

SIDIAN BANK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025



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Directors

Non - Executive Directors

James Macharia	Chairman (Appointed 9 Sep 2025)
Dr. James Mworia	
Catherine Mturi-Wairi	
Kimanthi Mutua	
James Olubayi	
Nancy Gitau	Appointed 3 Feb 2025
Apollo Ong'ara	Appointed 15 July 2025
Madhav Bhandari	Appointed 15 July 2025
Prof. Paul Gachanja	Appointed 22 Sep 2025
Tom Kariuki	Resigned 5 July 2025
David Ronoh	Resigned 27 Nov 2025
Mbaabu Muchiri	Resigned 31 Dec 2025

Executive Director

Chege Thumbi	Chief Executive Officer
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Board Committees

Audit Committee

Madhav Bhandari	Chairperson
Catherine Mturi-Wairi	
James Olubayi	
Kimanthi Mutua	
Prof. Paul Gachanja	

Risk Committee

Apollo Ong'ara	Chairperson
Prof. Paul Gachanja	
Nancy Gitau	
Catherine Mturi-Wairi	

**Strategy & Information
Technology Committee**

Kimanthi Mutua	Chairperson
Catherine Mturi-Wairi	
James Olubayi	
Apollo Ong'ara	
Madhav Bhandari	
Chege Thumbi	

Credit Committee

Apollo Ong'ara	Chairperson
Kimanthi Mutua	
James Olubayi	
Nancy Gitau	
Chege Thumbi	

**Nominations and
Governance Committee**

James Olubayi	Chairperson
Nancy Gitau	
Prof. Paul Gachanja	
Chege Thumbi	

Company Secretary	Sarah Chepsoi Certified Secretary 7th Floor, K-Rep Centre Wood Avenue, Kilimani P O Box 25363 - 00603 Nairobi
Registered Office	7 th Floor, K-Rep Centre Wood Avenue, Kilimani P O Box 25363 - 00603 Nairobi
Auditor	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way / Chiromo Road, Westlands P O Box 43963 - 00100 Nairobi

Report of the directors

The directors submit their report together with the audited financial statements of Sidian Bank Limited (the "Bank" or "Company") and its subsidiary, Sidian Bancassurance Intermediary Limited (the "Subsidiary") (together, the "Group") for the year ended 31 December 2025.

Principal activities

The Group is engaged in the business of banking and provision of related services. The Company is licensed under the Banking Act. The principal activity of the subsidiary is to provide bancassurance services and is licensed by the Insurance Regulatory Authority.

Results and dividend

The Group profit for the year of Shs 1,728,529,000 (2024: Shs 287,351,000) has been added to retained earnings. The directors do not recommend payment of a dividend for the year (2024: Nil).

Business Review

The business review is set out on pages 4 to 10.

Directors

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

Disclosures to the auditor

The directors confirm that with respect to each director at the time of approval of this report:

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

Terms of appointment of the auditor

PricewaterhouseCoopers LLP continues in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

Approval of financial statements

The financial statements set out on pages 22 to 112 were approved at a meeting of the directors held on 6 March 2026.

By order of the Board



Sarah Chepsoi
Company Secretary

The Group made a net profit of Shs 1,728,529,000 in 2025 being a 502% increase from the 2024 net profit of Shs 287,351,000. The increased net profit is mainly from higher interest income from investments in government securities as well as trading gains on sale of government securities, utilizing the bank's liquidity. Impact of the increase was however reduced by increased loan provisions on the high non-performing loans attributed to adverse macro-economic conditions.

In the year, the Bank grew its net loan book by 11% which positively impacted the interest income on loans, however the interest income on loans decreased by 5% as the Bank adjusted its lending rates downwards in line with declining market interest rates. Interest expense on customer deposits was higher in the period attributed to the increased customer deposits.

Non-funded income growth was driven by trade finance income, channels and digital income as well as bancassurance income which the Group continues to focus on. The Group's operating expenses increased in the year driven by increased staff costs, continued investment in IT systems to support business growth, branch expansion as well as higher inflation experienced in the macro-environment.

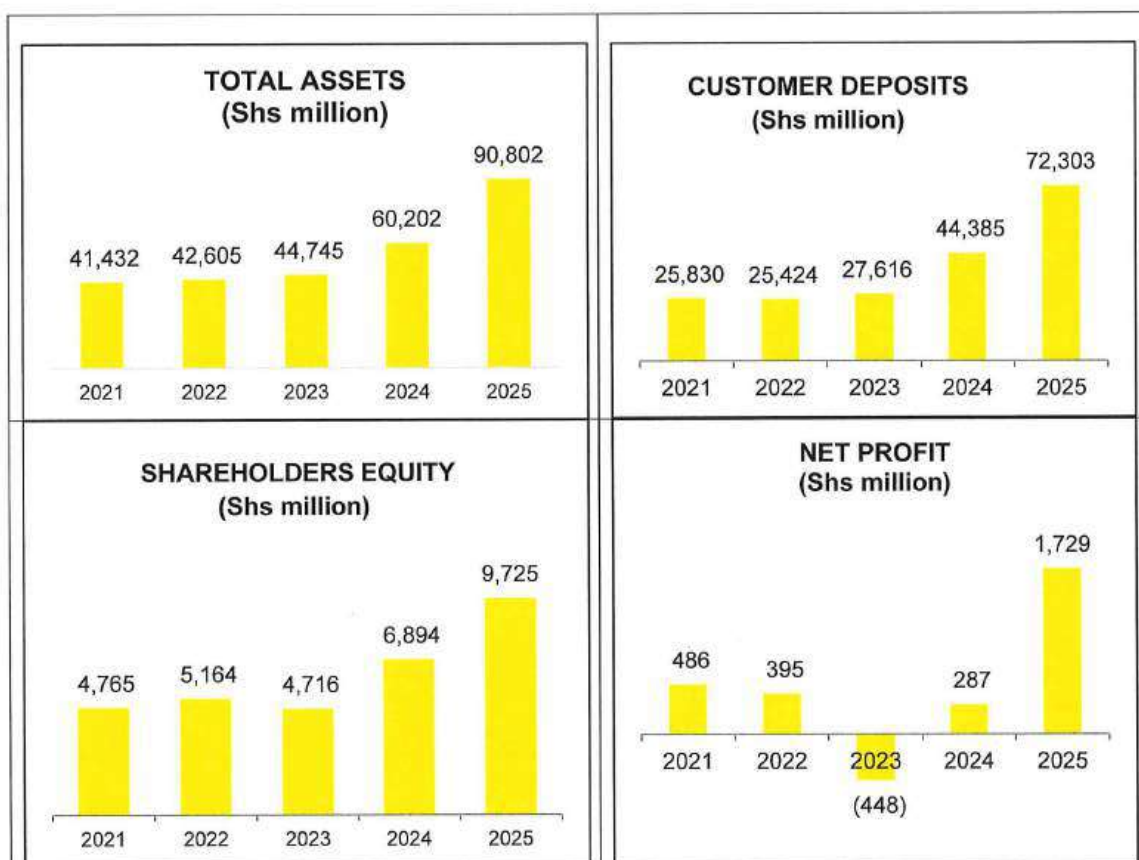
Deposits from customers grew by 63% driven by continued deposits mobilization and increased transactions by the Bank's customers through the fifty-branch network and digital channels. The Bank has invested in various digital channels i.e. mobile lending, mobile banking, internet banking, Sidian Credible on-line bid bonds platform, Sidian Express, etc. all of which have enabled its customers to access various banking services without having to visit branches.

During the year, the Bank raised Shs 1.1 billion (2024: Shs 1.9 billion) additional share capital via a rights issue to support business growth.

The Group's financial performance over the last five years is detailed below;

	2021	2022	2023	2024	2025
	Shs'000	Shs'000	Shs'000	*Restated Shs'000	Shs'000
BALANCE SHEET					
Assets					
Cash and bank balances	2,640,019	1,803,713	1,964,607	4,199,636	8,350,590
Deposits with other banks	178,659	209,155	1,342,256	10,668	154,294
Investment securities	13,019,751	13,589,656	14,522,854	26,892,446	49,243,962
Loans and advances to customers	22,595,909	23,901,980	23,222,155	24,856,671	27,530,623
Other assets*	2,997,664	3,100,965	3,692,655	4,242,250	5,522,116
Total assets	41,432,002	42,605,469	44,744,527	60,201,671	90,801,585
Liabilities and equity					
Deposits from banks	1,734,461	3,310,809	2,792,835	1,355,047	2,421,765
Deposits from customers	25,830,431	25,424,292	27,616,225	44,384,617	72,302,934
Borrowings	7,618,251	7,269,790	8,093,592	5,392,811	4,171,343
Other liabilities*	1,483,619	1,436,912	1,526,166	2,175,063	2,180,691
Equity	4,765,240	5,163,666	4,715,709	6,894,133	9,724,852
Total liabilities and equity	41,432,002	42,605,469	44,744,527	60,201,671	90,801,585
INCOME STATEMENT					
Interest income	3,542,704	4,518,443	5,519,971	7,131,576	9,228,414
Interest expense	(2,009,583)	(2,742,687)	(3,319,245)	(4,263,992)	(4,795,447)
Net interest income	1,533,121	1,775,756	2,200,726	2,867,584	4,432,967
Non-interest income	1,613,561	1,480,623	1,379,930	1,720,741	3,730,908
Total income	3,146,682	3,256,379	3,580,656	4,588,325	8,163,875
Allowance for expected credit losses	(445,589)	(577,013)	(1,375,368)	(1,265,960)	(2,401,043)
Loss from derecognition of financial liabilities	-	-	(444,442)	-	-
Operating expenses	(1,979,237)	(2,117,379)	(2,444,456)	(2,860,518)	(3,555,400)
Profit/(loss) before income tax	721,856	561,987	(683,610)	461,847	2,207,432
Income tax (expense)/credit	(235,629)	(166,620)	235,653	(174,496)	(478,903)
Profit/(loss) for the year	486,227	395,367	(447,957)	287,351	1,728,529

	2021	2022	2023	2024	2025
PERFORMANCE RATIOS					
Net Interest margin	5.1%	5.0%	5.8%	6.6%	6.9%
Cost-to-income ratio	63%	65%	68%	62%	44%
Net operating income to assets	8.4%	7.7%	8.2%	8.8%	10.8%
Return on equity	11.0%	8.0%	(9.1%)	5.0%	20.8%
Return on assets	1.3%	0.9%	(1.0%)	0.5%	2.3%
Non-performing loans (NPL) ratio	11.9%	11.7%	17.7%	27.2%	26.0%



Capital and liquidity

The Bank's capital and liquidity ratios are strong with sufficient headroom above the regulatory requirements. The Bank is thus well positioned to support future growth as per the strategy in the medium term and beyond.

	2021	2022	2023	2024	2025
CAPITAL RATIOS					
Core capital to risk weighted assets (min: 10.5%)	11.8%	12.7%	11.0%	12.2%	15.4%
Total capital to risk weighted assets (min: 14.5%)	18.8%	20.3%	15.7%	15.8%	18.1%
LIQUIDITY RATIOS					
Net loans and advances to deposits	87%	94%	84%	56%	37%
Liquidity ratio (min: 20%)	53%	43%	51%	66%	76%

Principal risks and mitigation measures

Description	Example	Mitigation Measures
Credit risk		
<p>Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the bank or if an obligor otherwise fails to perform as agreed.</p> <p>Failure of a counterparty to honour their obligations to the Bank.</p>	<ul style="list-style-type: none"> • Default on credit facilities and interbank counterparties 	<p>The Group has established sound credit risk management practices that include;</p> <ul style="list-style-type: none"> • Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements. • Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to various officers at different levels. Larger facilities require approval by Credit Committee or the Board as appropriate. • Reviewing and assessing credit risk. Credit Department assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process. • Limiting concentrations of exposure. The Board approves delegated authority that restricts exposure for any sector. • Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews. • Developing and maintaining the Group's processes for measuring Expected Credit Loss (ECL) including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL. • Well-defined policies, procedures and limits for management of credit risk including: <ul style="list-style-type: none"> - Exposure to individual borrowers; - Maximum exposure to related parties; - Maximum exposure to individual economic sectors; and - Acceptable limits on specific products. • Conducting stress testing and scenario analysis. • Performing regular audits of Credit Department processes are undertaken by Internal Audit Department. • Use of CAMEL (Capital adequacy, Asset quality, Management, Earnings, Liquidity) rating in evaluating interbank counterparties, in addition to the credit rating scoring tool. Monitoring and reporting of counterparty limits customer and setting roll over tenure limits for the credit period extended.
Liquidity risk		
<p>Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.</p>	<ul style="list-style-type: none"> • Inability to pay customer deposits / withdrawals 	<p>The Group has established the following liquidity risk management practices that include;</p> <ul style="list-style-type: none"> • Maintaining a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, to ensure sufficient liquidity. • All liquidity policies and procedures including a liquidity contingency plan are subject to review and approval by an Assets and Liabilities Committee at the Board and Management levels. • Performing and monitoring outcomes of the liquidity structure of assets, liabilities and commitments so that cash flows are matched to ensure that all funding obligations are met when due. Mismatch of assets and

Description	Example	Mitigation Measures
		liabilities according to their maturity profiles are controlled in line with allowable risk levels. <ul style="list-style-type: none"> • Current and Savings Accounts (CASA): Fixed Deposit (FD) appetite limits are in place and are monitored at the Assets Liability Committee meetings. • Liquidity coverage ratio (LCR) and Net Stable Funding Ratio (NSFR) limits are in place and are monitored and reported to the Management and Board through Assets and Liability Committees.
Market risk		
Market risk is the risk that the earnings from or the value of on and off-balance sheet positions of the bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads, and/or commodity prices resulting in a loss to earnings and capital. Market risk is comprised of; Foreign exchange risk, Interest rate risk, Price Risk, and Investment Risk.	<ul style="list-style-type: none"> • Interest rate risk • Foreign exchange risk • Equity Risk • Pricing Risk 	The Group applies the following controls to manage its market risk exposures: <ul style="list-style-type: none"> • Adherence to (Internal limit) market Risk strategy and Risk Appetite - This is an articulation of the quantum of risk the Bank is willing to accept in pursuit of its business strategy. It can be expressed quantitatively as risk measures such as economic capital and risk limits, and/or qualitatively in terms of policies and controls • Primary Limits – This is set at the level of reported Earnings at Risk (EaR) and Economic Value-at-Risk (VaR). This limit considers the likely change in the amount of Net Profit Income or average monthly income given a particular scenario (secondary limits are volume limits for maturities and tradable instruments). • Strict Adherence to Regulatory Limits e.g. Net Open Position Limit, Net Stable Funding Ratio, Liquidity Coverage Ratio • Internal monitoring of; Dealers' limits, Intraday Position limits, Overnight Position limit, Foreign Currency Placement lines (with foreign counterparties), and FX Interbank Settlement limits. • Stop loss: These are decision points that prompt remedial actions when a breach of internal limits occurs. Management Action Trigger considers actual cumulative profit or loss as well as potential losses. • Simulation, stress testing and scenario analysis.
Systemic risk		
Systemic risk is the risk that an event at one banking institution in the industry could trigger severe instability or collapse of the entire industry or economy. This is the risk of business cycles adversely affecting growth and returns.	<ul style="list-style-type: none"> • Loss of deposits • Loss of customer confidence • Reduction in capital ratios • Increased credit risk • Balance sheet risks 	The Group applies the following controls to manage its systemic risk exposures: <ul style="list-style-type: none"> • Stress testing and scenario analysis of early warning indicators, economic trends and global factors including forward looking and contingency planning and monitoring. • Review and monitoring of concentration risk of the balance sheet. • Portfolio diversifications for both deposits and financings. • Business re-engineering • High-level customers engagements including relationship management, customer visits

Information and Communication Technology Risk		
<p>Risk arising from weaknesses in the ICT environment, system availability or data integrity.</p>	<ul style="list-style-type: none"> • Natural threats and calamities such as floods, earthquakes, and fires. • Human threats such as network attacks, virus infection, and data entry errors. • Epidemics, Pandemics and diseases • Regulatory non-compliance 	<p>The Group has in place the following risk mitigation measures:</p> <ul style="list-style-type: none"> • Governance and Strategy: Formulated an ICT strategy that aligns with the overall business plan of the bank and ICT assessment plan. • Infrastructure Management where; <ul style="list-style-type: none"> ✓ Acquired and put in place network perimeter defense tools (e.g. border router and firewall), anti-virus, and anti-malware tools; ✓ Review and testing of security controls of internally developed software and adopted UAT and Quality Assurance and approved by a joint committee on change management; and ✓ Implementation of processes that mitigate vulnerabilities identified as part of the secure development of systems and applications. • Access Management programs in use are: <ul style="list-style-type: none"> ✓ Monitoring and control of elevated privileges (e.g. administrator privileges); ✓ Performance of regular user access reviews for all systems and applications based on the risk to the application or system in compliance with least privilege; ✓ Access controls include password complexity and limits on password attempts and reuse; and ✓ Controls to prevent unauthorized escalation of user privileges. • Third-Party Management risk mitigations in place: <ul style="list-style-type: none"> ✓ Put in place formal contracts that address relevant security and privacy requirements for all third parties that process, store, or transmit confidential data or provide critical services; and ✓ Conduct risk-based due diligence on prospective third parties before contracts are signed • Business Continuity and Incident Resilience Planning <ul style="list-style-type: none"> ✓ Document Incident management plans to respond to cyber Incident; ✓ Document a formal backup and recovery plan for all critical business lines; ✓ Incorporate Cyber incidents into disaster recovery, business continuity, and crisis management plans; and • Test the BCP and incident plan at least annually.
<p>Cyber security risk Cyber risk' means any risk of financial loss, disruption or damage to the reputation of an organization from some sort of failure of its information technology systems.</p>	<ul style="list-style-type: none"> • Cyber security attack 	<p>The Group applies the following controls to manage its cyber risk exposures:</p> <ul style="list-style-type: none"> • Cyber security, IT security and Data Protection policies and frameworks. • Staff training and sensitization programs are place. • Customer sensitization programs in place • Monitoring of IT systems for the network, users and devices, anti-virus and anti-malware software, put in place. • Data protection and privacy, fraud and investigations control mechanisms in place • Vulnerability and penetration testing of security controls to avert malicious infiltration and to constantly test and monitor IT systems.

Compliance & AML risk		
<p>This is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards.</p> <p>It is the risk arising from violations or non-compliance with laws and regulations.</p>	<ul style="list-style-type: none"> • Regulatory non-compliance • Internal non-compliance • AML/CFT/CPF violations • Failure to comply with new guidelines including the Banking Sector Charter requirements. 	<p>The Group applies the following controls to manage its Compliance and AML risk exposures:</p> <ul style="list-style-type: none"> • Development and regular updating of Anti-Money Laundering/ Counter Terrorism Financing/ Counter Proliferation Financing (AML/CFT/CPF) policies, procedures and processes for management of the AML/CFT/ CPF risks. Policies are approved at board level • Review adequacy of internal control measures in the compliance operating environment of the business • Assessing a reporting of the bank for AML/CFT/CPF Risks. • Adequate risk and compliance staffing levels with appropriate qualification and regular training • AML Systems for customer screening and transaction monitoring and reporting in place. • Independent review of the bank’s AML/CFT/CPF & compliance status periodically and reporting to the Board Risk Committee. • Staff training and attestation programs in place. • Set risk appetite limits of zero tolerance to governance and compliance risk
Operational risk		
<p>This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.</p>	<ul style="list-style-type: none"> • Process risk • People risk • Outsourcing and 3rd Party risk • Risk arising from external events • Systems Risk 	<p>The Group has in place control measures for management of operational risk including;</p> <ul style="list-style-type: none"> • Close monitoring of adherence to assigned risk limits or thresholds; • Internal Loss Data Collection and Analysis; • Staff risk training programs; • Operational risk report filing and trend analysis; • Operational risk tools in place to include operational self-risk assessments; • Dual control processes and segregation of duties; • Review of appropriate staffing level and vetting; and • Risk assessments of branches, processes and products; and • Timely reconciliations.
Strategic risk		
<p>Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.</p>	<ul style="list-style-type: none"> • Adverse business decisions, example loss making initiatives • Systemic risk • Uncontrollable business factors that hinder achievement of business objectives 	<ul style="list-style-type: none"> • The Group has a strategic plan in place with medium and long-term priorities in line with corporate mission and goals. • Adequate planning of capital and funding needs to support the bank’s operations and ability to meet its strategic goals and objectives. • Human resources management and development succession planning.

Long term funding

The Bank has secured long term funding from Financiers of over USD 90,000 since 2018 which has supported the Bank's growth and transition to a Tier 2 bank. Long term funding procured in the last five years is detailed below;

	2021	2022	2023	2024	2025
FCY Borrowings	USD'000	USD'000	USD'000	USD'000	USD'000
Oiko Credit	9,000	-	10,000	-	-
Triodos Investment Management	10,000	-	-	-	-
EMF Microfinance Fund	10,000	-	-	-	-
Water Equity	-	-	5,000	-	-

	2021	2022	2023	2024	2025
LCY Borrowings	KES '000	KES '000	KES '000	KES '000	KES '000
East Africa Development Bank (EADB)	128,180	63,245	-	250,000	-
Water Equity	564,000	-	-	-	-

2026 Focus

The Bank has identified five key strategies to drive its growth in 2026 – Digital banking; Anchor clients and Ecosystem banking; Trade finance and Infrastructure financing; Brand positioning and sustainability; and Risk management.

Digital banking will be driven by digital lending to both retail and enterprise customers as well as offering digital products and collection solutions to drive the loan book growth, customer deposits mobilization and customer acquisition. The Bank will target Anchor clients across various sectors and regions whilst adopting an Ecosystem approach to cover the entire value chain of the respective clients. Trade Finance will continue being a key driver of growth in the medium term with the Bank being the 'Go to Bank' for Trade Finance solutions. Further, the Bank will undertake various brand building and marketing activities as well as engage in sustainability activities and supporting communities where the Bank operates in. Under the Risk management pillar, the Bank will strengthen its governance and culture whilst proactively aligning its risk strategy to the 2026 objectives and safeguarding the increased business.

As at 30 September 2025, the Bank attained Tier 2 (medium) status based on its growth. The Bank's strategies in 2026 are aimed at further growing and propelling the Bank towards becoming a Top Tier 2 Bank.

Corporate Governance Statement

This statement outlines the fundamental elements of the Group's Corporate Governance Framework. Corporate Governance is integral to the Group's strategy for protecting the interests of shareholders and stakeholders while simultaneously enhancing shareholder value. The Group's Board of Directors (the Board) is mandated with overseeing and directing the Groups' activities, operations, and assets, with a view to maximize shareholders value, boost profitability and ensure long-term business sustainability.

The Board continues to prioritize Corporate Governance as part of its mandate, ensuring accountability to all stakeholders by reporting on the procedures, systems and controls established to protect their interests. This is done in alignment with the highest Corporate Governance standards. The Board acknowledges that consistent governance practices and the maintenance of strong governance principles are crucial to the Group's sustained success.

The Board is dedicated to and fully complies with all applicable laws, including the Central Bank of Kenya (CBK) Guidelines on Corporate Governance (CBK/PG/02) issued under Section 33(4) of the Banking Act and Guidelines set by itself in accordance with international best practices. The Group's Board of Directors has implemented a comprehensive Corporate Governance framework to support the Group's performance goals and ensure regulatory compliance.

The Group upholds the highest standards of integrity and ethics in all its operations. It has established sufficient accountability measures and ensured transparency in its dealings with stakeholders, shareholders and the general public.

Board of Directors

The Board comprises ten (10) Directors and is chaired by Mr. James Macharia. Of the ten Directors, nine (9) are Non-Executive Directors and one (1) is an Executive Director, being the Bank's Chief Executive Officer. Five (5) of the Directors are Independent, in compliance with the Central Bank of Kenya Prudential Guidelines on Board composition and independence. The Board is appropriately constituted, with a balanced mix of skills, experience, independence, and tenure to provide effective oversight of the Bank's strategy, risk management, and governance.

During the year Ms. Nancy Gitau, Mr. Apollo Ong'ara, Mr. Madhav Bhandari, Mr. James Macharia and Prof. Paul Gachanja joined the Board. During the year Mr. Tom Kariuki, Mr. David Ronoh and Mr. Mbaabu Muchiri resigned from the board. The Board, as currently constituted, is compliant with the Central Bank of Kenya Prudential Guidelines, which require a minimum of five (5) Directors, and the Bank's Articles of Association, which provide for a maximum of fifteen (15) Directors. Collectively, the Board brings together extensive experience across key disciplines including banking, strategy, finance, credit risk, corporate governance, legal, and audit. This breadth of expertise enables the Board to provide effective oversight and to ensure that the Bank establishes and maintains robust internal control frameworks that support profitability and sustainable growth.

Authority and Delegation

The Board delegates its authority to Board Committees, which are Board Audit Committee, Board Risk Committee, Board Strategy and ICT Committee, Board Credit Committee, and Board Nominations and Governance Committee, which meet quarterly or whenever a need arises. The Board Credit Committee exercises delegated authority from the Board to review and approve customer credit facilities within the limits approved by the Board and in accordance with the Bank's Credit Policy, applicable laws, and regulatory requirements. Credit facilities that fall outside the Committee's delegated authority, including those requiring full Board approval or statutory approval, are referred to the Board. Authority for the day to day management of the Group is delegated to the Chief Executive Officer, who leads the Group with the support of the Executive Management Committee. The Board Charter clearly sets out the Board's authority, including matters reserved for determination and approval by the Board. The Board Chair plays a critical role in providing leadership to the Board and in fostering constructive engagement and dialogue between shareholders, the Board, and Management at the Annual General Meeting and other shareholder forums.

Corporate Planning

The Board is responsible for formulating and approving the Group's strategic plan. In this regard, the Board has been instrumental in setting sustainable policies and strategic direction to ensure the Group's continued profitability and long-term viability. The Board, together with Senior Management, undertakes an annual review of the Group's strategy, during which performance, projections, and targets are evaluated and adjusted in response to prevailing business and market conditions.

Board Effectiveness

The Board of Directors comprises nine (9) Non-Executive Directors and one (1) Executive Director, being the Chief Executive Officer. This composition underscores the importance of independence and impartiality in the Bank's corporate governance framework and ensures that the Board is not subject to undue influence in matters relating to the day-to-day management of the Group.

The conduct of the Board, particularly that of the Non-Executive Directors, is governed by the Bank's and its subsidiaries' Memorandum and Articles of Association, the Central Bank of Kenya Prudential Guidelines on Corporate Governance (CBK/PG/02), the Corporate Governance Policy, and the Board Charter. Management ensures that the Board is kept fully and timely informed of the Group's operations to enable effective oversight and decision-making.

The annual Board evaluation exercise for the year 2025 was conducted internally in February 2026, in line with regulatory requirements.

Executive Management Committee

The implementation of the Group's strategic decisions is undertaken by the Executive Management Committee, which is chaired by the Chief Executive Officer. The Committee meets monthly, or more frequently as required, to review the Bank's performance, oversee execution of strategy, and provide overall direction to the business within the framework approved by the Board.

The Committee comprises the Heads of Business, Human Resources, Finance and Strategy, Credit, Treasury, Legal and Company Secretarial, Information and Communication Technology (ICT), and Operations. The Heads of Enterprise Risk and Internal Audit attend meetings by invitation to provide independent risk and assurance perspectives.

Board Committees

The Board has established Board committees to assist in discharging its duties and responsibilities. The Board committees have formally determined Charters stipulating the terms of reference, which define their role, function, reporting procedures and scope of authority. The Board also ensures that effective communication with shareholders is upheld. This is done through holding of the Annual General Meeting and also provision of Annual Report and Financial Statements in full compliance with the requirements of the Kenyan Companies Act, 2015 and the IFRS Accounting Standards.

The agenda of each committee is guided by the Board Charter together and the plan set at the beginning of the year.

Board Audit Committee

The Board Audit Committee is comprised solely of Non-Executive Directors, the majority of whom are Independent, and provides independent oversight of the Bank's financial reporting processes and internal control environment.

The primary objective of the Committee is to ensure the integrity of the Bank's financial reporting, the effectiveness of internal controls, and the adequacy of checks and balances within the institution. In this regard, the Committee reviews the Bank's financial statements, monitors the internal control framework, and recommends appropriate remedial actions on a regular basis, meeting at least quarterly.

The Committee also provides oversight of the Internal Audit function. On an annual basis, it reviews and recommends for approval the Internal Audit Charter and the proposed Internal Audit work plan, and monitors management's implementation of audit findings and corrective actions.

Board Risk Committee

The Board Risk Committee is comprised solely of Non-Executive Directors, the majority of whom are Independent. The Committee is responsible for providing oversight of the Group's risk management framework and for ensuring the quality, integrity, and effectiveness of risk management across the Group.

The Committee assists the Board in discharging its responsibilities relating to corporate accountability and the identification, management, assurance, and reporting of material risks. In this regard, the Committee oversees the development and implementation of risk policies, strategies, and frameworks designed to identify, monitor, and mitigate the various risks to which the Group is exposed in the course of its operations.

On an annual basis, the Committee reviews and recommends for approval to the Board the work plan of the Enterprise Risk Management function. The Committee also monitors the Group's adherence to the Board-approved risk appetite and ensures that any breaches or deviations are promptly addressed and corrective actions implemented within agreed timelines.

Strategy & Information Technology Committee *(Formerly the Board Asset and Liability Committee)*

The Strategy and IT Committee is established to assist the Board in formulating and overseeing the Group's strategic direction while ensuring the prudent management of the Group's balance sheet and information technology capabilities. The Committee supports the optimization of returns while maintaining appropriate control over the Group's assets and liabilities in line with the Board-approved strategy and risk appetite.

In addition to balance sheet oversight, the Committee provides governance over the Group's information and communication technology (ICT) strategy, including digital transformation initiatives, major ICT investments, system resilience, and alignment of technology initiatives with the Group's strategic objectives. The Committee oversees technology-related risks, including data governance, and business continuity related to ICT systems.

The Committee considers the impact of interest rate movements, market risk, liquidity constraints, foreign exchange exposure, capital adequacy, and technology risk on the Group's performance and sustainability. It also ensures compliance with statutory and regulatory requirements relating to liquidity, foreign exchange exposure, cash reserve ratios, and applicable ICT governance and regulatory standards.

Board Credit Committee

The Board Credit Committee is responsible for overseeing the formulation, review, and implementation of the Bank's credit and lending policies. The Committee exercises delegated authority from the Board to review and approve credit facilities in accordance with the Board-approved Credit Policy, applicable laws, and regulatory requirements.

In addition, the Committee provides oversight of the Bank's credit portfolio, including monitoring credit performance, concentrations, and emerging risks, and ensures effective follow-up of material credit-related matters. Credit facilities that fall outside the Committee's delegated authority, or that require statutory or full Board approval, are escalated to the Board.

Board Nominations and Governance Committee

The Board Nominations and Governance Committee is responsible for ensuring that the Group fulfils its legal, ethical, and fiduciary obligations through the development and oversight of effective governance frameworks. The Committee oversees Board composition, succession planning, and recruitment processes to ensure the Board maintains an appropriate balance of skills, experience, independence, and diversity.

The Committee is also responsible for the development and review of Board and senior management remuneration and compensation policies, oversight of Director induction and training programmes, and monitoring of Board and Committee effectiveness through regular performance evaluations. In carrying out its mandate, the Committee supports the Board in promoting high standards of corporate governance across the Group.

Board Remuneration

The Board has an approved Board Remuneration Structure, which provides that each Non-Executive Director receives a fixed annual retainer fee in respect of Board membership, together with sitting allowances for meetings attended. Non-Executive Directors do not participate in the Bank's incentive schemes and do not receive any performance-based remuneration.

The retainer fees and sitting allowances payable to Non-Executive Directors are determined by the Board and are subject to approval by Shareholders at the Bank's Annual General Meeting, either on a pre- or post-facto basis, as applicable. The remuneration of Directors is reviewed periodically to ensure that it remains appropriate, competitive, and aligned with the Bank's governance and regulatory requirements.

Details of the fees paid to Non-Executive Directors and the remuneration of the Executive Director for the year ended 31 December 2025 are disclosed in Note 35(vii) to the financial statements.

Senior Management Remuneration

The Board Nominations and Governance Committee is responsible for overseeing Senior Management remuneration, including the approval of the remuneration packages of the Chief Executive Officer and other members of Senior Management. In carrying out this mandate, the Committee monitors compliance with the Bank's Human Resources Policy and the Reward and Recognition Policy and ensures that these policies are applied consistently across the Group.

In support of the Group's corporate philosophy and long-term objectives, the Reward and Recognition Policy is designed to motivate executives to deliver sustainable performance and achieve the Group's long-term growth strategy. The overarching principles governing executive remuneration, including remuneration levels, structure, performance evaluation criteria, and remuneration governance frameworks, are determined by resolution of the Board based on recommendations from the Nominations and Governance Committee.

Accordingly, Senior Management remuneration is linked to business performance for each financial year and aligned with shareholder value creation, with the objective of encouraging sustained contribution to the enhancement of corporate value over the medium to long term.

Details of the remuneration paid to Senior Management for the year ended 31 December 2025 are disclosed in Note 35(vi) to the financial statements.

Board Meetings

The Board scheduled six board meetings during the year with attendance as below;

	Mar	May	Aug	Oct	Nov	Attendance
Meetings held						
James Macharia	-	-	-	1	2	3/3
Dr. James Mworira	1	1	1	1	2	6/6
Kimanthi Mutua	1	-	1	1	2	5/6
Tom Kariuki	1	1	N/A	N/A	N/A	2/2
Catherine Mturi-Wairi	1	1	1	1	2	6/6
Chege Thumbi	1	1	1	1	2	6/6
Mbaabu Muchiri	1	1	1	1	1	5/6
James Olubayi	1	1	1	1	2	6/6
David Ronoh	1	1	1	1	1	5/5
Nancy Gitau	1	1	1	1	2	6/6
Apollo Ong'ara	-	-	1	1	1	3/4
Madhav Bhandari	-	-	1	1	2	4/4
Prof. Paul Gachanja	-	-	-	1	2	3/3

Notes;

Board Appointments and Resignations – 2025

- Mr. James Macharia – Appointed to the Board on 9 September 2025 and appointed Chairman of the Board on 22 October 2025.
- Ms. Nancy Gitau – Appointed to the Board on 3 February 2025.
- Mr. Apollo Ong'ara – Appointed to the Board on 15 July 2025.
- Mr. Madhav Bhandari – Appointed to the Board on 15 July 2025.
- Prof. Paul Gachanja – Appointed to the Board on 22 September 2025

Resignations:

- Mr. Tom Kariuki – Resigned from the Board on 5 July 2025.
- Mr. David Ronoh – Resigned from the Board on 27 November 2025.
- Mr. Mbaabu Muchiri – Resigned from the Board on 31 December 2025.

Compliance

The Group operates in compliance with the Banking Act and other applicable laws and regulations governing its various lines of business, and adopts internationally recognized principles relating to human rights, sustainable banking, and labour standards in its commitment to best practice. In addition, the Group prepares its financial statements.

Sidian Bank Limited
Statement of corporate governance
For the year ended 31 December 2025

The Bank's shareholders at 31 December 2025 were as follows:

	Number of shares	Par value of shares Shs '000'	Percentage Shareholding
1 Bakki Holdco Limited	1,760,196	880,098	27.27%
2 Pioneer General Insurance Limited	1,090,456	545,228	16.89%
3 Wizpro Enterprises Limited	1,610,332	805,166	24.95%
4 Afram Limited	1,572,079	786,040	24.36%
5 Telesec Africa Limited	224,210	112,105	3.47%
6 Pioneer Life Investments Limited	197,550	98,775	3.06%
Total	6,454,823	3,227,412	100.00%

The Bank's shareholders at 31 December 2024 were as follows:

	Number of shares	Par value of shares Shs '000'	Percentage Shareholding
1 Bakki Holdco Limited	1,760,196	880,098	29.26%
2 Pioneer General Insurance Limited	1,090,456	545,228	18.13%
3 Wizpro Enterprises Limited	1,455,332	727,666	24.20%
4 Afram Limited	1,287,031	643,516	21.40%
5 Telesec Africa Limited	224,210	112,105	3.73%
6 Pioneer Life Investments Limited	197,550	98,775	3.28%
Total	6,014,775	3,007,388	100.00%

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


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

- (i) designing, implementing and maintaining 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 then applying them consistently; and
- (iii) making judgements and accounting estimates that are reasonable in the circumstances.

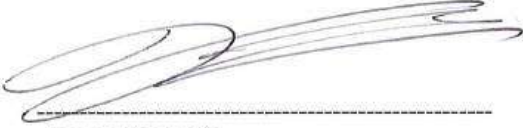
Having assessed the Group's and Company's abilities to continue as going concerns, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's abilities to continue as a going concern.

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 6 March 2026 and signed on its behalf by:



Chege Thambi
Chief Executive Officer



James Macharia
Chairman



REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF SIDIAN BANK LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sidian Bank Limited (the “Bank”) and its subsidiary (together, the “Group”) set out on pages 22 to 112, which comprise the consolidated statement of financial position at 31 December 2025 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Bank statement of profit or loss and other comprehensive income, Bank statement of financial position at 31 December 2025, the Bank statement of changes in equity and Bank statement of cash flows for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

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Way/Chiromo Road, Westlands P O Box 43963 – 00100 Nairobi,
Kenya

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



REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF SIDIAN BANK LIMITED (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Group’s financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses on loans and advances at amortised cost</i></p> <p>Loans and advances to customers comprise a significant portion of the Group’s total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL.</p> <p>The policies for estimating ECL are explained in notes 2 (f), 3 (i) and 4 (a) of the financial statements.</p> <p>The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:</p> <ul style="list-style-type: none"> • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk (“SICR”) and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book; • the relevance of forward-looking information used in the models; <p>Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.</p>	<p>We obtained the Group’s methodology for determining ECL, including changes in the year, and evaluated this against the requirements of IFRS 9;</p> <p>We tested how the Group extracts ‘days past due (DPD)’ applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model. In addition, we assessed the qualitative information applied by the Group in determining the appropriate staging.</p> <p>We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis.</p> <p>We tested the approach used to estimate LGD at each point during the life of the exposure including time to realisation and the recovery rate calculations. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports.</p> <p>We tested, on a sample basis, the EAD for both on and off-balance sheet exposures.</p> <p>We tested forward-looking information, including assumptions applied, weightings applied to different scenarios to reflect the impact of current developments and also corroborated data used to publicly available information.</p> <p>We tested the adequacy of financial statements disclosures.</p>



REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF SIDIAN BANK LIMITED (CONTINUED)

Other information

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



**REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF SIDIAN BANK LIMITED
(CONTINUED)**

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

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

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

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

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

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the Directors' report on page 3 is consistent with the financial statements.

**CPA Patrick Kiambi, Practising certificate Number 2056
Engagement partner responsible for the audit**

**For and behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi**

30 March 2026



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Consolidated statement of profit or loss and other comprehensive income

	Notes	2025 Shs'000	2024 Shs'000
Interest income	5	9,228,414	7,131,576
Interest expense	6	(4,795,447)	(4,263,992)
Net interest income		4,432,967	2,867,584
Fee and commission income	7	1,529,825	1,230,574
Fee and commission expense	7	(9,947)	(11,513)
Net fee and commission income		1,519,878	1,219,061
Net trading income	8	2,190,190	465,818
Impairment losses of financial instruments	9	(2,401,043)	(1,265,960)
Other operating income	10	20,840	35,862
Net operating income		5,762,832	3,322,365
Operating expenses	11	(3,555,400)	(2,860,518)
Profit before income tax		2,207,432	461,847
Income tax expense	13	(478,903)	(174,496)
Profit for the year		1,728,529	287,351
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of freehold land and building	31(b)	7,750	-
Deferred income tax on revaluation of freehold land and building	31(b)	(1,163)	-
Other comprehensive income for the year, net of tax		6,587	-
Total comprehensive income		1,735,116	287,351

Bank statement of profit or loss and other comprehensive income

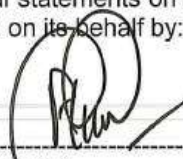
	Notes	2025 Shs'000	2024 Shs'000
Interest income	5	9,227,013	7,130,401
Interest expense	6	(4,795,447)	(4,263,992)
Net interest income		4,431,566	2,866,409
Fee and commission income	7	1,291,615	1,059,152
Fee and commission expense	7	(9,947)	(11,401)
Net fee and commission income		1,281,668	1,047,751
Net trading income	8	2,190,190	465,818
Impairment losses of financial instruments	9	(2,404,792)	(1,261,702)
Other operating income	10	130,840	107,862
Net operating income		5,629,472	3,226,138
Operating expenses	11	(3,484,006)	(2,816,142)
Profit before income tax		2,145,466	409,996
Income tax expense	13	(426,732)	(136,675)
Profit for the year		1,718,734	273,321
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of freehold land and building	31(b)	7,750	-
Deferred income tax on revaluation of freehold land and building	31(b)	(1,163)	-
Other comprehensive income for the year, net of tax		6,587	-
Total comprehensive income		1,725,321	273,321

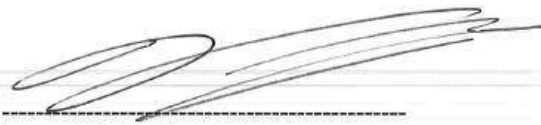
Consolidated statement of financial position

	Notes	2025 Shs'000	2024 *Restated Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	15	8,350,590	4,199,636
Financial assets at FVTPL	16	198,220	3,175,274
Financial assets at FVOCI	17	4,548,058	3,863,189
Financial assets at amortized cost	17	44,497,684	19,853,983
Deposits and balances due from banking institutions	18	154,294	10,668
Loans and advances to customers	19	27,530,623	24,856,671
Other assets and prepayments*	20	2,292,882	1,623,987
Property and equipment	21	834,735	576,493
Right-of-use assets	22	580,014	610,810
Intangible assets	23	334,589	237,566
Deferred income tax	24	1,479,896	1,193,394
Total assets		90,801,585	60,201,671
Liabilities			
Deposits and balances due to banking institutions	25	2,421,765	1,355,047
Deposits from customers	26	72,302,934	44,384,617
Current income tax	13	100,551	273,929
Other liabilities and accrued expenses*	27	1,357,021	1,137,930
Borrowings	28	4,171,343	5,392,811
Lease liabilities	29	723,119	763,204
Total liabilities		81,076,733	53,307,538
Equity			
Share capital	30	3,227,412	3,007,388
Share premium	30	2,654,170	2,359,541
Regulatory reserve	31(a)	878,420	703,561
Revaluation reserves	31(b)	56,621	50,034
Other reserves	31(c)	580,950	-
Retained earnings		2,327,279	773,609
Total equity		9,724,852	6,894,133
Total liabilities and equity		90,801,585	60,201,671

*Refer to Note 37 for Restatement due to change in subsidiary accounting policy.

The financial statements on pages 22 to 112 were approved by the Board of Directors on 6 March 2026 and were signed on its behalf by:

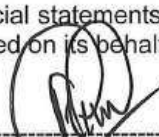

Chege Thumbi
Chief Executive Officer


James Macharia
Chairman

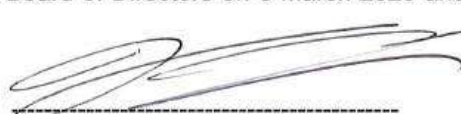
Bank statement of financial position

	Notes	2025 Shs'000	2024 Shs'000
Assets			
Cash and balances with the Central Bank of Kenya	15	8,350,590	4,199,636
Financial assets at FVTPL	16	198,220	3,175,274
Financial assets at FVOCI	17	4,548,058	3,863,189
Financial assets at amortized cost	17	44,487,450	19,843,840
Investment in subsidiary	35	1,000	1,000
Deposits and balances due from banking institutions	18	154,294	10,668
Loans and advances to customers	19	27,530,623	24,856,671
Other assets and prepayments	20	2,105,152	1,458,131
Property and equipment	21	834,564	576,206
Right-of-use assets	22	580,014	610,810
Intangible assets	23	332,396	234,503
Deferred income tax	24	1,472,955	1,190,282
Total assets		90,595,316	60,020,210
Liabilities			
Deposits and balances due to banking institutions	25	2,421,765	1,355,047
Deposits from customers	26	72,360,994	44,413,268
Current income tax	13	94,336	266,422
Other liabilities and accrued expenses	27	1,134,611	961,234
Borrowings	28	4,171,343	5,392,811
Lease liabilities	29	723,119	763,204
Total liabilities		80,906,168	53,151,986
Equity			
Share capital	30	3,227,412	3,007,388
Share premium	30	2,654,170	2,359,541
Regulatory reserve	31(a)	878,420	703,561
Revaluation reserves	31(b)	56,621	50,034
Other reserves	31(c)	580,950	-
Retained earnings		2,291,575	747,700
Total equity		9,689,148	6,868,224
Total liabilities and equity		90,595,316	60,020,210

The financial statements on pages 22 to 112 were approved by the Board of Directors on 6 March 2026 and were signed on its behalf by:



Chege Thumbi
Chief Executive Officer



James Macharia
Chairman

Consolidated statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Regulatory reserve Shs'000	Revaluation reserves Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 December 2024								
At start of year		2,198,501	1,277,355	181,790	50,034	-	1,008,029	4,715,709
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	-	287,351	287,351
Transfer of reserves	31(a)	-	-	521,771	-	-	(521,771)	-
Transactions with owners, recorded directly in equity:								
Issue of shares	30	808,887	1,082,186	-	-	-	-	1,891,073
At end of year		3,007,388	2,359,541	703,561	50,034	-	773,609	6,894,133
Year ended 31 December 2025								
At start of year		3,007,388	2,359,541	703,561	50,034	-	773,609	6,894,133
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	-	1,728,529	1,728,529
Gain on revaluation of freehold land and building	31(b)	-	-	-	7,750	-	-	7,750
Deferred income tax on revaluation of freehold land and building	31(b)	-	-	-	(1,163)	-	-	(1,163)
Transfer of reserves	31(a)	-	-	174,859	-	-	(174,859)	-
Transactions with owners, recorded directly in equity:								
Issue of shares	30	220,024	294,629	-	-	-	-	514,653
Share capital pending allotment	31(c)	-	-	-	-	580,950	-	580,950
At end of year		3,227,412	2,654,170	878,420	56,621	580,950	2,327,279	9,724,852

Bank statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Regulatory reserve Shs'000	Revaluation reserves Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 December 2024								
At start of year		2,198,501	1,277,355	181,790	50,034	-	996,150	4,703,830
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	-	273,321	273,321
Transfer of reserves	31(a)	-	-	521,771	-	-	(521,771)	-
Transactions with owners, recorded directly in equity:								
Issue of shares	30	808,887	1,082,186	-	-	-	-	1,891,073
At end of year		3,007,388	2,359,541	703,561	50,034	-	747,700	6,868,224
Year ended 31 December 2025								
At start of year		3,007,388	2,359,541	703,561	50,034	-	747,700	6,868,224
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	-	1,718,734	1,718,734
Gain on revaluation of freehold land and building	31(b)	-	-	-	7,750	-	-	7,750
Deferred income tax on revaluation of freehold land and building	31(b)	-	-	-	(1,163)	-	-	(1,163)
Transfer of reserves	31(a)	-	-	174,859	-	-	(174,859)	-
Transactions with owners, recorded directly in equity:								
Issue of shares	30	220,024	294,629	-	-	-	-	514,653
Share capital pending allotment	31(c)	-	-	-	-	580,950	-	580,950
At end of year		3,227,412	2,654,170	878,420	56,621	580,950	2,291,575	9,689,148

Consolidated statement of cash flows

	Notes	2025 Shs'000	2024 *Restated Shs'000
Cash flows from operating activities			
Cash generated from operations*	32(a)	4,391,852	3,654,455
Income tax paid	13	(939,946)	(359,762)
Net cash flows from operating activities*		3,451,906	3,294,693
Cash flows from investing activities			
Purchase of property and equipment	21	(421,527)	(170,037)
Purchase of intangible assets	23	(175,216)	(140,398)
Proceeds from sale of property and equipment		3,044	209
Net cash flows from investing activities		(593,699)	(310,226)
Cash flows from financing activities			
Proceeds from borrowings	28	-	250,000
Repayment of borrowings	28	(1,713,094)	(2,565,280)
Principal payments for lease liabilities	29	(216,957)	(221,232)
Rights issue - Additional share capital		1,095,603	1,891,073
Net cash flows from financing activities		(834,448)	(645,439)
Net increase in cash and cash equivalents		2,023,759	2,339,028
Cash and cash equivalents at start of year	32	6,445,071	4,106,043
Cash and cash equivalents at end of year	32(b)	8,468,830	6,445,071

*Refer to Note 36 for Restatement of presentation of cashflow on cash and cash equivalents.

Bank statement of cash flows

	Notes	2025	2024
		Shs'000	*Restated Shs'000
Cash flows from operating activities			
Cash generated from operations*	32(a)	4,334,451	3,628,367
Income tax paid	13	(882,654)	(333,785)
Net cash flows from operating activities*		3,451,797	3,294,582
Cash flows from investing activities			
Purchase of property and equipment	21	(421,418)	(169,928)
Purchase of intangible assets	23	(175,216)	(140,397)
Proceeds from sale of property and equipment		3,044	210
Net cash flows from investing activities		(593,590)	(310,115)
Cash flows from financing activities			
Proceeds from borrowings	28	-	250,000
Repayment of borrowings	28	(1,713,094)	(2,565,280)
Principal payments for lease liabilities	29	(216,957)	(221,232)
Rights issue - Additional share capital		1,095,603	1,891,073
Net cash flows from financing activities		(834,448)	(645,439)
Net increase in cash and cash equivalents*		2,023,759	2,339,028
Cash and cash equivalents at start of year		6,445,071	4,106,043
Cash and cash equivalents at end of year*		8,468,830	6,445,071

*Refer to Note 36 for Restatement of presentation of cashflow on cash and cash equivalents.

1 Corporate information

Sidian Bank Limited (the "Bank") and its subsidiary Sidian Bancassurance Intermediary Limited (the "Subsidiary") are incorporated and domiciled in Kenya and operate in Kenya. The registered address of the Bank and its subsidiary is as indicated on page 1.

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

Notes (continued)

2 Material accounting policies

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

(a) Compliance with IFRS Accounting Standards

The financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS Accounting Standards and the Companies Act, 2015. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following:

- Financial assets at fair value through profit or loss are measured at fair value.
- Financial assets at fair value through other comprehensive income are measured at fair value
- Freehold Land and buildings is measured at fair value; and
- The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses.

Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Group

The following standards, amendments and interpretations are effective for the first time for annual reporting periods ending on 31 December 2025 and have been applied by the Group:

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

The standard did not have material impact on the Bank's financial statements

Notes (continued)

2 Material accounting policies(continued)

(b) Basis of preparation (continued)

Changes in accounting policies and disclosures(continued)

(ii) Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group

Title	Effective date	Key requirements
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (early adoption is available) (Published May 2024)	These amendments: <ul style="list-style-type: none"> • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	Annual periods beginning on or after 1 January 2027, but can be early adopted subject to local endorsement where required. (Published November 2025)	These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if: <ul style="list-style-type: none"> • its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or • it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy. The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	Annual periods beginning on or after 1 January 2026, but can be early adopted subject to local endorsement where required. (Published December 2024)	These amendments change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as 'contracts referencing nature-dependent electricity'.

The standards above do not have material impact on the Group's financial statements.

Notes (continued)

2 Material accounting policies (continued)

(b) Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(ii) *Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group (continued)*

Title	Effective date	Key requirements
Amendment to IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'	Annual periods beginning on or after 1 January 2027. Earlier application is permitted. (Published May 2024 and amended in August 2025)	<p>This new standard and amendment works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.</p> <p>A subsidiary is eligible if:</p> <ul style="list-style-type: none"> • it does not have public accountability; and • it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. <p>These amendments help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024, specifically:</p> <ul style="list-style-type: none"> • IFRS 18 Presentation and Disclosure in Financial Statements; • Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7); • International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12); • Lack of Exchangeability (Amendments to IAS 21); and • Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). <p>The only subsidiary of the Group is the Bancassurance. The standards above do not have material impact on the Group's financial statements.</p>
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning or after 1 January 2027 with early adoption possible subject to local endorsement where required. (Published April 2024)	<p>This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:</p> <ul style="list-style-type: none"> • the structure of the statement of profit or loss; • required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and • enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. <p>The Bank is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements with the main impact expected on the statement of profit or loss categorisation of income and expenses, statement of cash flow presentation, and new disclosures on management-defined performance measures.</p>

Notes (continued)

2 Material accounting policies (continued)

(c) Basis of consolidation

(i) Subsidiaries

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

(ii) Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency translation

(i) Transactions and balances

Monetary items denominated in foreign currency are translated at the closing rate at the reporting date.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified at fair value through profit or loss, are included in other comprehensive income.

(e) Sale and re-purchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to Central Bank of Kenya, due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate.

Securities purchased from Central Bank of Kenya under agreements to resell ('reverse repos') are disclosed separately as they are purchased and are not negotiable/discounted during their tenure. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Notes (continued)

2 Material accounting policies (continued)

(f) Financial instruments

Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and, for financial assets, adjusted for any loss

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets – assets that are credit-impaired at initial recognition, the Group calculates the credit adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the profit or loss account.

Interest income and expense

Interest income and interest expense on interest bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount, except for:

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

Initial recognition and measurement

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

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

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

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Notes (continued)

2 Material accounting policies (continued)

(f) Financial instruments (continued)

Financial assets and liabilities (continued)

Financial assets

(i) Classification and subsequent measurement

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

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

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

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

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt instruments

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

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

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

Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, as measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance. Interest income from financial assets is included in "interest income" using the effective interest rate method.

Notes (continued)

2 Material accounting policies (continued)

(f) Financial instruments (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Fair value through profit or loss: assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within "Net trading income" in the period in which it arises. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets is held by the Group as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

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

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

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

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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.

Notes (continued)

2 Material accounting policies (continued)

(f) Financial instruments (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

(iii) Modifications of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans and advances to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan.

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

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

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

(iv) Derecognition other than on a modification

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

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

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
 - (ii) Is prohibited from selling or pledging the assets; and
 - (iii) Has an obligation to remit any cash it collects from assets without material delays.
- (iv) Derecognition other than on a modification.

Notes (continued)

2 Material accounting policies (continued)

(f) Financial instruments (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

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

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

Financial Liabilities

The Group's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

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

(ii) Derecognition of financial liabilities

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

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

Notes (continued)

2 Material accounting policies (continued)

(f) Financial instruments (continued)

Financial assets and liabilities (continued)

Financial Liabilities (continued)

(ii) Derecognition of financial liabilities (continued)

Offsetting of financial instruments

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

(g) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument, other than for staff facilities.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan to the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Funds restricted for a period of more than three months on origination and cash reserve deposits with the Central Bank of Kenya are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Notes (continued)

2 Material accounting policies (continued)

(i) Property and equipment

Land and buildings comprise mainly branches and offices. All equipment used by the Group is stated at historical cost less depreciation and at revalued amount for freehold land and buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Freehold land is not depreciated. Depreciation is calculated on the straight-line basis to allocate their cost less their residual values over their estimated useful lives, as follows;

Buildings	40 years
Leasehold improvements	10 years
Furniture and Fittings	8 years
Computer Equipment & Computer Software	5 years
Motor vehicles	4 years
Machinery & Office Equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The Group assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Group estimates the recoverable amount of the relevant assets. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'operating expenses' in profit or loss.

(j) Intangible assets – software

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

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Notes (continued)

2 Material accounting policies (continued)

(k) Impairment of non – financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Employee benefits

Retirement benefit obligations

The Group and all its employees contribute to a defined contribution scheme and also to the National Social Security Fund, which is a defined contribution scheme. A defined contribution scheme is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contribution to the defined contribution scheme is charged to profit or loss in the year in which it falls due. The Group has no further obligations once the contribution is paid.

(m) Income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Dividend payable

Dividends on ordinary shares are charged to equity in the period in which they are declared.

Notes (continued)

2 Material accounting policies (continued)

(o) Share capital

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

(p) Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Other fee and commission income - including account servicing fees, investment management fees, sales commission, placement fees and syndication fees is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(q) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(r) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign currency exchange rate risks. Derivatives solely comprise currency forward exchange contracts. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition of gains or losses in the profit or loss will depend on the nature of the hedge relationship.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(s) Accounting for leases

The Group assesses whether a contract is or contains a lease based on the definition of a lease, as required by IFRS 16.

The Group as lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. Amounts due from lessees under leases are recorded as receivables at the amount of the Group's net investment in the leases. Income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

The Group leases many assets including property, motor vehicles and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

Notes (continued)

2 Material accounting policies (continued)

(s) Accounting for leases (continued)

The Group as lessee (continued)

The right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives,
- Any initial direct costs incurred by the lessee
- Any cost to dismantle

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over period of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- Fixed payments, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments are not included in the initial measurement of the lease liability and are expensed.

The lease payments are discounted using the Group's incremental borrowing rate. The incremental borrowing rate is determined as the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease term determined by the Group comprises:

- Non-cancellable period of lease contracts,
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Group measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect lease payments made, and
- Re-measuring the carrying amount to reflect any reassessment or lease modifications.

3 Critical accounting estimates and judgements

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

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. This note provides an overview of the areas that involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(i) Measurement of expected credit loss allowance

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

Several significant judgements are also required in applying the accounting requirement for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

(ii) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

As 31 December 2025, there were financial instruments measured at fair value using quoted prices and level 3 inputs as detailed in note 4 (d).

(iii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

(iv) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(v) Changes in subsidiary accounting policy

During the year, the subsidiary Sidian Bancassurance Intermediary Limited reassessed the presentation of commission-related balances arising from its intermediary activities. Historically, commissions due from insurers were presented as commissions receivable, while the corresponding obligations were recognised under trade payables. Management concluded that this presentation did not appropriately reflect the substance of the transactions, as both balances arise from contracts within the scope of *IFRS 9 – Financial Instruments* and form part of the entity's normal trading activities.

Effective 1 January 2025, the Company revised its accounting policy to present commissions due from insurers within trade receivables, with the related obligations recognised within trade payables, reflecting their nature as balances arising from ordinary trading operations.

This change has been accounted for as a voluntary change in accounting policy in accordance with *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*, and has been applied retrospectively to provide more reliable and relevant information. Accordingly, comparative figures have been restated where necessary.

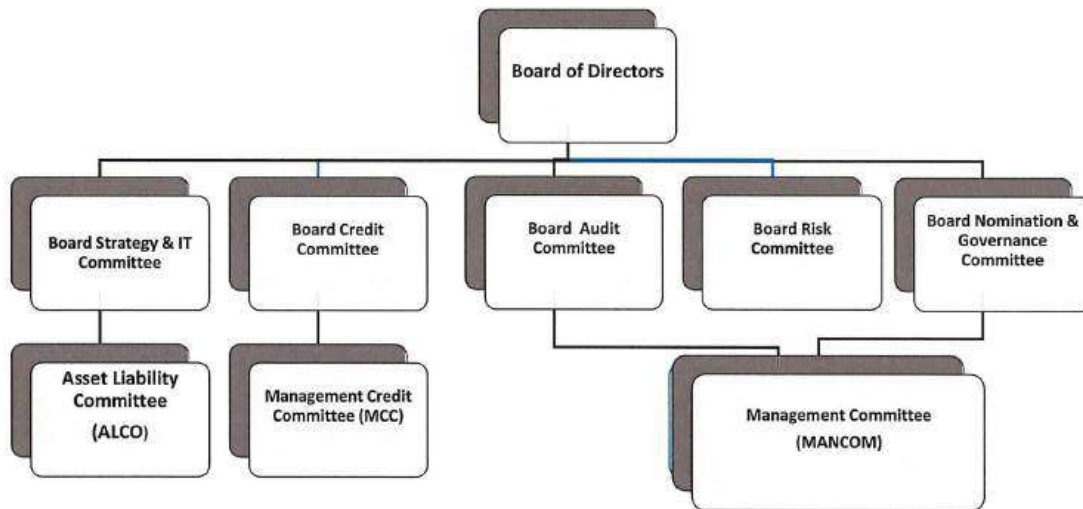
As a result, trade and other receivables and trade and other payables for the Group have been restated. Further details are disclosed in Note 37 (Restatement due to change in subsidiary accounting policy). The Group's statement of cash flows has also been restated retrospectively to reflect the revised presentation of trade receivables and trade payables within changes in working capital.

Notes (continued)

4 Financial risk management

This section provides an overview of the Group’s approach to risk management and a description of the nature and extent of risks. The Group’s activities expose it to a variety of financial risks. The Group’s overall risk management programme focuses on the volatility of financial markets and seeks to minimise possible adverse effects on the Group’s financial performance and optimize shareholder value by achieving an appropriate trade-off between risk and returns. Risk is an integral part of the banking business and the Group aims to. The Group incurs its major risk exposure from extending credit to customers through lending operations. In addition to credit risk, the Group is also exposed to other risks such as liquidity and market risk among other risks that are inherent in the product range, sector concentration and geographical coverage of the Group. The Group has adopted an Enterprise Risk Management Framework which sets out the manner in which the Group conducts its business in line with the Board approved Strategy, Risk Appetite, Risk Tolerance, Regulatory Guidelines and International Best Practices.

Risk Governance Structure



Key roles and responsibilities regarding risk management are summarized below;

Level	Role
Board of Directors	<p>The primary role of the Board is to act as the shareholders representatives in all aspects and to govern the Group. Secondly, it is to ensure shareholders performance expectations, CBK’s regulatory requirements and stakeholders’ expectations are met and or fulfilled.</p> <p>The board has overall responsibility for the bank, including approving and overseeing the implementation of the bank’s strategic objectives, risk strategy, corporate governance and corporate values. The board is also responsible for providing oversight of senior management. The Board is responsible to the shareholders, the Central Bank and shareholders for the fulfilment of its role.</p> <p>The BoD has delegated its authority and powers regarding the oversight and control of risk issues to a Board Risk Committee (BRC).</p>

Notes (continued)

4 Financial risk management (continued)

Key roles and responsibilities regarding risk management are summarized below;

Level	Role
Board Credit Committee (BCC)	<p>Board Credit Committee (BCC) has the responsibility of approving and reviewing the credit risk strategy, credit risk Management policy of the bank, setting the Bank's Risk Appetite and approving key credit risk policies of the Bank.</p> <p>It is accountable to the Board of Directors.</p>
Board Audit Committee (BAC)	<p>The primary objective of the BAC is to ensure the integrity of the Bank's financial reporting, the effectiveness of internal controls, and the adequacy of checks and balances within the institution. In this regard, the Committee reviews the Bank's financial statements, monitors the internal control framework, and recommends appropriate remedial actions on a regular basis, meeting at least quarterly</p> <p>It is accountable to the Board of Directors.</p>
Board Risk Committee (BRC)	<p>The BRC assists the Board in discharging its responsibilities relating to corporate accountability and the identification, management, assurance, and reporting of material risks. In this regard, the Committee oversees the development and implementation of risk policies, strategies, and frameworks designed to identify, monitor, and mitigate the various risks to which the Group is exposed in the course of its operations.</p> <p>It is accountable to the Board of Directors.</p>
Board Strategy & Information Technology Committee.	<p>The Group Board Strategy & Information Technology Committee, manages liquidity, interest rates, and maturity gaps. It monitors foreign currency exposure, recommends and implements financial risk management policies, and ensures conduct risk alignment. It also monitors performance against budget and strategic plans, ensuring effective financial initiatives. It oversees capital compliance, reviews investments, and formulates strategies.</p> <p>It also provides governance over the Group's information and communication technology (ICT) strategy including digital transformation initiatives, major ICT investments, system resilience, and alignment of technology initiatives with the Group's strategic objectives. The Committee oversees technology-related risks, including data governance, and business continuity related to ICT systems.</p> <p>It is accountable to the Board of Directors.</p>

Notes (continued)

4 Financial risk management (continued)

Key roles and responsibilities regarding risk management are summarized below;

Level	Role
Management ALCO Committee	Recommends to Board ALCO committee on assessment, management and mitigation of liquidity, capital and market risks in the Group. It implements Board ALCO committee decisions.
Management Credit Committee	To assist the board credit committee in reviewing and overseeing the overall lending of the Group. It implements Board Credit committee decisions.
Management Committee	Oversees execution of the strategy of the Group and provides leadership and decision-making abilities in implementation of the mission and vision of the Group. It implements Board policies and decisions and conduct bank business within the board approved limits, standards and norms,
Internal Audit Department	Provide independent oversight of the Group's internal control system, ensure checks and balances within the Group are in place and to report and recommend appropriate remedial action to the Board Audit Risk Committee.
Enterprise Risk Management (ERM) Department	To ensure quality, integrity and reliability of the Group's risk management and compliance framework. To report and recommend appropriate risk control and mitigation measures and assists the Board aAdit Risk Committee in the discharge of its duties relating to of management, assurance and reporting of risks.

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various committees, which are responsible for developing and monitoring the Group's risk management policies in their specified areas. All committees report regularly to the Board on their activities. The Bank has in place a Board Charter, from which the Board draws its powers, roles and responsibilities. The role of the Board and Board Committees for risk management are further detailed in the Terms of Reference (TOR).

The Group's risk management policies and risk appetite statements are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Notes (continued)

4 Financial risk management (continued)

The Group has implemented a “three line of defence” model as follows. Each of these three “lines” plays a distinct role within the Bank’s wider risk governance framework.

- Line management is the first line of defense in risk management and control. The Department Heads in Business, HR, Credit, IT and Operations; own and manage risks and the related controls in their respective departments. Management is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations. Management should be involved in the activities and possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.
- Enterprise Risk Management (ERM) Department provides the second line of defense; by facilitate and monitor the implementation of risk management practices, a compliance function that monitors specific risks on non-compliance with applicable laws and regulations including Anti-Money Laundering/ Counter Terrorism Financing/ Counter Proliferation Financing (AML/CFT/ CPF) risks, and reporting on the level of risk to the Board Risk Committee.
- Internal Audit is the third line of defense that provides independent and objective assurance to Management and the Board on the effectiveness of both the first and second lines in their management of risks and controls. and reporting on the level of risk to the Board Audit Committee.

(a) Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor’s failure to meet the terms of any contract with the bank or if an obligor otherwise fails to fulfil their obligations as they fall due. Credit risk arises mainly from loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities (“trading exposures”), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single most significant risk for the Group’s business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and controls are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

The Credit Risk Management process of the Group entails assessment of the credit risk profile of the borrower or counterparty based on an analysis of the borrower’s or counterparty’s financial position. All credit exposures, whether on or off-balance sheet are be assessed and the underlying credit risk identified, measured, approved and reported.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

Sidian Bank credit risk management is governed within the credit policy and guidelines approved by the Board, including guidelines issued by regulators and applicable laws. This Credit Policy provides a framework under which the Bank conducts its credit risk management to achieve profitable growth and quality loan book. The Credit policy documents the Bank's credit standards and credit risk appetite with an objective to:

- Ensure good quality Credit risk portfolio that is profitable to the Bank.
- Provide a framework for sound credit processes of initiation, structuring, appraisal, approval, documentation, disbursement, monitoring, collections and recoveries.
- Offer benchmarks and consistency to all actors in the credit process within which acceptable credit risk will be taken.
- Ensure compliance with legal, regulatory requirements as well as tenets of good lending.

The Group controls the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a group of borrowers. Such risks are monitored on a continuous basis and are subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by region are approved quarterly by the Board of Directors.

The loan book is monitored on a continuous basis. This enables early identification of adverse trends, weaknesses and deterioration and equips management with information required for corrective decision making. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees. Credit risks are spread over a diversity of microfinance, personal and commercial customers. The exposure to any one borrower is further restricted by sub-limits covering exposures recognized and not recognized in the statement of financial position. Defined Roles and Responsibilities provides clarity, alignment, and expectations to all officers involved in the credit delivery chain and enable effective communications between the various levels.

(i) Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure at Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

(ii) Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, debt service ability, credit history, turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the credit officers to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for other types of portfolio held by the Group:

(i) Debt Securities and Placements with Banks

For debt securities and placements with banks, external rating agency credit grades will be used. These published grades will be continuously monitored and updated. The PDs associated with each grade will be determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group has not yet established internal models for measurement of expected credit loss (ECL) on non-loan financial instruments such as investment securities, interbank balances and other financial assets. However, at 31 December 2025, the Group estimated the ECL for these financial assets using external data as proxy and concluded on the ECL to be recognised on these instruments.

(ii) Risk based pricing of Credit

The Banks credit pricing approach complies with the risk-based credit pricing model guideline issued by CBK and as approved by the Board, which factors the Bank's cost of funds, cost of operations, credit risk premium and Shareholder return. The Bank has implemented differential credit pricing, based on a customer's credit rating, in line with prevailing prudential guidelines. The risk-based pricing methodology is aligned to the credit risk grading and embedded to the loan screening processes.

(iii) Expected credit loss measurement

The group applies a "three-stage" model for impairment based on changes in credit quality as summarised below:

- A financial instrument that is not credit impaired at initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3."
- Financial instruments in Stage 1 and Stage 2 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3)

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

(ii) Credit risk grading (continued)

(iii) Expected credit loss measurement (continued)

The key judgements and assumptions adopted by the Group in addressing the requirement of the standard are as follows;

(a) Significant Increase in credit risk (SICR)

The Group's decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date.

The Group considers financial instruments to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

The quantitative criteria is based on relative and not absolute changes in credit quality driven by ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The Group considers if there has been an increase in the customer's rating, the facility is deemed to have a significant increase in credit risk. The standard also sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This 30 days past due simplification permits the use of delinquency or past due status to identify a significant increase in credit risk. In adherence to the standard, the Group shall at every reporting period assesses the loan portfolio individually for possible breach of the 30 days past due SICR criterion. Where there is a breach and the loan has not been transferred to stage 2, the Group shall rebut the 30 days rebuttable presumption based on availability of supportable and reasonable information to justify that credit quality has not deteriorated significantly since initial recognition.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

(ii) Credit risk grading (continued)

(iii) Expected credit loss measurement (continued)

(a) Significant Increase in credit risk (SICR) (continued)

The Group's quantitative credit grading, as compared to CBK's prudential guidelines, into five prudential guidelines categories as follows:

IFRS 9 credit staging	CBK PG/04 Guidelines	Days past due
1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
2	Watch	31 to 90 days overdue
3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

Qualitative Criteria

In addition to the above, the Group considers other qualitative factors in determining the classification above, and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to the following:

1. Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
2. Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g. other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
3. Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations
4. Significant changes in the value of collateral which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default.
5. Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
6. Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

Backstop

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

(ii) Credit risk grading (continued)

(iii) Expected credit loss measurement (continued)

(b) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy;
- The borrower is in breach of financial covenants;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Quantitative criteria

The Group considers a facility that is more than 90 days past due to be in default.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

c) Measuring expected credit loss – inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows;

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

(ii) Credit risk grading (continued)

(iii) *Expected credit loss measurement (continued)*

c) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

The lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.
- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

d) Forward-looking information incorporated in the ECL models

The assessment of both SICR and the calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Forecasts of the base economic scenario and the possible scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

(ii) Credit risk grading (continued)

(iii) Expected credit loss measurement (continued)

d) Forward-looking information incorporated in the ECL models (continued)

Economic variable assumptions

The most significant assumptions affecting the ECL allowance are as follows. The scenarios "base", "upside" and "downside" were used for all portfolios.

	All segments		
	Base	Upside	Downside
USD Exchange rate	129.0	141.9	116.1
Nominal GDP	5.1%	5.5%	4.7%
Interest rates (lending rates)	14.3%	15.8%	12.8%
Inflation	4.5%	4.5%	4.5%

The weightings assigned to each economic scenario at 1 January 2025 and 31 December 2025 were as follows:

	Base	Upside	Downside
Weightings	50%	30%	20%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on ECL therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Sensitivity analysis

Set out below are the changes to the ECL at 31 December 2025 that would result from reasonably possible changes in the Group's probability weightings from actual assumptions used in the Group's economic variable assumptions:

Impact of 10% increase/decrease in base case probability weighting

	Base	Upside	Downside	ECL Change'000
Weightings (+10%)	60%	40%	30%	(1,203,389)
Weightings (-10%)	40%	20%	10%	1,203,389

Grouping of instruments for losses measured on a collective basis

For expected credit losses provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

e) Credit risk exposure

Maximum exposure to credit risk before collateral held

The below tables represent a worst-case scenario of credit risk exposure to the Group and Bank at 31 December 2025 and 31 December 2024 without taking account of any collateral held or other credit enhancement attached. For assets recognised in the statement of financial position, the exposures set out above are based on carrying amounts as reported in the statement of financial position before adjusting for expected credit loss.

Group	Notes	2025 Shs'000	%	2024 Shs'000	%
<u>Items recognised in the statement of financial position:</u>					
<i>Financial instruments subject to impairment</i>					
Balances with Central Bank of Kenya	15	7,159,561	6.2	3,316,755	4.0
Financial assets at FVOCI	17	4,552,732	3.9	3,863,189	4.6
Financial assets at amortized cost	17	44,543,415	38.4	19,853,983	23.9
Deposits with other banks	18	154,794	0.1	11,668	0.0
Loans and advances to customers	19	31,542,633	27.2	28,100,224	33.8
Other assets	20	2,118,841	1.8	1,411,232	1.7
Gross carrying amount		90,071,976	77.6	56,557,051	68.0
Loss allowance		(4,091,067)	(3.5)	(3,271,125)	(3.9)
Net carrying amount		85,980,909	74.1	53,285,926	64.0
<i>Financial instrument not subject to impairment</i>					
Financial assets at FVTPL	16	198,220	0.2	3,175,274	3.8
<u>Items not recognised in the statement of financial position:</u>					
Acceptances and letters of credit	34	205,536	0.2	1,742,503	2.1
Guarantees	34	29,705,583	25.6	24,995,690	30.0
		116,090,248	100	83,119,393	100

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

e) Credit risk exposure (continued)

Maximum exposure to credit risk before collateral held (continued)

Bank	Notes	2025 Shs'000	%	2024 Shs'000	%
<u>Items recognised in the statement of financial position:</u>					
<i>Financial instrument subject to impairment</i>					
Balances with Central Bank of Kenya	15	7,159,561	6.2	3,316,755	4.0
Financial assets at FVOCI	17	4,552,732	3.9	3,863,189	4.7
Financial assets at amortized cost	17	44,533,171	38.4	19,843,840	23.9
Placements with other banks	18	154,794	0.1	11,668	0.0
Loans and advances to customers	19	31,542,633	27.2	28,100,224	33.8
Other assets	20	1,924,908	1.7	1,234,948	1.5
Gross carrying amount		89,867,799	77.5	56,370,624	67.9
Loss allowance		(4,084,855)	(3.5)	(3,260,697)	(3.9)
Net carrying amount		85,782,944	74.0	53,109,927	64.0
<i>Financial instrument not subject to impairment</i>					
Financial assets at FVTPL	16	198,220	0.2	3,175,274	3.8
<u>Items not recognised in the statement of financial position:</u>					
Acceptances and letters of credit	34	205,536	0.2	1,742,503	2.1
Guarantees	34	29,705,583	25.6	24,995,690	30.1
		115,892,283	100	83,023,394	100

Loans and advances to customers are secured by collateral in the form of charges over cash, government securities land and building and/or plant and machinery or corporate guarantees. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

e) Credit risk exposure (continued)

Maximum exposure to credit risk before collateral held (continued)

Loans and advances – financial instruments subject to impairment

The breakdown of loans and advances is summarised below:

Group and Bank 2025	Stage 1 12-month ECL Shs' 000	Stage 2 Lifetime ECL Shs' 000	Stage 3 Lifetime ECL Shs' 000	Total Shs' 000
Individually impaired / non performing facilities				
Grade 3: Substandard	-	-	520,993	520,993
Grade 4: Doubtful	-	-	6,794,699	6,794,699
Grade 5: Loss	-	-	919,151	919,151
Gross amount			8,234,843	8,234,843
Credit impairment losses	-	-	3,593,336	3,593,336
Carrying amount	-	-	4,641,507	4,641,507
Collectively impaired				
Grade 1: Normal	21,888,354	-	-	21,888,354
Grade 2: Watch	-	1,419,436	-	1,419,436
Gross amount	21,888,354	1,419,436	-	23,307,790
Credit impairment losses	371,373	47,301	-	418,674
Carrying amount	21,516,981	1,372,135	-	22,889,116
Total carrying amount	21,516,981	1,372,135	4,641,507	27,530,623
2024				
Individually impaired / non-performing facilities				
Grade 3: Substandard	-	-	664,650	664,650
Grade 4: Doubtful	-	-	2,738,250	2,738,250
Grade 5: Loss	-	-	4,306,067	4,306,067
Gross amount	-	-	7,708,967	7,708,967
Credit impairment losses	-	-	3,053,529	3,053,529
Carrying amount	-	-	4,655,438	4,655,438
Collectively impaired				
Grade 1: Normal	17,904,579	-	-	17,904,579
Grade 2: Watch	-	2,486,678	-	2,486,678
Gross amount	17,904,579	2,486,678	-	20,391,257
Credit impairment losses	120,403	69,621	-	190,024
Carrying amount	17,784,176	2,417,057	-	20,201,233
Total carrying amount	17,784,176	2,417,057	4,655,438	24,856,671

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

e) Credit risk exposure (continued)

Maximum exposure to credit risk before collateral held (continued)

Other financial assets – financial instruments subject to impairment

The other financial assets mainly relate to government securities and balances held with Central Bank and other financial institutions that are highly rated and therefore considered low risk. None of these were past due. The summarized information on the financial instrument is tabulated below:

Group	2025	Stage	ECL	2024	Stage	ECL
	Shs '000		Shs '000	Shs '000		Shs '000
Balances with Central bank	7,159,561	1	-	3,316,755	1	-
Investment securities	49,045,752	1	50,405	23,717,172	1	-
Deposits with other banks	154,294	1	500	10,668	1	1,000
Other receivables	2,118,841	1	28,153	1,411,232	1	26,572
	<u>58,478,448</u>		<u>79,058</u>	<u>28,455,827</u>		<u>27,572</u>

Bank	2025	Stage	ECL	2024	Stage	ECL
	Shs '000		Shs '000	Shs '000		Shs '000
Balances with Central bank	7,159,561	1	-	3,316,755	1	-
Investment securities	49,035,508	1	50,395	23,707,029	1	-
Deposits with other banks	154,294	1	500	10,668	1	1,000
Other receivables	1,924,908	1	21,950	1,234,948	1	16,144
	<u>58,274,271</u>		<u>72,845</u>	<u>28,269,400</u>		<u>17,144</u>

Other financial assets – financial instruments not subject to impairment

	Group and Bank	
	2025	2024
	Shs '000	Shs '000
Financial assets at fair value through profit or loss	198,220	3,175,274

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

f) Collateral and other credit enhancements

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the borrower's assets, cash cover in cash margin account, legal charge over government securities, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Bank guarantees.
Personal loans	Checkoffs and cash backed collateral
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the borrower's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Bank guarantees.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances. The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group in the period.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed every 5 years.

Financial effect of collateral

At 31 December 2025, 68% (2024: 100%) of the impaired loans (net of suspended interest) were covered by collateral.

The Group closely monitors collateral held for financial assets considered to be credit impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Individually assessed impaired loans and advances:		
Micro loans	1,051,577	1,254,110
SME loans	7,183,266	6,454,857
	8,234,843	7,708,967
Fair value of collateral held	5,558,074	7,971,200
Collateral in realization process	119,875	229,800

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

f) Collateral and other credit enhancements (continued)

Lending limits

The Group maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

g) Impairment and provisioning policies

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

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

The following tables explain the changes in the loss allowance in the year due to these factors:

Group and Bank	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
At 1 January 2025	120,403	69,621	3,053,529	3,243,553
Net staging transfers	(237,191)	(109,392)	346,583	-
New financial assets originated or purchased	497,487	101,679	1,343,255	1,942,421
Financial assets derecognized	(9,325)	(14,607)	525,110	501,178
Net charge to profit or loss in the year	250,971	(22,320)	2,214,948	2,443,599
Interest on stage 3 loans	-	-	(579,360)	(579,360)
Write-offs	-	-	(1,578,600)	(1,578,600)
Interest in suspense	-	-	482,818	482,818
At 31 December 2025	371,374	47,301	3,593,335	4,012,010

Group and Bank	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
At 1 January 2024	79,336	868,051	948,550	1,895,937
Net staging transfers	(239,196)	(436,868)	676,064	-
New financial assets originated or purchased	23,312	40,042	1,007,113	1,070,467
Financial assets derecognized	256,951	(401,604)	377,146	232,493
Net charge to profit or loss in the year	41,067	(798,430)	2,060,323	1,302,960
Interest on Stage 3 loans	-	-	(431,826)	(431,826)
Write-offs	-	-	(22,335)	(22,335)
Interest in suspense	-	-	498,817	498,817
At 31 December 2024	120,403	69,621	3,053,529	3,243,553

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

g) Impairment and provisioning policies (continued)

The following table below shows the movement in gross carrying amount of loans and advances to help explain the changes in the loss allowance for the same portfolio:

Group and Bank	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
At 1 January 2025	17,904,579	2,486,678	7,708,967	28,100,224
Net staging transfers	(1,560,784)	(192,488)	1,753,272	-
Financial assets de-recognized	(3,682,790)	(673,075)	(1,659,628)	(6,015,493)
New financial assets originated	9,227,350	(201,679)	2,010,832	11,036,503
Write-offs	-	-	(1,578,601)	(1,578,601)
At 31 December 2025	21,888,355	1,419,436	8,234,842	31,542,633

Group and Bank	Stage 1 12-month ECL Shs '000	Stage 2 Lifetime ECL Shs '000	Stage 3 Lifetime ECL Shs '000	Total Shs '000
At 1 January 2024	17,216,805	3,416,676	4,484,611	25,118,092
Net staging transfers	(2,011,498)	(700,963)	2,712,461	-
Financial assets derecognized	(3,023,741)	(325,239)	(66,671)	(3,415,651)
New financial assets originated	5,723,013	96,204	600,901	6,420,118
Write-offs	-	-	(22,335)	(22,335)
At 31 December 2024	17,904,579	2,486,678	7,708,967	28,100,224

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

h) Concentrations of risks of financial assets with credit exposure

To avoid excessive concentration in any one of several industrial sectors and, by extension, the overall safety of the Group and Bank, the lending portfolio is monitored and managed at all times. Equally, care is taken to avoid over-exposure to any one borrower. There are restrictions to the maximum exposure permitted with respect to any one name based on capital and these restrictions which are strictly adhered to, are laid down by regulation. Any changes made to the portfolio management plan are subject to the approval of the Board of Directors. The economic sector risk concentrations within the customer loans and advances portfolios at the end of the year were as follows:

	Group and Bank	
	2025	2024
	%	%
Agriculture	2.6	6.1
Manufacturing	15.5	8.6
Building and construction	10.9	13.6
Mining and Quarrying	0.1	0.2
Energy and water	0.7	1.8
Trade	32.6	27.7
Tourism, restaurant and Hotels	1.2	1.5
Transport and Communication	6.9	6.5
Real Estate	3.0	7.2
Financial Services	4.7	7.8
Personal Household	21.8	19.0
	100	100

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery methods foreclosing on collateral and the value of the collateral is such that there is no reasonable expectations of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year was Shs 1,579 million (2024: Shs 22 million). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of recovering in full.

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended repayment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Notes (continued)

4 Financial risk management (continued)

a) Credit risk (continued)

h) Concentrations of risks of financial assets with credit exposure (continued)

Modification of financial assets (continued)

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets at 31 December 2025 was Shs 307.1 million (2024: Shs 167.2 million).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by a separate team in the Group's Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The Management Asset and Liability Committee's (ALCO) role in liquidity is to manage the day to day treasury operations, ascertain adequacy of funds to meet the bank's obligations, advises on pricing of assets and liabilities, prepares cash flow projections to ensure the bank's liquidity is within set limits by CBK, monitors maturities of assets and liabilities and finally advises on placements and liquidations as appropriate. The Group also ensures the CBK cash and liquidity ratios are maintained.

The tables below represent cash flows payable by the Group under non-derivative financial assets and liabilities by remaining periods to maturity at the reporting date.

Notes (continued)

4 Financial risk management (continued)

b) Liquidity risk (continued)

Group

Expected maturity dates

2025

Financial assets

	On demand Shs'000	1 - 3 months Shs'000	3 – 12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Cash and CBK balances	8,350,590	-	-	-	-	8,350,590
Deposits with other banks	154,294	-	-	-	-	154,294
Financial assets at FVOCI and at amortized cost	-	504,958	8,847,206	10,212,958	52,612,761	72,177,883
Financial assets at FVTPL	-	202,203	-	-	-	202,203
Loans and advances to customers	-	7,393,071	3,578,491	19,845,090	4,483,671	35,300,323
Other assets	2,118,841	-	-	-	-	2,118,841

Total financial assets

10,623,725	8,100,232	12,425,697	30,058,048	57,096,432	118,304,134
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Financial liabilities

Deposits due to banks	-	2,527,744	-	-	-	2,527,744
Deposits from customers	35,528,078	19,648,833	17,256,527	797,833	217,325	73,448,596
Other liabilities and accrued expenses	460,899	-	-	-	-	460,899
Borrowings	4,167,644	3,699	-	-	-	4,171,343
Lease Liabilities	-	-	100,722	622,397	-	723,119

Total financial liabilities

40,156,621	22,180,276	17,357,249	1,420,230	217,325	81,331,701
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Liquidity gap

(29,532,896)	(14,080,044)	(4,931,552)	28,637,818	56,879,107	36,792,433
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Financial guarantees

-	3,802,989	20,808,545	5,093,723	205,862	29,911,119
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Notes (continued)

4 Financial risk management (continued)

b) Liquidity risk (continued)

Group

Expected maturity dates	On demand Shs'000	1 - 3 months Shs'000	3 - 12 months Shs'000	1 - 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
2024						
Financial assets						
Cash and CBK balances	4,199,636	-	-	-	-	4,199,636
Deposits with other banks	10,668	-	-	-	-	10,668
Financial assets at FVOCI and at amortized cost	-	2,280,360	4,409,749	11,992,701	13,870,618	32,553,428
Financial assets at FVTPL	-	50,026	905,369	1,730,881	1,312,994	3,999,270
Loans and advances to customers	-	4,866,478	3,709,395	22,634,208	2,381,421	33,591,502
Other assets	1,411,232	-	-	-	-	1,411,232
Total financial assets	5,621,536	7,196,864	9,024,513	36,357,790	17,565,033	75,765,736
Financial liabilities						
Deposits due to banks	-	1,355,047	-	-	-	1,355,047
Deposits from customers	20,326,976	14,187,978	9,016,217	1,745,163	216,450	45,492,784
Other liabilities and accrued expenses	421,065	-	-	-	-	421,065
Borrowings	4,264,582	-	116,031	1,310,831	-	5,691,444
Lease liabilities	-	-	128,927	634,277	-	763,204
Total financial liabilities	25,012,623	15,543,025	9,261,175	3,690,271	216,450	53,723,544
Liquidity gap	(19,391,087)	(8,346,161)	(236,662)	32,667,519	17,348,583	22,042,192
Financial guarantees	-	3,290,834	17,840,384	5,581,975	25,000	26,738,193

Notes (continued)

4 Financial risk management (continued)

b) Liquidity risk (continued)

Bank Expected maturity dates	On demand	1 - 3 months	3 – 12 Months	1 - 5 years	Over 5 years	Total
2025	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets						
Cash and CBK balances	8,350,590	-	-	-	-	8,350,590
Deposits with other banks	154,294	-	-	-	-	154,294
Financial assets at FVOCI and at amortized cost	-	504,958	8,847,206	10,199,022	52,612,761	72,163,947
Financial assets at FVTPL	-	202,203	-	-	-	202,203
Loans and advances to customers	-	7,393,071	3,578,491	19,845,090	4,483,671	35,300,323
Other assets	1,924,908	-	-	-	-	1,924,908
Total financial assets	10,429,792	8,100,232	12,425,697	30,044,112	57,096,432	118,096,265
Financial liabilities						
Deposits due to banks	-	2,527,744	-	-	-	2,527,744
Deposits from customers	35,586,138	19,648,833	17,256,527	797,833	217,325	73,506,656
Other liabilities and accrued expenses	238,489	-	-	-	-	238,489
Borrowings	4,167,644	3,699	-	-	-	4,171,343
Lease liabilities	-	-	100,722	622,397	-	723,119
Total financial liabilities	39,992,271	22,180,276	17,357,249	1,420,230	217,325	81,167,351
Liquidity gap	(29,562,479)	(14,080,044)	(4,931,552)	28,623,882	56,879,107	36,928,914
Financial guarantees	-	3,802,989	20,808,545	5,093,723	205,862	29,911,119

Notes (continued)

4 Financial risk management (continued)

Liquidity risk (continued)

Bank Expected maturity dates	On demand	1 - 3 months	3 – 12 Months	1 - 5 years	Over 5 years	Total
2024	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets						
Cash and CBK balances	4,199,636	-	-	-	-	4,199,636
Deposits with other banks	10,668	-	-	-	-	10,668
Financial assets at FVOCI and at amortized cost	-	2,280,360	4,409,749	11,992,701	13,870,618	32,553,428
Financial assets at FVTPL	-	50,026	905,369	1,730,881	1,312,994	3,999,270
Loans and advances	-	4,866,478	3,709,395	22,634,208	2,381,421	33,591,502
Other assets	1,234,948	-	-	-	-	1,234,948
Total financial assets	5,486,873	7,196,864	9,024,513	36,357,790	17,565,033	75,589,452
Financial liabilities						
Deposits due to banks	-	1,355,047	-	-	-	1,355,047
Deposits from customers	20,355,627	14,187,978	9,016,217	1,745,163	216,450	45,521,435
Other liabilities and accrued expenses	244,369	-	-	-	-	244,369
Borrowings	4,264,582	-	116,031	1,310,831	-	5,691,444
Lease Liabilities	-	-	128,927	634,277	-	763,204
Total financial liabilities	24,864,578	15,543,025	9,261,175	3,690,271	216,450	53,575,499
Liquidity gap	(19,419,326)	(8,346,161)	(236,662)	32,667,519	17,348,583	22,013,953
Financial guarantees	-	3,290,834	17,840,384	5,581,975	25,000	26,738,193

Notes (continued)

4 Financial risk management (continued)

c) Market risk

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with the bank's mission.

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce the Group's income or capital. A principal part of the Group's management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling) and the sensitivity of future earnings and capital to varying foreign exchange rates. The Group aims, through its management of market risk, to mitigate the impact of prospective interest rate movements and foreign exchange fluctuations which could reduce future earnings and capital. The Group monitors foreign exposure positions, ensures there is adequate foreign currency to meet obligations as well as takes corrective action if the exposure exceeds the set limits.

For simulation modelling, the Group uses a combination of scenarios relevant to local businesses and local markets. These scenarios are used to illustrate the effect on the Bank's earnings and capital. The overall responsibility for managing market risk rests with the Board Asset and Liability Committee (ALCO). The ERM department is responsible for the development of detailed risk management policies subject to review and approval by ALCO.

The major market risk sensitivity analysis measurements techniques used to measure and control market risks are outlined below:

i) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign exchange risk at 31 December 2025. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Notes (continued)

4 Financial risk management (continued)

c) Market risk (continued)

i) Foreign exchange risk (continued)

Group and Bank

	USD Shs'000	EURO Shs'000	GBP Shs'000	Other Shs'000	Total Shs'000
At 31 December 2025					
Financial assets					
Cash and CBK balances	299,336	300,907	20,670	3	620,916
Deposits with other banks	36,380	-	39	134	36,554
Loans and advances	6,325,135	-	-	-	6,325,135
Financial assets at amortized cost	1,946,646	-	-	-	1,946,646
Total financial assets	8,607,497	300,907	20,709	137	8,929,250
Financial liabilities					
Customers deposits	2,781,816	239,602	14,915	-	3,036,333
Borrowings	5,952,246	-	-	-	5,952,246
Total financial liabilities	8,734,062	239,602	14,915	-	8,988,579
Off balance sheet					
Forward (Sales) Purchases	(149,123)	151,426	-	-	2,303
Net exposure	(275,688)	212,731	5,794	137	(57,026)

Group and Bank

	USD Shs'000	EURO Shs'000	GBP Shs'000	Other Shs'000	Total Shs'000
At 31 December 2024					
Financial assets					
Cash and CBK balances	1,120,861	417,359	17,415	257	1,555,892
Deposits with other banks	172	372	986	-	1,530
Loans and advances	4,869,609	12	-	-	4,869,621
Financial assets at amortized cost	1,644,176	-	-	-	1,644,176
Total financial assets	7,634,818	417,743	18,401	257	8,071,219
Financial liabilities					
Customers deposits	3,278,573	390,751	13,606	-	3,682,930
Borrowings	4,399,553	-	-	-	4,399,553
Total financial liabilities	7,678,126	390,751	13,606	-	8,082,483
Net exposure	(43,307)	26,992	4,795	257	(11,264)

Notes (continued)

4 Financial risk management (continued)

c) Market risk (continued)

i) Foreign exchange risk (continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to functional currency of the Group, with all other variables held constant:

Shs/ USD	Group and Bank	
	2025 Shs'000	2024 Shs'000
Effect on profit before income tax of a +/-5% change in exchange rates	4,684	3,379
Shs / EURO		
Effect on profit before income tax of a +/-5% change in exchange rates	359	586

ii) Interest rate risk

The Group 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 are either pegged to the Group's base lending rate or Treasury bill rate. The interest rates, therefore, fluctuate depending on the movement in the market interest rates. The Group also invests in fixed and variable interest rate instruments issued by the Central Bank of Kenya. Interest rates on deposits from customers are negotiated between the Group and the customer. The Group has the discretion to change the rates in line with changes in market trends.

These measures minimize the Group's exposure to interest rate risk.

Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments:

- Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments.
- Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognized at their fair value.

Sensitivity analysis

The following table presents the sensitivities of the assumed changes in interest rates on the Group's profit before income tax and for the year and equity.

	Group and Bank	
	2025 Shs'000	2024 Shs'000
Effect on profit before income tax of a +/-2% change in interest rates	25,258	23,213
Effect on profit before income tax (%)	+/-2.0%	+/-4.7%

Notes (continued)

4 Financial risk management (continued)

c) Market risk (continued)

ii) Interest rate risk (continued)

The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount categorized by the earlier of contractual re-pricing or maturity dates. The sensitivity computations assume that the financial assets maintain a constant rate of return from one year to the next. The bank bases its sensitivity analysis on the interest sensitivity gap.

Group 2025	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 Years Shs'000	Over 5 years Shs'000	Non-interest bearing Shs'000	Carrying amount Shs'000
Financial assets:							
Cash and CBK balances	4,002,466	-	-	-	-	4,348,124	8,350,590
Deposits with other banks	-	-	-	-	-	154,294	154,294
Financial assets at FVTPL	-	198,220	-	-	-	-	198,220
Financial assets at FVOCI and at amortized cost	-	495,010	8,227,190	7,489,716	32,833,826	-	49,045,742
Loans and advances to customers	-	7,238,387	3,312,997	14,247,122	2,732,117	-	27,530,623
Other assets	-	-	-	-	-	2,118,841	2,118,841
	<u>4,002,466</u>	<u>7,931,617</u>	<u>11,540,187</u>	<u>21,736,838</u>	<u>35,565,943</u>	<u>6,621,259</u>	<u>87,398,310</u>
Financial liabilities:							
Deposits due to banks	-	2,421,765	-	-	-	-	2,421,765
Deposits from customers	7,979,072	19,422,046	16,532,598	659,267	160,946	27,549,005	72,302,934
Borrowings	4,167,644	3,699	-	-	-	-	4,171,343
Other Liabilities	-	-	-	-	-	460,889	460,889
Lease liabilities	-	-	100,722	622,397	-	-	723,119
	<u>12,146,716</u>	<u>21,847,510</u>	<u>16,633,320</u>	<u>1,281,664</u>	<u>160,946</u>	<u>28,009,894</u>	<u>80,080,050</u>
Total interest sensitivity gap	<u>(8,144,250)</u>	<u>(13,915,893)</u>	<u>(5,093,133)</u>	<u>20,455,174</u>	<u>35,404,997</u>	<u>(21,388,635)</u>	<u>7,318,260</u>

Notes (continued)

4 Financial risk management (continued)

c) Market risk (continued)

Interest rate risk (continued)

Group							
2024	Up to	1-3	3-12	1-5	Over 5	Non-	Carrying
	1 month	months	months	Years	years	interest	amount
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	bearing	Shs'000
						Shs'000	
Financial assets:							
Cash and CBK balances	-	-	-	-	-	4,199,631	4,199,631
Deposits with other banks	-	-	-	-	-	10,668	10,668
Financial assets at FVTPL	-	49,287	857,185	1,363,097	905,706	-	3,175,275
Financial assets at FVOCI and at amortized cost	-	2,234,767	4,106,563	8,771,549	8,604,292	-	23,717,171
Loans and advances to customers	-	4,742,985	3,379,431	15,397,213	1,337,042	-	24,856,671
Other assets	-	-	-	-	-	1,411,232	1,411,232
	-	7,027,039	8,343,179	25,531,859	10,847,040	5,621,531	57,370,648
Financial liabilities:							
Deposits due to banks	-	1,355,047	-	-	-	-	1,355,047
Deposits from customers	5,914,955	13,953,748	8,545,083	1,379,959	150,200	14,440,672	44,384,617
Borrowings	4,264,582	-	109,491	1,018,738	-	-	5,392,811
Other Liabilities	-	-	-	-	-	421,065	421,065
Lease liabilities	-	-	128,927	634,277	-	-	763,204
	10,179,537	15,308,795	8,783,501	3,032,974	150,200	14,861,737	52,316,744
Total interest sensitivity gap	(10,179,537)	(8,281,756)	(440,322)	22,498,885	10,696,840	(9,240,206)	5,053,904

Notes (continued)

4 Financial risk management (continued)

c) Market risk (continued)

iv) Interest rate risk (continued)

Bank

2025	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 Years Shs'000	Over 5 years Shs'000	Non- interest bearing Shs'000	Carrying amount Shs'000
Financial assets:							
Cash and CBK balances	4,002,466	-	-	-	-	4,348,124	8,350,590
Deposits with other banks	-	-	-	-	-	154,294	154,294
Financial assets at FVTPL	-	198,220	-	-	-	-	198,220
Financial assets at FVOCI and at amortized cost	-	495,010	8,227,190	7,489,716	32,823,592	-	49,035,508
Loans and advances to customers	-	7,238,387	3,312,997	14,247,122	2,732,117	-	27,530,623
Other assets	-	-	-	-	-	1,924,908	1,924,908
	4,002,466	7,931,617	11,540,187	21,736,838	35,555,709	6,427,326	87,194,143
Financial liabilities:							
Deposits due to banks	-	2,527,744	-	-	-	-	2,527,744
Deposits from customers	7,979,072	19,422,046	16,532,598	659,267	160,946	27,607,066	72,360,995
Borrowings	4,167,644	3,699	-	-	-	-	4,171,343
Other Liabilities	-	-	-	-	-	238,489	238,489
Lease liabilities	-	-	100,722	622,397	-	-	723,119
	12,146,716	21,953,489	16,633,320	1,281,664	160,946	27,845,555	80,021,690
Total interest sensitivity gap	(8,144,250)	(14,021,872)	(5,093,133)	20,455,174	35,394,763	(21,418,229)	7,142,453

Notes (continued)

4 Financial risk management (continued)

c) Market risk (continued)

v) Interest rate risk (continued)

Bank

2024	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 Years Shs'000	Over 5 years Shs'000	Non- interest bearing Shs'000	Carrying amount Shs'000
Financial assets:							
Cash and CBK balances	-	-	-	-	-	4,199,631	4,199,631
Deposits with other banks	-	-	-	-	-	10,668	10,668
Financial assets at FVTPL	-	49,287	857,185	1,363,097	905,706	-	3,175,275
Financial assets at FVOCI and at amortized cost	-	2,234,767	4,106,563	8,771,549	8,594,149	-	23,707,028
Loans and advances to customers	-	4,742,985	3,379,431	15,397,213	1,337,042	-	24,856,671
Other assets	-	-	-	-	-	1,234,948	1,234,948
	-	7,027,039	8,343,179	25,531,859	10,836,897	5,445,247	57,184,221
Financial liabilities:							
Deposits due to banks	-	1,355,047	-	-	-	-	1,355,047
Deposits from customers	5,914,955	13,982,399	8,545,083	1,379,959	150,200	14,440,672	44,413,268
Borrowings	4,264,582	-	109,491	1,018,738	-	-	5,392,811
Other Liabilities	-	-	-	-	-	244,369	244,369
Lease liabilities	-	-	128,927	634,277	-	-	763,204
	10,179,537	15,337,446	8,783,501	3,032,974	150,200	14,685,041	52,168,699
Total interest sensitivity gap	(10,179,537)	(8,310,407)	440,322	22,498,885	10,686,697	(9,239,794)	5,015,522

Notes (continued)

4 Financial risk management (continued)

d) Fair value of financial assets and liabilities

The Group's fair value of the investment securities carried at amortized cost and listed on NSE as at 31 December 2025 is estimated at Shs 44,861,086,000 (2024: Shs 19,640,598,000) compared to their carrying value of Shs 44,497,684,000 (2024: Shs 19,853,983,000). The Held for Trading investment securities are carried at fair value in the Bank's books. The fair values of the Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Bank at the balance sheet date.

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Group and Bank

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Totals Shs'000
At 31 December 2025				
Government securities				
-Financial assets at fair value through other comprehensive income	4,548,058	-	-	4,548,058
-Financial assets at fair value through profit and loss	198,220	-	-	198,220
	4,746,278	-	-	4,746,278
At 31 December 2024				
Government securities				
-Financial assets at fair value through other comprehensive income	3,863,189	-	-	3,863,189
-Financial assets at fair value through profit and loss	3,175,274	-	-	3,175,274
	7,038,463	-	-	7,038,463

Notes (continued)

4 Financial risk management (continued)

e) Environmental, climate related and social risks management

Sidian Bank recognizes that environmental, climate-related, and social (ECS) risks are critical factors influencing the stability and sustainability of our operations, as well as those of our clients and stakeholders. We acknowledge the significant impact that environmental and climate-related risks can have on our business and define climate-related risk as follows:

- **Transition Risks** – Risks associated with the shift to a low-carbon economy, including changes in policy, legal frameworks, technology, markets, and reputational risks.
- **Physical Risks** – Risks driven by acute climate events, such as extreme weather conditions (e.g., droughts), and chronic shifts in climate patterns.

In the banking sector, climate-related risks manifest in various forms, including credit, operational, market, and liquidity risks. Given this interconnectedness, it is increasingly important for banks to assess and manage climate-related risks proactively.

Our Commitment to ECS Risk Management

As part of the bank's commitment to responsible banking and sustainable development, the bank has integrated ECS risk management into its governance and risk management frameworks. The Bank has implemented the Central Bank of Kenya (CBK) Guidance on Climate-Related Risk Management and established a comprehensive framework approved by our Board of Directors. This framework defines the bank's ECS management policies, procedures, structures, and responsibilities.

Sidian Bank is committed to understanding the specific ECS risks associated with its activities and the industries it finances. Given the bank's diverse portfolio, it recognizes that certain sectors may have environmental and social impacts. As such, it is actively developing initiatives to define a meaningful and impactful climate risk agenda. The bank's key focus areas include:

- Measuring climate-related exposure and defining a strategic action plan.
- Enhancing understanding of climate risks and developing innovative financial products to mitigate these risks.
- Strengthening partnerships—for example, collaborating with USAID to fund businesses that improve water and sanitation services, thereby contributing to community health and sustainability.

Regulatory Alignment and Strategic Implementation

In recognition of the financial sector's role in combating climate change, Sidian Bank is committed to implementing the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and has developed an implementation plan in line with CBK's guidance:

1. **Governance**
The Board of Directors oversees the management of ECS risks and is responsible for approving the ECS policy, framework, and high-risk borrower assessments. The Board Charter has been updated to define responsibilities related to climate change management. The Management Credit Committee (MCC) terms of reference have been amended to incorporate climate risk management responsibilities.

Notes (continued)

4 Financial risk management (continued)

e) Environmental, climate related and social risks management (continued)

Regulatory Alignment and Strategic Implementation (continued)

2. Strategy

The Bank assesses the impact of climate risks on business resilience, strategy, and financial planning under different climate scenarios. It recognizes climate-related risks as comprising physical risks, transition risks, and liability risks and have identified climate-related opportunities that align with its strategic objectives.

3. Risk Management

Climate risks are integrated into the bank's existing risk management frameworks. The bank continues to enhance its risk assessment checklists to improve climate risk evaluation. The Bank identifies climate risks through client engagements, site visits, and internally developed assessment templates. Risk mitigation measures include relevant covenants and ongoing monitoring to ensure compliance with climate risk standards.

4. Metrics and Targets

Borrowers seeking financing above KES 30 million are subject to an internal scoring criterion that classifies risk as low, medium, or high. The Bank does not finance clients classified as high-risk. The bank is improving data collection and analysis to formalize risk appetite thresholds and enhance monitoring and reporting of Key Risk Indicators (KRIs) related to climate risk exposure.

Sidian Bank remains committed to responsible banking and sustainability, ensuring that environmental, climate-related, and social risks are effectively managed while fostering long-term value for its clients, shareholders, and communities.

f) Management of capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

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

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

The Bank monitors the adequacy of its capital using ratios established by the Central Bank of Kenya. The ratios measure capital adequacy by comparing the bank's eligible capital with its assets in the statement of financial position, commitments not recognized in the statement of financial position, market and other risk positions at a weighted amount to reflect their relative risk.

Notes (continued)

4 Financial risk management (continued)

f) Management of capital (continued)

The Bank manages its capital to ensure that it is a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Bank consists of debt which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Bank's Management ALCO reviews the bank's capital structure on an on-going basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Committee to the Board ALCO committee, the Bank will balance its overall capital structure.

The Central Bank of Kenya requires a bank to maintain at all times:

- A minimum level of core capital of Shs 3 billion by the end of 2025
- A core capital of not less than 8.0% of total deposit liabilities
- A core capital of not less than 10.5% of risk weighted assets
- A total capital of not less than 14.5% of risk-weighted

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level prescribed by with the Central Bank which considers the risk profile of the Bank.

The Bank's total regulatory capital is divided into two tiers:

Tier 1 capital (core capital): Share capital, share premium, plus retained earnings.

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

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighted according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 35% and 100%) are applied.

Notes (continued)

4 Financial risk management (continued)

f) Management of capital (continued)

	Bank	
	2025 Shs'000	2024 Shs'000
Core capital (Tier 1)		
Share capital	3,227,412	3,007,388
Share premium	2,654,170	2,359,541
Retained earnings	2,291,575	747,700
Other reserves	580,950	-
Less: Deferred tax asset	(597,545)	(578,818)
	8,156,562	5,535,811
Supplementary capital (Tier 2)		
Revaluation reserve	14,155	12,508
Subordinated debt	774,000	1,034,080
Regulatory reserve	663,157	566,089
	9,607,874	7,148,488
Total regulatory capital	9,607,874	7,148,488
Risk weighted assets	53,052,597	45,287,117
Total deposit liabilities	72,360,994	44,413,268
Core capital/ total deposits liabilities (Minimum: 8.0%)	11.3%	12.5%
Core capital/total risk weighted assets (Minimum: 10.5%)	15.4%	12.2%
Total capital/ total risk weighted assets (Minimum: 14.5%)	18.1%	15.8%

The Bank was compliant with the capital adequacy ratios throughout the year.

5 Interest income	Group		Bank	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Loans and advances to customers	4,482,862	4,715,512	4,482,862	4,715,512
Financial assets at FVOCI and at amortized cost	4,514,292	2,099,548	4,512,891	2,098,373
Deposits with other banks	231,260	316,516	231,260	316,516
	9,228,414	7,131,576	9,227,013	7,130,401
	9,228,414	7,131,576	9,227,013	7,130,401

Notes (continued)

6 Interest expense	Group and Bank			
	2025		2024	
	Shs'000		Shs'000	
Deposits from customers	4,082,946		3,315,327	
Deposits from banks	129,441		246,374	
Borrowings (Note 28)	500,376		616,822	
Interest expense on lease liabilities (Note 29)	82,684		85,469	
	<u>4,795,447</u>		<u>4,263,992</u>	

7 Net fee and commission income	Group		Bank	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Ledger fees and commissions	34,151	37,994	34,151	37,994
Credit fees and commissions	428,499	413,293	428,499	413,293
Transaction based fees income	828,894	607,833	828,965	607,865
Insurance premium commissions	238,281	171,454	-	-
	<u>1,529,825</u>	<u>1,230,574</u>	<u>1,291,615</u>	<u>1,059,152</u>
Fee and commission expense	(9,947)	(11,513)	(9,947)	(11,401)
	<u>1,519,878</u>	<u>1,219,061</u>	<u>1,281,668</u>	<u>1,047,751</u>

8 Net trading income	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Foreign exchange income	192,039	321,660
Debt securities income	1,998,151	144,158
	<u>2,190,190</u>	<u>465,818</u>

Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives. Other foreign exchange differences arising on non-trading activities are presented under other operating income/expense in the income statement.

Debt securities income includes the results of buying and selling and changes in the fair value of debt securities and debt securities sold short as well as the related interest income and expense.

Notes (continued)

9 Allowance for expected credit losses

	Group		Bank	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Statement of profit or loss:				
Charge for the year:				
- Loans and advances to customers (Note 19)	2,443,599	1,302,960	2,443,599	1,302,960
- Deposits with other banks (Note 18)	(500)	(32,522)	(500)	(32,522)
- Investment Securities (Note 17)	50,405	-	50,395	-
- Other assets and prepayments (Note 20)	1,581	4,258	5,806	-
- Recoveries	(94,042)	(8,736)	(94,508)	(8,736)
	<u>2,401,043</u>	<u>1,265,960</u>	<u>2,404,792</u>	<u>1,261,702</u>

10 Other operating income

Gain /(loss) on disposal of property and equipment	3,044	(1,916)	3,044	(1,916)
Sundry income	17,796	37,778	17,796	37,778
Dividend income	-	-	110,000	72,000
	<u>20,840</u>	<u>35,862</u>	<u>130,840</u>	<u>107,862</u>

11 Operating expenses

Operating expenses include the following:				
Employee benefits (Note 12)	1,724,451	1,359,349	1,686,625	1,325,892
Depreciation of property and equipment (Note 21)	171,035	133,832	170,810	133,570
Amortization of right of use asset (Note 22)	141,701	152,960	141,701	152,960
Directors' remuneration	110,864	90,851	110,441	90,851
Amortization of intangible assets (Note 23)	78,193	60,188	77,323	59,314
Auditor's remuneration	15,357	16,100	14,905	15,200
Other operating expenses	1,313,799	1,047,238	1,282,201	1,038,355
	<u>3,555,400</u>	<u>2,860,518</u>	<u>3,484,006</u>	<u>2,816,142</u>

*Other operating expenses entail; software licenses, security, marketing, deposit protection insurance costs

Notes (continued)

12 Employee benefits	Group		Bank	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and allowances	1,473,348	1,157,061	1,440,384	1,128,966
Retirement benefit costs:				
- Defined contribution benefits scheme	79,180	65,870	76,770	63,708
- National Social Security Fund	26,640	13,321	26,640	13,321
Staff medical expenses	107,916	97,738	106,375	96,108
Staff welfare and training expenses	37,367	25,359	36,456	23,789
	<u>1,724,451</u>	<u>1,359,349</u>	<u>1,686,625</u>	<u>1,325,892</u>

The average number of employees during the year, by category were:

	Group		Bank	
	2025	2024	2025	2024
Management	60	64	59	63
Supervisory	162	165	157	160
Clerical	399	327	391	319
	<u>621</u>	<u>556</u>	<u>607</u>	<u>542</u>

13 Income tax	Group		Bank	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
a) Income statement				
Current income tax charge	(787,181)	(543,212)	(731,181)	(504,261)
Deferred income tax charge (Note 24)	287,665	411,716	283,836	410,586
Prior year under/(over) provision of current income tax	20,613	(43,000)	20,613	(43,000)
	<u>(478,903)</u>	<u>(174,496)</u>	<u>(426,732)</u>	<u>(136,675)</u>
Reconciliation of tax expense to tax based on the profit before income tax:				
Profit before income tax	2,207,432	461,847	2,145,466	409,996
Tax at the applicable rate of 30%	(662,230)	(138,554)	(643,640)	(122,999)
Tax effect of income not subject to tax	(170,322)	(125,209)	(169,741)	(124,543)
Tax effect of expenses not deductible for tax	333,036	132,267	366,036	153,867
Prior year over/(under) provision of current income tax	20,613	(43,000)	20,613	(43,000)
	<u>(478,903)</u>	<u>(174,496)</u>	<u>(426,732)</u>	<u>(136,675)</u>

Notes (continued)

13 Income tax (continued)

b) Statement of financial position	Group		Bank	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
At start of year	(273,929)	(47,479)	(266,422)	(52,946)
Income tax charge for the year	(787,181)	(543,212)	(731,181)	(504,261)
Payments during the year	939,946	359,762	882,654	333,785
Prior year under/(over) provision of current income tax	20,613	(43,000)	20,613	(43,000)
At end of year	(100,551)	(273,929)	(94,336)	(266,422)

14 Earnings per share

There were no potentially dilutive shares outstanding at 31 December 2025 and 31 December 2024. Therefore, diluted earnings per share is the same as the basic earnings per share. Earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	Group	
	2025	2024
Profit for purposes of basic and diluted earnings per share (in Shs'000)	1,728,529	287,351
Weighted average number of ordinary shares for purposes of basic and diluted earnings per share	6,344,811	5,205,889
Earnings per share - basic and diluted (Shs)	272.4	55.2

15 Cash and Balances with CBK

	Group and Bank	
	2025 Shs '000	2024 Shs '000
Cash in hand	1,191,029	882,881
Balances with Central Bank of Kenya (CBK)		
• Cash reserve ratio balance	3,037,062	1,865,160
• Other current accounts	120,033	1,451,595
• Repo balance with CBK	4,002,466	-
	7,159,561	3,316,755
	8,350,590	4,199,636

Cash and balances with the Central Bank of Kenya are available for use by the Bank and are not pledged as security. The cash reserve ratio relates to the regulatory cash balance held with the Central Banks, being 3.25% (2024: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month as per the prudential guidelines. The balance is available for day-to-day operations of the Group and are non-interest bearing. The Repo balance with CBK was for a tenor of 7 days at a weighted average effective interest rate of 9.0% p.a.

Notes (continued)

16 Financial assets at fair value through profit or loss

<u>Financial assets held for trading</u>	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Government securities	198,220	3,175,274

Derivatives financial instruments

The Bank trades in currency exchange forward contracts and currency swap contracts. The contracts are marked to market on daily basis.

Forward currency exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. As compensation for assuming the option risk, the option writer generally receives premium at the start of the option period.

As at 31 December 2025, the bank had nil Derivative financial instruments (2024: nil).

17 Investment securities

	Group		Bank	
	2025	2024	2025	2024
	Shs 000	Shs 000	Shs 000	Shs 000
Financial assets at fair value through other comprehensive income				
Government securities				
Maturing within 91 days of date of acquisition	-	2,234,767	-	2,234,767
Maturing over 91 days of date of acquisition	4,548,058	1,628,422	4,548,058	1,628,422
	<u>4,548,058</u>	<u>3,863,189</u>	<u>4,548,058</u>	<u>3,863,189</u>
Financial assets at amortised cost				
Government securities:				
Maturing over 91 days of date of acquisition	44,497,684	19,853,983	44,487,450	19,843,840
	<u>49,045,742</u>	<u>23,717,172</u>	<u>49,035,508</u>	<u>23,707,029</u>

Notes (continued)

17 Investment securities (continued)	Group		Bank	
	2025 Shs 000	2024 Shs 000	2025 Shs 000	2024 Shs 000
Financial assets at amortised cost & FVOCI				
At start of year	23,717,172	14,522,863	23,707,029	14,512,720
Additions in the year	32,319,695	12,084,657	32,319,696	12,084,657
Maturities in the year	(6,940,720)	(2,890,348)	(6,940,822)	(2,890,348)
Provision for ECL	(50,405)	-	(50,395)	-
	<u>49,045,742</u>	<u>23,717,172</u>	<u>49,035,508</u>	<u>23,707,029</u>
Movement of provision for expected credit losses				
At start of year	-	-	-	-
Charge to profit or loss during the year (Note 9)	50,405	-	50,395	-
	<u>50,405</u>	<u>-</u>	<u>50,395</u>	<u>-</u>

The weighted average effective interest rate for treasury investments at 31 December 2025 was 13.0% (2024: 14.1%). At 31 December 2025, the Bank had pledged treasury bonds amounting to Shs 286 million (2024: Shs 286 million) to East Africa Development Bank (EADB) as collateral for borrowings.

18 Deposits with other banks	Group and Bank	
	2025 Shs 000	2024 Shs 000
Maturing within 91 days	118,240	11,668
Maturing over 91 days	36,554	-
	<u>154,794</u>	<u>11,668</u>
Provision for expected credit losses	(500)	(1,000)
	<u>154,294</u>	<u>10,668</u>
Movement of provision for expected credit losses		
At start of year	1,000	33,522
(Credit) / charge to profit or loss during the year (Note 9)	(500)	(32,522)
	<u>500</u>	<u>1,000</u>

The weighted average effective interest rate for deposits due from banking institutions at 31 December 2025 was 10.0% (2024: 11.5%).

Notes (continued)

19 Loans and advances to customers	Group and Bank	
	2025 Shs'000	2024 Shs'000
Term loans	27,230,988	24,915,511
Overdrafts	4,252,398	3,125,551
Credit cards	59,247	59,162
	<hr/>	<hr/>
Gross loans and advances	31,542,633	28,100,224
Provisions for expected credit losses	(4,012,010)	(3,243,553)
	<hr/>	<hr/>
Net loans and advances	27,530,623	24,856,671
	<hr/>	<hr/>
Analysis of gross loans and advances by maturity		
Maturing within one year	15,505,496	8,122,416
Between one and five years	12,982,706	18,640,766
Over five years	3,054,431	1,337,042
	<hr/>	<hr/>
	31,542,633	28,100,224
	<hr/>	<hr/>
The movement in the provision for expected credit losses for loans and advances to customers is as follows:		
At start of year	3,243,553	1,895,937
Charge to profit or loss (Note 9)	2,443,599	1,302,960
Interest on stage 3 loans	(579,360)	(431,826)
Write - offs during the year	(1,578,601)	(22,337)
Interest in suspense	482,819	498,819
	<hr/>	<hr/>
At end of year	4,012,010	3,243,553
	<hr/>	<hr/>

The aggregate amount of non-performing advances was Shs 8,234,843,000 (2024: Shs 7,708,967,000) against which provisions of Shs 3,593,336,000 (2024: Shs 3,053,529,000) have been made leaving a net balance of Shs 4,641,507,000 (2024: Shs 4,655,438,000) which is included in the statement of financial position in the loans and advances line item. The collateral held against these loans includes mortgages, motor vehicles, land and building, chattels, share certificates among other assets. Loans and advances to customers are measured at amortised cost.

The weighted average effective interest rate on loans and advances at 31 December 2025 was 17.2% (2024: 18.9%). Additional disclosures on impairments and provisions for credit losses are set out under Note 4 (a).

Notes (continued)

20 Other assets and prepayments

	Group		Bank	
	2025	2024	2025	2024
	Shs'000	*Restated Shs'000	Shs'000	Shs'000
Prepayments	42,678	38,190	42,678	38,190
Items in the course of collection	47,339	67,099	47,339	67,099
Due from subsidiary (Note 35)	-	-	52,170	34,334
Prepaid staff loan benefits	159,516	201,137	159,516	201,137
Mpesa balances receivable	734,688	800,498	734,688	800,498
Digital lending float	732,108	-	732,108	-
Other receivables*	604,706	543,635	358,603	333,017
Provision for expected credit losses	(28,153)	(26,572)	(21,950)	(16,144)
	<u>2,292,882</u>	<u>1,623,987</u>	<u>2,105,152</u>	<u>1,458,131</u>

The movement in the provision for expected credit losses on other receivables is as follows:

	Group		Bank	
	2025	2024	2025	2024
	Shs '000	Shs '000	Shs '000	Shs '000
At start of year	26,572	22,314	16,144	16,144
Charged to profit or loss (Note 9)	1,581	4,258	5,806	-
	<u>28,153</u>	<u>26,572</u>	<u>21,950</u>	<u>16,144</u>

*Refer to Note 37 for Restatement due to change in subsidiary accounting policy.

Notes (continued)

21 Property and equipment

Group	Freehold land and buildings Shs'000	Furniture & fittings Shs'000	Motor vehicles Shs'000	Office equipment & computers Shs'000	Leasehold improvements Shs'000	Total Shs'000
Year ended 31 December 2025						
Cost or valuation						
At start of year	130,000	179,150	18,756	952,988	654,134	1,935,028
Additions	-	26,035	20,845	284,110	90,537	421,527
Disposals	-	(1,506)	(9,954)	(1,420)	(12,160)	(25,040)
Depreciation credit on Revaluation	(12,750)	-	-	-	-	(12,750)
Revaluation gain	7,750	-	-	-	-	7,750
At end of year	125,000	203,679	29,647	1,235,678	732,511	2,326,515
Depreciation						
At start of year	10,625	139,370	16,805	702,943	488,792	1,358,535
Charge for the year	2,125	9,780	5,246	113,832	40,052	171,035
Disposals	-	(1,506)	(9,954)	(1,420)	(12,160)	(25,040)
Reclassification of depreciation	-	(4,186)	-	5,613	(1,427)	-
Depreciation debit on Revaluation	(12,750)	-	-	-	-	(12,750)
At end of year	-	143,458	12,097	820,968	515,257	1,491,780
Net carrying amount						
At end of year	125,000	60,220	17,550	414,710	217,255	834,735
Year ended 31 December 2024						
Cost or valuation						
At start of year	130,000	168,871	18,756	914,896	640,289	1,872,812
Additions	-	22,765	-	85,442	61,830	170,037
Reclassification	-	(646)	-	646	-	-
Transfer from intangible assets	-	-	-	-	5,867	5,867
Disposals	-	(11,840)	-	(47,996)	(53,852)	(113,688)
At end of year	130,000	179,150	18,756	952,988	654,134	1,935,028
Depreciation						
At start of year	8,500	134,342	15,469	672,163	505,792	1,336,266
Charge for the year	2,125	12,134	1,336	83,979	34,258	133,832
Disposals	-	(7,106)	-	(53,199)	(51,258)	(111,563)
At end of year	10,625	139,370	16,805	702,943	488,792	1,358,535
Net carrying amount						
At end of year	119,375	39,780	1,951	250,045	165,342	576,493

Notes (continued)

21 Property and equipment (continued)

Bank	Freehold land and buildings Shs'000	Furniture and fittings Shs'000	Motor vehicles Shs'000	Office equipment & computers Shs'000	Leasehold improvements Shs'000	Total Shs'000
Year ended 31 December 2025						
Cost or valuation						
At start of year	130,000	179,069	18,756	951,850	654,133	1,933,808
Additions	-	26,035	20,845	284,001	90,537	421,418
Disposals	-	(1,505)	(9,954)	(1,420)	(12,160)	(25,039)
Depreciation credit on Revaluation	(12,750)	-	-	-	-	(12,750)
Revaluation gain	7,750	-	-	-	-	7,750
At end of year	125,000	203,599	29,647	1,234,431	732,510	2,325,187
Depreciation						
At start of year	10,625	139,320	16,805	702,061	488,791	1,357,602
Charge for the year	2,125	9,775	5,246	113,612	40,052	170,810
Disposals	-	(1,505)	(9,954)	(1,420)	(12,160)	(25,039)
Reclassification of depreciation	-	(4,186)	-	5,613	(1,427)	-
Depreciation debit on Revaluation	(12,750)	-	-	-	-	(12,750)
At end of year	-	143,404	12,097	819,866	515,256	1,490,623
Net carrying amount						
At end of year	125,000	60,195	17,550	414,565	217,254	834,564
Year ended 31 December 2024						
Cost or valuation						
At start of year	130,000	168,790	18,756	913,867	640,289	1,871,702
Additions	-	22,765	-	85,333	61,830	169,928
Reclassification	-	(646)	-	646	-	-
Transfer from intangible assets	-	-	-	-	5,867	5,867
Disposals	-	(11,840)	-	(47,996)	(53,853)	(113,689)
At end of year	130,000	179,069	18,756	951,850	654,133	1,933,808
Depreciation						
At start of year	8,500	134,303	15,467	671,533	505,792	1,335,595
Charge for the year	2,125	12,125	1,338	83,724	34,258	133,570
Disposals	-	(7,108)	-	(53,196)	(51,259)	(111,563)
At end of year	10,625	139,320	16,805	702,061	488,791	1,357,602
Net carrying amount						
At end of year	119,375	39,749	1,951	249,789	165,342	576,206

Notes (continued)

21 Property and equipment (continued)

If the revalued freehold land and building were measured using the cost model, the carrying amounts would be as follows:

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Cost	77,151	77,151
Accumulated depreciation	(48,556)	(46,677)
	<hr/>	<hr/>
At end of year	28,595	30,474
	<hr/>	<hr/>

Valuation of freehold land and building is undertaken by an independent valuer on a current open market value basis. The last valuation was done in 2025. The fully depreciated assets still in use had a cost price of Shs 989 million (2024: Shs 959 million).

22 Right-of-use assets

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
At start of year	610,810	633,998
Additions	93,071	189,579
Amortisation to profit or loss (Note 11)	(141,701)	(152,960)
Adjustment due to changes in cash flows	17,834	(59,807)
	<hr/>	<hr/>
At end of year	580,014	610,810
	<hr/>	<hr/>

The Bank leases office buildings, in the normal course of business. The leases for buildings are typically for a period of average 6 years, with an option to renewal at the end of the term. None of these leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee. The adjustment due to changes in cash flows arises due to changes in tenor or renegotiation of some of the lease terms.

Notes (continued)

23 Intangible assets

Group	Computer software Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 31 December 2025			
Cost			
At start of year	998,712	103,514	1,102,226
Additions	154,259	20,957	175,216
Transfers from WIP	60,370	(60,370)	-
At end of year	1,213,341	64,101	1,277,442
Amortisation			
At start of year	864,660	-	864,660
Charge for the year	78,193	-	78,193
At end of year	942,853	-	942,853
Net carrying amount			
At end of year	270,488	64,101	334,589
Year ended 31 December 2024			
Cost			
At start of year	954,379	13,316	967,695
Additions	37,499	102,899	140,398
Transfer to property and equipment	(5,867)	-	(5,867)
Transfers from WIP	12,701	(12,701)	-
At end of year	998,712	103,514	1,102,226
Amortisation			
At start of year	804,472	-	804,472
Charge for the year	60,188	-	60,188
At end of year	864,660	-	864,660
Net carrying amount			
At end of year	134,052	103,514	237,566

Notes (continued)

23 Intangible assets (Continued)

Bank	Computer software Shs'000	Work In Progress Shs'000	Total Shs'000
Year ended 31 December 2025			
Cost			
At start of year	988,342	103,514	1,091,856
Additions	154,259	20,957	175,216
Transfers from WIP	60,370	(60,370)	-
At end of year	1,202,971	64,101	1,267,072
Amortisation			
At start of year	857,353	-	857,353
Charge for the year	77,323	-	77,323
At end of year	934,676	-	934,676
Net carrying amount			
At end of year	268,295	64,101	332,396
Year ended 31 December 2024			
Cost			
At start of year	944,010	13,316	957,326
Additions	37,498	102,899	140,397
Transfer to property and equipment	(5,867)	-	(5,867)
Transfers from WIP	12,701	(12,701)	-
At end of year	988,342	103,514	1,091,856
Amortisation			
At start of year	798,039	-	798,039
Charge for the year	59,314	-	59,314
At end of year	857,353	-	857,353
Net carrying amount			
At end of year	130,989	103,514	234,503

Notes (continued)

24 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2023: 30%). The gross movement on the deferred income tax account is as follows:

	Group		Bank	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	1,193,394	781,678	1,190,282	779,696
Charge to profit or loss (Note 13)	287,665	411,716	283,836	410,586
Deferred income tax on revaluation of land and buildings	(1,163)	-	(1,163)	-
At end of year	1,479,896	1,193,394	1,472,955	1,190,282

The deferred income tax is attributable to the following:

Group	1 January	Profit or loss	Equity	31 December
Year ended 31 December 2025	2025			2025
	Shs '000	Shs '000	Shs '000	Shs '000
Property and equipment	(15,793)	21,246	-	5,453
Other temporary differences	(1,131,883)	(311,698)	1,163	(1,442,418)
Right-of-use assets/liabilities	(45,718)	2,787	-	(42,931)
Net deferred income tax asset	(1,193,394)	(287,665)	1,163	(1,479,896)
Group	1 January	Profit or loss	Equity	31 December
Year ended 31 December 2024	2024			2024
	Shs '000	Shs '000	Shs '000	Shs '000
Property and equipment	(22,998)	7,205	-	(15,793)
Other temporary differences	(708,613)	(423,270)	-	(1,131,883)
Right-of-use assets/liabilities	(50,067)	4,349	-	(45,718)
Net deferred income tax asset	(781,678)	(411,716)	-	(1,193,394)

Notes (continued)

24 Deferred income tax (continued)

Bank	1 January 2025	Profit or loss	Equity	31 December 2025
Year ended 31 December 2025	Shs '000	Shs '000	Shs '000	Shs '000
Property and equipment	(16,112)	21,217	-	5,105
Other temporary differences	(1,128,452)	(307,840)	1,163	(1,435,129)
Right of use assets/liabilities	(45,718)	2,787	-	(42,931)
Net deferred income tax asset	(1,190,282)	(283,836)	1,163	(1,472,955)
Bank	1 January 2024	Profit or loss	Equity	31 December 2024
Year ended 31 December 2024	Shs '000	Shs '000	Shs '000	Shs '000
Property and equipment	(23,170)	7,058	-	(16,112)
Other temporary differences	(706,460)	(421,992)	-	(1,128,452)
Right of use assets/liabilities	(50,066)	4,348	-	(45,718)
Net deferred income tax asset	(779,696)	(410,586)	-	(1,190,282)

25 Deposit and balances due to banking institutions

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Due to local banks	2,309,539	1,310,264
Due to International banks	112,226	44,783
	2,421,765	1,355,047

The deposits due to banking institutions relate to takings from other commercial banks with tenor of up to 30 days. The weighted average interest rate on the deposits for the year ended 31 December 2025 was 7.9% (2024: 13.2%).

Notes (continued)

26 Deposits from customers

Group	Group		Bank	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Call and fixed deposits	31,933,239	18,816,953	31,934,712	18,816,953
Current and demand accounts	35,529,551	20,326,976	35,586,138	20,355,627
Savings accounts	4,840,144	5,240,688	4,840,144	5,240,688
	<u>72,302,934</u>	<u>44,384,617</u>	<u>72,360,994</u>	<u>44,413,268</u>
Analysis of deposits from customers by maturity:				
Payable within one year	71,482,721	42,854,458	71,540,781	42,883,109
Between one year and five years	820,213	1,530,159	820,213	1,530,159
	<u>72,302,934</u>	<u>44,384,617</u>	<u>72,360,994</u>	<u>44,413,268</u>

Included in deposits from customers' were deposits of Shs 1,040,184,000 (2024: Shs 3,151,061,000) that have been pledged to the Bank by customers as securities for loans and advances as well as for guarantees.

The weighted average effective interest rate on interest bearing deposits from customers for the year ended 31 December 2025 was 10.1% (2024: 12.6%).

27 Other liabilities and accrued expenses

	Group		Bank	
	2025 Shs'000	2024 *Restated Shs'000	2025 Shs'000	2024 Shs'000
Accruals	414,113	256,211	414,113	256,211
Loan insurance fund	243,034	263,738	243,034	263,738
Deferred income on guarantees	184,056	131,193	184,056	131,193
Guarantee fee collected in advance	54,919	65,723	54,919	65,723
Other payables**	386,690	320,344	164,280	210,826
Items in the course of collection	<u>74,209</u>	<u>100,721</u>	<u>74,209</u>	<u>33,543</u>
	<u>1,357,021</u>	<u>1,137,930</u>	<u>1,134,611</u>	<u>961,234</u>

* Other payables relate to collection accounts & wallet balances awaiting settlement, bank drafts and bankers' cheques.

* Refer to Note 37 for Restatement due to change in subsidiary accounting policy.

Notes (continued)

28 Borrowings

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Aqua for All	3,699	3,749
East Africa Development Bank (EADB)	468,951	566,775
EMF Microfinance Fund	1,293,367	1,293,255
Oikocredit Ecumenical Development Co-operative Society U.A (Oikocredit)	1,031,697	1,535,084
Triodos Investment Management	441,492	869,468
WaterEquity	932,137	1,124,480
	<u>4,171,343</u>	<u>5,392,811</u>

The borrowings are repayable as follows:

On demand	4,167,644	4,264,582
Within one year	3,699	109,491
Between one to five years	-	1,018,738
	<u>4,171,343</u>	<u>5,392,811</u>

The movement in borrowings is as summarised below:

At start of year	5,392,811	8,093,592
Additions during the year	-	250,000
Repayments during the year	(1,713,094)	(2,565,280)
Accrued interest (Note 6)	500,376	616,822
Currency translation difference	(8,750)	(1,002,323)
	<u>4,171,343</u>	<u>5,392,811</u>

The weighted average effective interest rate on the borrowings as at 31 December 2025 was 10.2% for LCY loans and 9.2% for FCY loans (2024: 10.2% for LCY and 9.2% for FCY). The borrowings are measured at amortised cost and are all unsecured.

Notes (continued)

28 Borrowings (continued)

Additional EADB loan of KES 250 million was received in August 2024 at a fixed interest rate of 9.5 % p.a. Total loans received since inception of the partnership with EADB is KES 906 million. The interest is repayable semi-annually. The loan is secured by treasury bonds (Note 17). The loan is for on-lending to the agriculture value chain.

The EMF Microfinance fund, AGmvK, loan of USD 10 million was received in December 2021 at an interest rate of 6.15% plus six months SOFR rate p.a effective June 2023 (Previously plus six month LIBOR rate) repayable over a period of 7 years. The loan qualifies as tier II capital being a subordinated loan.

Additional OikoCredit USD 10 Million at an interest rate of 7.5% p.a with a tenure of 5 years was received in August 2023. Total loan received from the partnership with OikoCredit is USD 19 Million. The interest is repayable semi-annually with a 1-year grace period for payment of first principal instalment. The loan is for on-lending to Micro and SME segments.

FMO loan of USD 20 million was received two tranches – 1st tranche of USD 10 million (December 2019) and 2nd tranche USD 10 million (June 2020) at a rate of 4.25% plus six-month SOFR rate p.a. repayable year over a period of 5 years. Interest is repayable semi-annually. The loan is for on-lending to Micro and SME Segments.

A term loan of USD 10 million was received from Triodos investment management in October 2021 USD 5 million and November 2021 USD 5 million at an interest rate of 5% p.a. The loan has a tenor of 5 years with interest repayable semi-annually and a 2-year grace period for payment of first principal instalment. The loan is for expansion of the micro and/or small and/or medium sized enterprise portfolio.

Additional term loan of USD 5 million was received from Water Equity in May 2023 at an interest rate of 7.03% p.a. The loan has a tenor of 4 years with interest repayable semi-annually. A term loan of KES 564 Million was received from in December 2021 at an interest rate of 10.85% p.a. The loan has a tenor of 5 years with interest payable semi-annually. The loan is for on-lending to the WASH sector under COVID-19 response WASH loan product.

The Bank was in breach of the Portfolio at Risk ratio for the EADB and the EMF Microfinance Fund facilities, the Total Liabilities to Total Equity ratio and Loan write off ratio for Water Equity and the Non-Performing loans ratio for the OikoCredit and Triodos facilities as at 31 December 2025. The respective lenders have not recalled, renegotiated or varied their lending terms after year end.

Notes (continued)

29 Lease liabilities

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Expected to be settled within 12 months after the year end	100,722	128,927
Expected to be settled more than 12 months after the year end	622,397	634,277
	723,119	763,204
The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	216,957	221,232
Interest paid on lease liabilities	82,684	85,469
	299,641	306,701
At start of year	763,204	800,889
Additions	93,071	189,579
Interest on lease liabilities (Note 6)	82,684	85,469
Lease payments	(216,957)	(221,232)
Adjustment due to changes in cash flows	1,117	(91,501)
	723,119	763,204

The adjustment due to changes in cash flows arises due to changes in tenor or renegotiation of some of the lease terms.

Notes (continued)

30 Share capital

		Group and Bank	
		2025	2024
		Shs'000	Shs'000
<u>Authorised share capital:</u>			
At 31 December		3,227,412	3,092,668
<u>Issued share capital:</u>			
	Number of shares	Share capital Shs'000	Share premium Shs'000
At 1 January 2025	6,014,775	3,007,388	2,359,541
Issue of shares	440,048	220,024	294,629
	<hr/>	<hr/>	<hr/>
At 31 December 2025	6,454,823	3,227,412	2,654,170
	<hr/>	<hr/>	<hr/>
At 1 January 2024	4,397,002	2,198,501	1,277,355
Issue of shares	1,617,773	808,887	1,082,186
	<hr/>	<hr/>	<hr/>
At 31 December 2024	6,014,775	3,007,388	2,359,541
	<hr/>	<hr/>	<hr/>

At 31 December 2025 the authorised share capital comprised 6,454,823 ordinary shares of Shs.500 each (2024: 6,185,336 ordinary shares of Shs 500 each). The rights issue is still ongoing.

Notes (continued)

31 Reserves

a) Regulatory reserve

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
At start of year	703,561	181,790
Transfer from retained earnings	174,859	521,771
	<hr/>	<hr/>
At end of year	878,420	703,561
	<hr/>	<hr/>

The regulatory reserve represents an appropriation from retained earnings to comply with the Prudential Guidelines of the Central Bank of Kenya on loan loss provisions. The balance represents the excess of impairment provisions determined in accordance with the Prudential Guidelines over the impairment provisions recognised in accordance with the IFRS Accounting Standards. The reserve is non-distributable.

b) Revaluation reserves

Revaluation reserve is used to record changes in the fair value of land and buildings, net of deferred income tax.

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Revaluation reserve:		
At start of year	50,034	50,034
Gain on revaluation of building	7,750	-
Deferred income tax on revaluation of land and building	(1,163)	-
	<hr/>	<hr/>
At end of year	56,621	50,034
	<hr/>	<hr/>

c) Other reserves

Other reserves include share capital awaiting allotment which are share capital funds received from shareholders during the year, which are yet to be allotted.

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Share capital awaiting allotment	580,950	-
	<hr/>	<hr/>

Notes (continued)

32 (a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

Group	Notes	2025 Shs'000	2024 *Restated Shs'000
Profit/(loss) before income tax		2,207,432	461,847
Adjustments for:			
Depreciation of property and equipment	21	171,035	133,832
Amortization of right of use of asset	22	141,701	152,960
Amortization of intangible assets	23	78,193	60,188
Interest expense on borrowings	28	500,376	616,822
Foreign exchange gain on borrowing	28	(8,750)	(1,002,323)
Gain on remeasurement of leases		(16,717)	(31,694)
Interest expense on lease liabilities	29	82,684	85,469
(Gain) / Loss on disposal of property and equipment	10	(3,044)	1,916
Operating profit before changes in operating assets and liabilities		<u>3,152,910</u>	<u>479,017</u>
Changes in operating assets and liabilities:			
- Movement in restricted cash balances*		-	743,112
- Investment securities at FVTPL		2,977,054	(3,132,524)
- Investment securities at amortized cost & FVOCI		(27,563,337)	(9,319,093)
- Deposits with other banks maturing over 91 days		(36,054)	817,248
- Loans and advances to customers		(2,673,952)	(1,634,516)
- Other assets and prepayments		(668,895)	(89,527)
- Deposits from customers		27,918,317	16,768,392
- Balances due to banking institutions		1,066,718	(1,437,788)
- Other payables and accrued expenses		219,091	460,134
Cash generated from operations*		<u>4,391,852</u>	<u>3,654,455</u>
Bank			
Profit/(loss) before income tax		2,145,466	409,996
Adjustments for:			
Depreciation on property and equipment	21	170,810	133,570
Amortization on right of use of asset	22	141,701	152,960
Amortization of intangible assets	23	77,323	59,314
Interest on borrowings	28	500,376	616,822
Foreign exchange gain on borrowing	28	(8,750)	(1,002,323)
Gain on remeasurement of leases		(16,717)	(31,694)
Interest expense on lease liabilities	29	82,684	85,469
(Gain) / Loss on disposal of property and equipment	10	(3,044)	1,916
Operating profit before changes in operating assets and liabilities		<u>3,089,849</u>	<u>426,030</u>
Changes in operating assets and liabilities:			
- Movement in restricted cash balances*		-	743,112
- Investment securities at FVTPL		2,977,054	(3,132,524)
- Investment securities at amortized cost & FVOCI		(27,563,246)	(9,319,082)
- Deposits with other banks maturing over 91 days		(36,054)	817,248
- Loans and advances to customers		(2,673,952)	(1,634,516)
- Other assets and prepayments		(647,021)	85,821
- Deposits from customers		27,947,726	16,768,501
- Balances due to banking institutions		1,066,718	(1,437,788)
- Other payables and accrued expenses		173,377	311,565
Cash generated from operations*		<u>4,334,451</u>	<u>3,628,367</u>

* Refer to Note 36 for Restatement of presentation of cashflow on cash and cash equivalents.

Notes (continued)

32 (b) Analysis of cash and cash equivalents as shown in the statement of cash flow:

	Group and Bank	
	2025	2024
	Shs'000	*Restated Shs'000
Cash in hand (Note 15)	1,191,029	882,881
Balances with Central Bank of Kenya (Note 15)*	7,159,561	3,316,755
Deposits with other banks maturing within 91 days (Note 18)	118,240	10,668
Investment securities maturing within 91 days (Note 18)	-	2,234,767
	8,468,830	6,445,071
	8,468,830	6,445,071

* Refer to Note 36 for Restatement of presentation of cashflow on cash and cash equivalents.

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition, including: cash and balances with Central Banks and amounts due from other banks.

33 Contingent liabilities

The Group is a defendant in various legal suits. In the opinion of the Directors, after taking appropriate legal advice, the outcome of such suits is unlikely to result in any significant loss. The legal suits include claims for general and specific damages and suits challenging the Bank's actions on customers' accounts.

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Pending claims under litigation	383,074	255,076
	383,074	255,076
	383,074	255,076

34 Off balance sheet items

In the ordinary course of business, the Group conducts business involving letters of credit, performance bonds and guarantees. Guarantee and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by a customer to third parties. Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers. The Bank holds cash collateral to the extent of the guarantee that is realised in the events of default by customers. Even though these obligations are not recognised on the statement of financial position, they contain credit risk and are part of the overall risk of the Bank as detailed in Note 4.

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Acceptances and letters of credit	205,536	1,742,503
Guarantees	29,705,583	24,995,690
	29,911,119	26,738,193
	29,911,119	26,738,193

Notes (continued)

34 Off balance sheet items (Continued)

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

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

The provision for expected credit losses on loans and advances includes an amount of 2025: Shs 62,352,000 (2024: Shs 37,245,000) relating to off balance credit facilities.

35 Related party transactions

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

The Bank's largest shareholder is Bakki Holdco Limited, which is a wholly owned subsidiary of Centum Investment Company Plc, both incorporated in Kenya. There are other companies which are related to the Bank through common shareholdings or common directorships.

The Bank has a wholly owned subsidiary, Sidian Bancassurance Intermediary Limited that commenced operations in August 2015.

In the normal course of business, a number of banking transactions are entered into with related parties. These are staff, directors, their associates and companies associated with directors. They include loans, investment securities, deposits and other transactions.

In the period, the Bank had the following related party balances and transactions:

i) Loans and advances to related parties	Group and Bank	
	2025	2024
	Shs'000	Shs'000
a) Staff loans		
At start of year	724,848	671,775
Advanced during the year	307,488	355,173
Interest charged	110,589	106,537
Repayments	(319,384)	(408,637)
At end of year	823,541	724,848

The loans to staff are personal loans, car loans and mortgages. All the loans are charged at an interest rate of 6% p.a. Personal and car loans have a maximum tenor of 5 years and are secured by property and cars respectively. Mortgages have a maximum tenor of 25 years.

Notes (continued)

35 Related party transactions (continued)

i) Loans and advances to related parties (continued)

b) Other related parties loans and advances

Year ended 31 December 2025	Group and Bank				
	At 1 Jan Shs '000	Advances Shs '000	Interest Shs '000	Repayment /Transfer Shs '000	At 31 December Shs '000
Centum Real estate Limited	157,515	140,725	18,885	(172,907)	144,218
Directors and their associates	64,229	306,200	51,416	(142,777)	279,068
Zohari Leasing Limited	172,482	-	24,698	(75,303)	121,877
Sabis International School	161,367	-	43,351	(30,509)	174,209
Tribus TSG	12,728	12,800	1,827	(14,968)	12,387
Pioneer General Insurance Ltd	90,007	-	11,538	(101,472)	73
	<u>658,328</u>	<u>459,725</u>	<u>151,715</u>	<u>(537,936)</u>	<u>731,832</u>
Year ended 31 December 2024	Group and Bank				
	At 1 Jan Shs '000	Advances Shs '000	Interest Shs '000	Repayment /Transfer Shs '000	At 31 December Shs '000
Centum Real estate Limited	-	155,650	1,865	-	157,515
Directors and their associates	22,722	37,340	5,653	(1,486)	64,229
Zohari Leasing Limited	248,567	-	34,258	(110,343)	172,482
Sabis International School	254,212	-	50,022	(142,867)	161,367
Tribus TSG	9,017	-	3,711	-	12,728
Pioneer General Insurance Ltd	146,888	-	23,083	(79,964)	90,007
	<u>681,406</u>	<u>192,990</u>	<u>118,592</u>	<u>(334,660)</u>	<u>658,328</u>

Loans and advances to related parties are at commercial rates. The loans have an average tenor of 5 years (2023: 5 years).

Notes (continued)

35 Related party transactions (continued)

ii) Deposits from related parties

	Group and Bank	
	2025 Shs'000	2024 Shs'000
Ace Nairobi One Limited	1,235	1,238
Sabis International School Runda	9,141	16,063
Athena Properties Limited	628	37
Centum Investment Company Plc	16,778	85,980
Greenblade Growers Limited	-	422
Longhorn Publishers Limited	257	260
Nabo Capital Limited	2,580	977
Tribus TSG Limited	968	3,264
Two Rivers Development Limited	4,043	449
Two Rivers Property Owners Company Limited	2,478	57
Two Rivers Theme Park Ltd	179	192
Two Rivers Water & Sanitation Company Limited	17,683	9,027
Uhuru Heights Limited	2,623	322
Vipingo Development Limited	6,823	56,740
Zohari Leasing Limited	3	3
Jafari Credit Limited	84,591	20,215
Pioneer Assurance Co Limited	296,489	423,959
	446,499	619,205

Deposits received from related parties attract commercial interest rates at the Bank's floating interest rates.

Centum Investment Company Plc ("Centum") and Pioneer Life Investments Limited ("Pioneer") are shareholders of the Bank. The rest of the entities disclosed above are Centum or Pioneer affiliated companies.

iii) Related party balances

	Group		Bank	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Receivables				
Due from Sidian Bancassurance Intermediary Limited (Note 20)	-	-	52,170	34,334
Payables				
Pioneer General Insurance Limited	13,390	11,132	-	-
Pioneer Life Assurance Limited	76	2,421	-	-
	13,466	13,553	-	-

Notes (continued)

35 Related party transactions (continued)

iv) Investment in Subsidiary

	Bank	
	2025	2024
	Shs'000	Shs'000
Sidian Bancassurance Intermediary Limited	1,000	1,000

v) Other transactions with related parties

	Group		Bank	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
<u>Commission income</u>				
Pioneer General Insurance Limited	9,635	5,839	-	-
Pioneer Life Assurance Limited	18,845	5,539	-	-
	<u>28,480</u>	<u>11,378</u>	<u>-</u>	<u>-</u>
<u>Operating expenses</u>				
Rent - Two Rivers Lifestyle Centre Limited	6,014	5,575	6,014	5,575
Insurance – Pioneer General Insurance	27,047	16,078	27,047	16,078
	<u>33,061</u>	<u>21,653</u>	<u>33,061</u>	<u>21,653</u>

vi) Senior management remuneration

	Group and Bank	
	2025	2024
	Shs'000	Shs'000
Salaries and other short-term benefits	183,928	162,061
Post-employment benefits	14,186	10,759
	<u>198,114</u>	<u>172,820</u>

Notes (continued)

35 Related party transactions (continued)

vii) Directors' remuneration	Group		Bank	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Executive director				
Salaries and other short-term benefits*	78,852	67,846	78,852	67,846
Post-employment benefits	5,556	4,828	5,556	4,828
Non-executive directors				
Fees and allowances	32,319	21,510	31,896	21,510
	<u>116,727</u>	<u>94,184</u>	<u>116,304</u>	<u>94,184</u>

* Remuneration includes non-cash benefits.

36 Restatement of presentation of cashflow on cash and cash equivalents

In the prior reporting period, the Bank excluded the mandatory Cash Reserve Ratio (CRR) balances held with the Central Bank of Kenya (CBK) from its classification of cash and cash equivalents for the purposes of the Statement of Cash Flows. Following a reassessment of *IAS 7: Statement of cash flows*, the bank concluded that these balances meet the definition of cash as they represent demand deposits that are accessible on demand. While the CBK imposes restrictions regarding the use of these funds for day-to-day operations, there are no restrictions regarding the Bank's access to these deposits for liquidity management.

Accordingly, the Bank has corrected this as a prior-period error under *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors*. The comparative information for the year ended 31 December 2024 has been restated to include CRR balances within cash and cash equivalents. The restatement has no impact on the bank's statement of financial position or any key ratios.

Group	2024 balance previously reported Shs' 000	Adjustment for restatement Shs' 000	2024 Restated Shs' 000
Movement in restricted cash balances	(1,122,048)	1,865,160	743,112
Cash generated from operations	1,789,295	1,865,160	3,654,455
Net cash from operating activities	1,429,533	1,865,160	3,294,693
Net cash from investing activities	(310,226)	-	(310,226)
Net cash from financing activities	(645,439)	-	(645,439)
Net increase in cash and cash equivalents	473,868	1,865,160	2,339,028
Cash and cash equivalents at the end of the year	<u>4,579,911</u>	<u>1,865,160</u>	<u>6,445,071</u>

Notes (continued)

36 Restatement of presentation of cashflow on cash and cash equivalents (continued)

Bank	2024 balance previously reported Shs' 000	Adjustment for restatement Shs' 000	2024 Restated Shs' 000
Movement in restricted cash balances	(1,122,048)	1,865,160	743,112
Cash generated from operations	1,763,207	1,865,160	3,628,367
Net cash from operating activities	1,429,422	1,865,160	3,294,582
Net cash from investing activities	(310,115)	-	(310,115)
Net cash from financing activities	(645,439)	-	(645,439)
Net increase in cash and cash equivalents	473,868	1,865,160	2,339,028
Cash and cash equivalents at the end of the year	4,579,911	1,865,160	6,445,071

37 Restatement due to change in subsidiary accounting policy

During the year, the subsidiary, Sidian Bancassurance Intermediary Limited reassessed the presentation of commission-related balances arising from its intermediary activities to include the obligations to underwriters under both Trade receivables and Trade payables as both balances arise from contracts within the scope of *IFRS 9 – Financial Instruments* and form part of the Company's normal trading cycle. This resulted in a prior-period error under *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*, and comparative information has been retrospectively restated accordingly in the Consolidated statement of financial position and Consolidated statement of cashflows.

The restatement has no impact on the overall reported income for the Group.

i) Restatement of Trade Receivables and Trade Payables

Group	2024 balance previously reported Shs '000	Adjustment for restatement Shs '000	2024 Restated Shs '000
Other assets and prepayments	1,475,972	148,015	1,623,987
Other liabilities and accrued expenses	989,915	148,015	1,137,930

Notes (continued)

37 Restatement due to change in subsidiary accounting policy (continued)

ii) Restatement of Trade Receivables and Trade Payables

Group	2024 balance previously reported Shs'000	Adjustment for restatement Shs'000	2024 Restated Shs'000
Cash flows from operating activities			
Changes in operating assets and liabilities			
- Other assets and prepayments	(237,542)	148,015	(89,527)
- Other payables and accrued expenses	608,149	(148,015)	460,134
Cash generated from operations	3,611,455	-	3,611,455
Net cash flows from operating activities	3,294,693	-	3,294,693

38 Events after reporting date

Subsequent to the year end, the Bank received additional capital pursuant to a rights issue of KES 3 billion approved via a Board resolution on 28 November 2025. The KES 3 billion capital was received in two tranches: KES 1.935 billion in January 2026 and KES 1.065 billion in February 2026. The capital injection will support continued business growth and improve the Bank's regulatory capital. The Bank's core capital increased from KES 8,156,561,000 as at 31 December 2025 to KES 11,634,666,000 as at 28 February 2026. Consequently, the Core Capital to Risk-Weighted Assets ratio increased from 15.4% to 19.5%.

Based on the procedures performed, no conditions were identified that would require adjustment to the financial statements for the year ended 31 December 2025. Accordingly, this matter has been treated as a non-adjusting subsequent event and has not been reflected in the financial position as at 31 December 2025, but has been disclosed to provide relevant information to users of the financial statements.

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