational risk

The responsibility for management of reputational risk lies with the board of directors of the bank. Nonetheless, risk and audit management committees are responsible for reviewing adequacy and effectiveness of internal control systems relating to reputation risk and means through which exposures related to reputation risk are managed. Their purpose is to ensure that all stakeholders meet the bank's reputational risk objectives.

Management of Reputational risk

Overall, the bank promotes a corporate culture that adequately addresses stakeholder concerns and result in a gain of confidence. Internally, the bank has developed a code of conduct for directors and senior management and all staff. The bank also fully complies with applicable laws, legislation, and regulations. Finally, we continually communicate to the staff and regulators and the public on our compliance and standards.

iv) Compliance (legal/regulatory) risk

Compliance risk refers to the potential of loss arising from non-compliance or violation of laws, rules, regulations, obligatory practices/standards, contractual agreements. The bank is variously exposed to compliance risk due to relations with a wide number of stakeholders, e.g. regulators, customers, counter parties, as well as tax authorities, local authorities and other authorized agencies. The bank meets high standards of compliance with the Central Bank of Kenya, County governments, Occupational Safety and Health Administration (OSHA) and National Environment Management Authority (NEMA) etc.

Management of regulatory and legal risk

The risk & compliance department identifies and monitors the key risks and is responsible for ensuring that the day to day business controls comply with applicable legislation and are in line with best practice. Internal and external legal counsel work closely with business units to identify areas of existing and potential regulatory/legal risks and actively manage them to reduce the bank's exposures.

The board risk management committee receive the risk & compliance department's report on the strength of the bank's compliance risk framework to enable them determine whether it is under control.

3 FINANCIAL RISK MANAGEMENT (Continued)

E OPERATING RISK (Continued)

iv) Compliance (legal/regulatory) risk (Continued)

Management of regulatory risks

The board of directors and senior management through adoption of the bank's corporate governance and code of conduct sets a culture of integrity. All employees are required to attest to this code when they join the bank and thereafter annually, indicating that they have understood it and that they have complied with its provisions.

The bank has implemented compliance risk in key areas such as Know Your Customer (KYC) policy. Customer due diligence (CDD) and transactions monitoring has been ongoing. Cash transaction reporting (CTR) and Suspicious Account Transactions Reporting (SATR) is done as required by FRC. The risk and compliance department periodically update business units on the Anti Money Laundering's on UN Security Committees reports on individuals and entities who been place on travel ban and funds frozen and embargo on arms as well as other regional and national bodies involved in fighting Money Laundering and Combating terrorism including the FAFT 40 and the Wolfsberg-Private Banking Principles.

v) IT risk

The bank's information technology risk management ensures presence of an effective mechanism to identify, measure, monitor, and control the risks inherent in the banks' IT systems, ensure data integrity, availability, confidentiality and consistency and provide the relevant early warning mechanism.

Responsibilities for Management of IT Risk

The three key functions responsible are the board, senior management and IT Head. The board ensures there is an IT governance structure that meets its risk tolerance. Senior management ensures staff understands and adheres to IT Risk Management. The Head of IT is key in decision making on business development that require the use of IT and that such system meet the bank's needs.

Management of IT Risk

By restricted access to both the IT system and physical access to IT infrastructure(s), IT security deployment and periodic IT Audit.

4 INTEREST INCOME

	GROUP		BANK	
	2025	2024	2025	2024
	Sh'000	Sh'000	Sh'000	Sh'000
Advances to customers	950,641	1,094,420	950,641	1,094,420
Government securities – at amortised cost	793,134	671,651	793,134	671,651
Government Securities – at fair value	65,313	87,029	65,313	87,029
Deposits/balances due from other financial institutions	51,113	48,207	51,113	48,207
	1,860,201	1,901,307	1,860,201	1,901,307

5 INTEREST EXPENSE

Customer deposits	1,103,814	1,249,824	1,103,814	1,249,824

6 FEES AND COMMISSION INCOME

Transaction related fees	4,356	5,368	65	278
Commissions on letters of credit, guarantees and discounting foreign bills	11,651	11,734	10,451	10,534
	16,007	17,102	10,516	10,812

7 GAINS ON FOREIGN EXCHANGE DEALINGS

Gains on foreign currency dealings arose from trading in foreign currency transactions and also on the translation of foreign currency assets and liabilities, including investment in securities

	GROUP		BANK	
	2025	2024	2025	2024
	Sh'000	Sh'000	Sh'000	Sh'000
Foreign exchange trading income	13,965	6,689	13,965	6,689

8 OTHER OPERATING INCOME

Locker rental income	24	-	24	-
Other operating income	6,201	16,952	6,201	16,952
Fair value gains on financial assets	184,869	167,325	184,869	167,325
Gain on disposal of motor vehicle	-	53	-	53
	191,094	184,330	191,094	184,330

		GROUP		BANK	
		2025	2024	2025	2024
		Sh'000	Sh'000	Sh'000	Sh'000
9(a)	OTHER OPERATING EXPENSES				
	Contribution to deposit protection fund	19,994	18,736	19,994	18,736
	Directors' emoluments	33,386	30,160	33,386	30,160
	Auditors' remuneration	9,406	9,052	8,808	8,454
	Rent and rates	10,770	11,385	10,770	11,385
	Legal and professional fees	22,941	18,073	22,941	18,073
	Insurance	13,970	14,174	13,970	14,174
	Security	15,133	15,862	15,133	15,862
	Telephone and postage	15,518	13,856	15,518	13,856
	Repairs and maintenance	22,485	26,720	22,485	26,720
	Brokers Commission	63,424	53,776	63,424	53,776
	Membership and Subscription	12,665	10,501	12,665	10,501
	Bank Charges	28,552	24,679	28,552	24,679
	Other expenses*	42,271	50,511	38,510	47,163
		310,515	297,485	306,156	293,539

*Other expenses mainly include utilities, administration expenses.

		GROUP 2025	GROUP 2024	BANK 2025	BANK 2024
9(b)	AUDITORS' REMUNERATION				
	Statutory audit fees	6,598	6,268	6,000	5,670
	Other regulatory mandated audits	2,300	2,300	2,300	2,300
	Fees for tax reviews	508	484	508	484
		9,406	9,052	8,808	8,454
10	STAFF COSTS				
	Salaries and allowances	181,838	164,245	181,838	164,245
	Staff training	429	606	429	606
	Terminal dues	787	1,241	787	1,241
	Pension contributions-defined contribution scheme	6,040	4,875	6,040	4,875
		189,094	170,967	189,094	170,967
11	TAXATION				
	(a) Taxation charge				
	Current taxation based on the taxable profit for the year at 30%	-	314	-	-
	Deferred taxation (credit)/charge (note 22)	(64,023)	(29,450)	(63,977)	(29,450)
		(64,023)	(29,136)	(63,977)	(29,450)

	GROUP 2025 Sh'000	GROUP 2024 Sh'000	BANK 2025 Sh'000	BANK 2024 Sh'000
11 TAXATION (Continued)				
(b) Reconciliation of taxation credit to the expected taxation based on profit before taxation				
Profit before taxation	306,292	310,801	305,171	308,457
Tax at the applicable rate of 30%	91,888	93,240	91,552	92,537
Effect of expenses disallowed for taxation purposes	20,528	20,660	20,528	21,049
Effect of income not subject to taxation	(176,439)	(143,036)	(176,077)	(143,036)
Taxation credit	(64,023)	(29,136)	(63,997)	(29,450)
(c) Corporate tax recoverable				
At 1 January	43,765	30,346	42,951	29,821
Taxation charge	-	(314)	-	-
Tax paid in the year	45	13,277	-	13,130
	-	456	-	-
At 31 December	43,810	43,765	42,951	42,951

12 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	GROUP 2025	GROUP 2024	BANK 2025	BANK 2024
Earnings				
Earnings for the year attributable to ordinary shareholders (Sh'000)	370,315	339,937	369,148	337,907
Number of shares				
Weighted average number of ordinary shares in issue	1,332,000	1,000,000	1,332,000	1,000,000
Earnings Per Share-Basic (Sh)				
Ordinary shares	278.02	339.94	277.14	337.91

	GROUP & BANK 2025 Sh'000	GROUP & BANK 2024 Sh'000
13 CASH AND BALANCES WITH CENTRAL BANK OF KENYA		
Cash on hand	139,368	187,297
Balances with Central Bank of Kenya		
- Deposits held under lien*	12,850	12,925
- Current account with CBK	1,760,987	1,408,189
	1,913,205	1,608,411

The cash ratio requirement is based on the customer deposits with the bank as adjusted by the Central Bank of Kenya requirements. As at 31 December 2025 the cash reserve ratio requirement was 3.25% (2024: 5.25%) of all customer deposits.

*The deposits held under lien are to support foreign currency clearing. These funds are not available for the day to day operations of the bank.

	GROUP & BANK 2025 Sh'000	GROUP & BANK 2024 Sh'000
14 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS		
Balances due from banking institutions	1,157,003	931,869

The weighted average effective interest rate for deposits and balances due from banking institutions at 31 December 2025 was 7.93% (2024 – 8%).

	GROUP & BANK 2025 Sh'000	GROUP & BANK 2024 Sh'000
MATURITY ANALYSIS OF DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS		
Due on demand	1,157,003	931,869

15 GOVERNMENT SECURITIES

	GROUP		BANK	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
Treasury Bills				
At amortized cost – maturing within 90 days				
Face value	750,000	229,250	750,000	229,250
Less: unearned discount	(24,123)	(6,265)	(24,123)	(6,265)
Total Treasury Bills	725,877	222,985	725,877	222,985
Treasury Bonds				
At amortized cost maturing within 90 days	379,927	961,449	369,986	951,213
Face value	2,841,952	2,829,205	2,841,952	2,829,205
Add: Unamortised premium	543,987	445,760	543,987	445,760
Total Treasury Bonds	3,765,866	4,236,414	3,755,925	4,226,178
Total	4,491,743	4,459,399	4,481,802	4,449,163

The weighted average effective interest rate for treasury bonds and bills as at 31 December 2025 was 9.08% (2024 – 14.4%).

Included in Government Bonds maturing within 5 years is an impairment provision of Sh 6,099,080 (2024: Sh 17,631,309).

Movement in treasury bonds can be summarised as follows:

	GROUP		BANK	
	2025 Sh'000	2024 Sh'000	2025 Sh'000	2024 Sh'000
At 1 January	4,236,119	3,799,189	4,226,178	3,788,953
Additions	97,874,470	549,445	97,874,470	549,445
Disposals	(98,344,723)	(112,220)	(98,344,723)	(112,220)
At 31 December	3,765,866	4,236,414	3,755,925	4,226,178

The weighted average effective interest rate on the bonds at 31 December 2025 was 11.06% (2024 – 13%).

16 RIGHT OF USE ASSETS – GROUP & BANK

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

	2025 Sh'000	2024 Sh'000
COST		
At 1 January	230,462	199,417
Additions	-	31,045
At 31 December	230,462	230,462
AMORTISATION		
At 1 January	143,797	118,364
Charge for the year	23,327	25,433
At 31 December	167,124	143,797
NET BOOK VALUE		
At 31 December	63,338	86,665

	2025 Sh'000	2024 Sh'000
Amounts recognised in profit and loss		
Amortisation expense on right of use assets	23,327	25,433
Interest expense on lease liabilities	6,772	5,898
At the end of the year	30,099	31,331

The Group is not committed to any lease arrangements that are short term as at year end.

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 Sh32 million (2024: Sh30 million).

There are no restrictions or covenants imposed by lessors and the Group did not enter into any sale and leaseback transactions during the year (2024: nil).

Right of use assets are classified as non-current.

	GROUP & BANK 2025 Sh'000	2024 Sh'000
17 ADVANCES TO CUSTOMERS		
Loans and advances to customers gross	10,447,293	9,782,958
Provision for impaired loans and advances (note 18)	(1,6,579,579)	(1,512,576)
	8,790,714	8,270,382

The weighted average effective interest rate on advances to customers as at 31 December 2025 was 14.50% (2024 – 14.10%).

	GROUP & BANK 2025 Sh'000	2024 Sh'000
Analysis of gross advances by maturity:		
Maturing within one year	4,033,203	4,019,189
Over one year to three years	1,392,996	3,678,944
Over three to five years	3,364,515	572,249
	8,790,714	8,270,382

Advances to related parties are disclosed in note 30.

	GROUP & BANK 2025 Sh'000	2024 Sh'000
18 PROVISION FOR IMPAIRMENT LOSSES		
a) Impairment losses on loans and advances		
At 1 January	1,512,576	1,472,481
Increase in provision	144,003	40,095
At 31 December	1,6,579,579	1,512,576

18 PROVISION FOR IMPAIRMENT LOSSES (Continued)

	GROUP & BANK 2025 Sh'000	GROUP & BANK 2024 Sh'000
b) Total impairment losses on financial assets at amortised costs		
Impairment losses on loans and advances in the year (Note 18 a)	144,003	40,095
Impairment losses on government securities (Note 15)	(11,532)	-
	132,471	40,095

19 OTHER ASSETS

	GROUP 2025 Sh'000	GROUP 2024 Sh'000	BANK 2025 Sh'000	BANK 2024 Sh'000
Items in course of collection	20,321	16,698	20,321	16,698
Prepayments*	289,003	159,564	289,003	159,564
Other receivables	7,415	69,337	5,743	63,824
	316,739	245,599	315,067	240,086

All other assets are classified as current.

* Included in the prepayments is an amount of Sh33.5 million (2024: Sh33.5 million) that the Bank paid to Kenya Depositors Insurance Corporation ("KDIC"), as the liquidator of Trust Bank (In Liquidation), with regard to a High Court Decree HCC No. 1243 of 2001. The decree has since been set aside hence KDIC is expected to refund Paramount Bank the amount on or before 31 December 2026. This refund has been covered by a personal written letter of indemnity by the Chairman of the Board giving the Bank a right to recover the money from his deposits held at the Bank should KDIC fail to refund the Bank by 31 December 2026.

20 EQUIPMENT – GROUP & BANK

	Computers & office Equipment Sh'000	Motor vehicles Sh'000	Furniture, fittings and office renovations Sh'000	Total Sh'000
COST				
At 1 January 2024	112,654	7,876	174,103	294,634
Additions	5,575	2,000	355	7,930
Disposal	-	(4,352)	-	(4,352)
At 31 December 2024	118,229	5,524	174,458	298,212
At 1 January 2025	118,229	5,524	174,458	298,212
Additions	12,428	-	67	12,495
At 31 December 2025	130,657	5,524	174,525	310,707
ACCUMULATED DEPRECIATION				
At 1 January 2024	103,620	7,528	168,927	280,075
Opening balance adjustments	(1,672)	-	532	(1,140)
Charge for the year	3,640	73	1,761	5,474
Disposal	-	(4,077)	-	(4,077)
At 31 December 2024	105,588	3,524	171,220	280,332
At 1 January 2025	105,588	3,524	171,220	280,332
Opening balance adjustments	8	(3)	104	109
Charge for the year	4,145	500	875	5,520
At 31 December 2025	109,741	4,021	172,199	285,961
NET BOOK VALUE				
At 31 December 2025	20,917	1,503	2,326	24,746
At 31 December 2024	12,642	2,000	3,238	17,880

Included in equipment are assets with a cost of Sh 4,361,791 (2024 - Sh 10,277,019) which were fully depreciated. The notional depreciation charge in respect of these assets for the year is Sh 872,358 (2024 – Sh 1,509,598).

All equipment are classified as non-current.

	GROUP 2025 Sh'000	GROUP 2024 Sh'000	BANK 2025 Sh'000	BANK 2024 Sh'000
21 INTANGIBLE ASSETS – COMPUTER SOFTWARE				
COST				
At 1 January	64,581	64,581	64,305	64,305
Opening balance adjustments	(348)	-	(348)	-
At 31 December	64,233	64,581	63,957	64,305
ACCUMULATED AMORTISATION				
At 1 January	55,203	55,132	54,939	54,868
Opening balance adjustments	(653)	(3,380)	(653)	(3,380)
Charge for the year	3,462	3,451	3,451	3,451
At 31 December	58,012	55,203	57,737	54,939
NET BOOK VALUE				
At 31 December	6,220	9,378	6,220	9,366

All intangible assets are classified as non-current.

22 DEFERRED TAXATION

The deferred tax asset, computed at the enacted rate of 30%, is attributable to the following items:

	GROUP 2025 Sh'000	GROUP 2024 Sh'000	BANK 2025 Sh'000	BANK 2024 Sh'000
Excess depreciation over capital allowances	(2,395)	2,085	(2,391)	2,050
Leave pay provision	2,067	1,536	2,067	1,536
Other provisions	2,086	5,533	2,076	5,533
Tax losses carried forward	91,610	20,190	91,536	20,190
Provisions for impairment	204,936	204,936	204,936	204,936
	298,304	234,280	298,224	234,245
The movement on the deferred tax asset account is as follows:				
As at 1 January	234,280	204,830	234,245	204,795
Credit for the year – note 11(a)	64,024	29,450	63,979	29,450
At 31 December	298,304	234,280	298,224	234,245

Deferred taxation assets/ liabilities are classified as non-current

23 INVESTMENT IN SUBSIDIARY

			BANK	
	No. of shares	Holding	2025 Sh'000	2024 Sh'000
Paramount Bancassurance Intermediary Limited	100,000	100%	10,000	10,000
PB Capital Limited	10,000	100%	1,000	1,000

The subsidiaries are wholly owned Limited Liability Company incorporated and domiciled in Kenya. The par value is Ksh 100/- per share for each subsidiary.

The following financial position for Paramount Bancassurance Intermediary Limited only, as PB Capital Limited has not been in operation since inception.

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	2025 Sh'000	2024 Sh'000
Summarised statement of financial position		
Total assets	22,279	24,146
Total liabilities	(1,877)	(4,911)
Net assets	20,402	19,235
Summarised statement of profit and loss and other comprehensive income		
Total income	5,491	6,290
Total Expenses	(4,370)	(3,946)
Profit before income tax	1,121	2,344
Income tax income/(expense)	45	(314)
Total comprehensive income	1,166	2030
Summarised statement of cash flows		
Net cash generated from operating activities	2,189	(4,816)
Increase in cash and cash equivalents	2,189	(4,816)
Cash and cash equivalents at beginning of year	8,536	13,352
Cash and cash equivalents at end of year	10,725	8,536

	GROUP		BANK	
	2025	2024	2025	2024
	Sh'000	Sh'000	Sh'000	Sh'000
24 CUSTOMER DEPOSITS				
Current accounts	1,218,018	1,249,184	1,228,743	1,257,720
Savings accounts	466,121	399,830	466,121	399,830
Call deposits	837,843	856,764	837,843	856,764
Fixed deposits	10,826,092	10,300,931	10,826,092	10,300,931
	13,348,074	12,806,709	13,358,799	12,815,245
Analysis of customer deposits by maturity:				
Payable within 90 days	11,587,207	11,083,411	11,597,932	11,091,947
Payable after 90 days and within one year	941,571	922,459	941,571	922,459
Payable after one year	819,296	800,839	819,296	800,839
	13,348,074	12,806,709	13,358,799	12,815,245

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2025 was 8.87 % (2024 – 9.5 %).

Customers deposits from related parties are disclosed in note 30 and concentrations of customer deposits are covered under note 3(a).

	GROUP		BANK	
	2025	2024	2025	2024
	Sh'000	Sh'000	Sh'000	Sh'000
25 OTHER LIABILITIES				
Sundry payables	31,764	53,031	29,887	48,120
Accruals	12,900	13,850	12,900	13,850
Leave pay provision	6,886	5,121	6,886	5,121
	51,550	72,002	49,673	67,091

Other liabilities are classified as current.

26 LEASE LIABILITIES

	GROUP & BANK 2025 Sh'000	2024 Sh'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	104,827	97,891
Opening balance adjustment	-	(2,696)
Payment of lease liabilities	(31,805)	(30,005)
Interest on lease liabilities	6,772	8,593
Additions	-	31,044
At 31 December	79,794	104,827
Amounts due for settlement within 12 months	32,725	31,805
Amounts due for settlement after 12 months	47,069	73,022
	79,794	104,827
Maturity Analysis of undiscounted cash flows		
Year 1	30,040	33,770
Year 2	30,931	49,038
Year 3	32,832	50,212
Year 4	33,813	51,571
Year 5	31,877	45,868
	159,493	230,459

The Company 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. Lease liabilities are classified accordingly.

	GROUP & BANK 2025 Sh'000	2024 Sh'000
27 SHARE CAPITAL		
Authorised,issued and fully paid:		
1,332,000 ordinary shares of Sh 1,000 each (2024: 1,000,000 ordinary shares of Sh 1,000 each	1,332,000	1,000,000

28 NOTES TO THE STATEMENT OF CASH FLOWS

		GROUP		BANK	
		2025	2024	2025	2024
		Sh '000	Sh '000	Sh '000	Sh '000
(a)	**Profit before tax**	306,292	310,800	305,171	308,456
	Adjustments for:				
	Opening balance adjustment on depreciation	(197)	(8,223)	(197)	(8,223)
	Loss on revaluation of Government Security	295	-	-	-
	Gain on sale of property, plant and equipment	-	(53)	-	(53)
	Unrealized exchange loss	1,030	4,698	1,030	4,698
	Depreciation on equipment (note 20)	5,520	5,474	5,520	5,474
	Depreciation on right of use asset (note 16)	23,327	25,433	23,327	25,433
	Amortisation of intangible assets (note 21)	3,462	3,451	3,451	3,451
	Interest on lease liabilities (note 26)	6,772	8,596	6,772	8,596
	Interest on customer deposits (note 5)	1,103,814	1,249,825	1,103,814	1,249,825
	Cash flows from operating activities before working capital changes	1,450,315	1,600,001	1,448,888	1,597,657
	Working capital changes:				
	Decrease in balances held by Central Bank of Kenya under lien	75	2,645	75	2,645
	(Decrease)/Increase in advances to customers	(520,332)	109,426	(520,332)	109,426
	Decrease in advances from other local banks	-	(551,142)	-	(551,142)
	Increase in government securities	(32,639)	(247,159)	(32,639)	(247,159)
	Increase in other assets	(71,612)	(101,307)	(75,451)	(101,307)
	Increase in customer deposits	541,527	697,493	543,716	692,676
	Decrease in other liabilities	(20,145)	(30,756)	(17,111)	(23,742)
	Cash generated from operations	1,347,191	1,479,201	1,347,146	1,479,054

(b)	**Analysis of balances of cash and cash equivalents as shown in the financial position and notes**				
	Cash on hand (note 13)	139,368	187,297	139,368	187,297
	Current account with Central Bank of Kenya (note 13)	1,157,003	1,408,189	1,157,003	1,408,189
	Deposits and balances due from banking institutions (note 14)	1,760,987	931,869	1,760,987	931,869
		3,057,358	2,527,355	3,057,358	2,527,355

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

29 CONTINGENCIES AND COMMITMENTS INCLUDING OFF FINANCIAL POSITION ITEMS

	2025 Sh'000	2024 Sh'000
(a) Contingent liabilities		
Letters of guarantee and performance bonds	71,890	96,581
	71,890	96,581

Letters of credit are commitments by the bank to make payments to third parties, on production of documents, on behalf of customers and are reimbursable by customers.

Letters of guarantee and performance bonds are issued by the bank, on behalf of customers, to guarantee performance by customers to third parties. The bank will only be required to meet these obligations in the event of default by the customers.

Contingent liabilities arising from law suits as at 31 December 2025 amounted to Sh 4,986,473 (2024-3,672,251).

(b) The Bank and its subsidiary had no capital commitments as at 31 December 2025 (2024 – Nil).

(c) Commitments to extend credit

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw without incurring any charges from its contractual obligation to extend credit by giving reasonable notice to the customer.

30 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.

Placements at 31 December 2025 include placements made in the bank by directors, their associates and companies associated to directors. Advances to customers and deposits at 31 December 2025 include loans and advances to companies associated to directors, employees of the bank and, also deposits held with related parties respectively. Contingent liabilities at 31 December 2025 include guarantees and letters of credit for companies associated to directors.

30 RELATED PARTY TRANSACTIONS (Continued)

These balances are included in the loans and advances and deposits balances at year end.

	Directors' associated companies		Employees/staff	
	2025	2024	2025	2024
	Sh'000	Sh'000	Sh'000	Sh'000
Movement in related party balances was as follows:				
Loans and advances:				
At 1 January	546,502	651,629	68,223	67,672
Net movement during the year	(20,135)	(105,127)	(5,613)	551
At 31 December	526,367	546,502	62,610	68,223
Interest earned	85,432	88,700	6,631	7,746
Deposits:				
At 1 January	363,720	448,018	25,075	29,967
Net movement during the year	861,790	(84,298)	4,041	(4,892)
At 31 December	1,225,510	363,720	29,116	25,075
Interest paid	24,644	5,155	650	466

	GROUP & BANK	
	2025	2024
	Sh'000	Sh'000
Guarantees and letters of credit to companies associated to directors	-	9,100

Key management compensation

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

	2025	2024
	Sh'000	Sh'000
Key management salaries and other benefits	81,180	75,060
Directors' emoluments	33,386	29,760

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of the individuals and market trends.

30 RELATED PARTY TRANSACTIONS (Continued)

Transactions between the Bank and its subsidiary	Group and Bank	
	2025	2024
	Sh'000	Sh'000
Subsidiary cash balances held at the Bank (at normal business terms)	10,725	8,536
	=========	======== =

31. AMOUNT DUE TO LOCAL BANKS

	Group and bank	
Amount due to local banks	-	-
	=========	=========

32 FIDUCIARY ACTIVITIES

At 31 December 2025, the bank and its subsidiary did not hold any asset security documents on behalf of customers (2024: none).

33 COUNTRY OF INCORPORATION

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

34 CURRENCY

The financial statements are presented in Kenya Shillings thousands (Sh'000), the bank's functional and presentation currency.

35 EVENTS AFTER REPORTING PERIOD

On 22 January 2026, the Competition Authority of Kenya (CAK) approved the acquisition of Paramount Bank Kenya Limited by Nigeria's Zenith Bank Plc, a company listed on both Nigeria Exchange Group and London Stock Exchange. Zenith Bank Plc intends to acquire 100% shareholding in Paramount Bank Kenya Limited. The CAK's approval is subject to the condition that the acquirer retains the target's employees for at least 12 months following completion.

The proposed transaction is subject to shareholder and relevant regulatory approvals and is expected to be concluded during the 2026 financial year. If completed, it will result in a change of control, with Paramount Bank Limited becoming a subsidiary of Zenith Bank Plc.

Management has assessed the nature of this event in accordance with IAS 10, "Events after the Reporting Period". The proposed acquisition represents a non-adjusting event after the reporting period as the transaction was not concluded as at the reporting date and does not provide evidence of conditions that existed at the reporting date.

However, the transaction is considered material and of such significance that non-disclosure could influence the economic decisions of users of the financial statements. Accordingly, the following disclosures are made:

- If completed, the transaction will result in a change of control, with Paramount Bank Limited becoming a subsidiary of Zenith Bank Plc.
- The business combination positions Paramount Bank Limited as the cornerstone investment vehicle for Zenith Bank Plc's East African expansion.
- The transaction is expected to strengthen Paramount Bank's financial position, ensuring compliance with enhanced core capital requirements set by the Central Bank of Kenya.

The Bank will continue to monitor developments and will provide further disclosures as appropriate in future reporting periods.