



**Consolidated Bank**

*Growing with you*



**CONSOLIDATED BANK OF KENYA LIMITED  
AND SUBSIDIARY ANNUAL FINANCIAL  
STATEMENTS AND REPORTS FOR THE YEAR  
ENDED 31 DECEMBER 2025**

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- Duty Payments
- LPO/LSO Financing
- Bank Guarantees

Consolidated Bank is regulated by the Central Bank of Kenya

## DIRECTORS:

### Current

Florence A. Oluoch

Dr. Dominic Murage- Chief Executive Officer (Appointed on 19 December 2025)

Cabinet Secretary, National Treasury

Managing Trustee – NSSF

FCPA George Mooka (Appointed on 29 January 2026)

Wilberforce Muoga (Appointed on 3 December 2025)

Prof. Kennedy Otiso (D. Phil) (Appointed on 29 January 2026)

Edward Bitok (Appointed on 29 January 2026)

### Terms ended

Hon. Muriuki Njagagua – Chairman (Term ended 3 October 2025)

Samuel Muturi - Chief Executive Officer (Term ended 11 October 2025)

Timothy Tiampati (Term ended 2 June 2025)

Kenneth Gatheru Gatiithi (Term ended 3 October 2025)

Harun K. Mosop (Term ended 3 October 2025)

Dr. Jedidah Mwiti (Term ended on 3 October 2025)

## AUDIT COMMITTEE:

Harun Mosop– Chairman (Term ended on 3 October 2025)

Florence A. Oluoch

Jane Njogu - Representing CS,National Treasury

## RISK AND COMPLIANCE COMMITTEE:

Florence A. Oluoch-Chairperson

Dr. Jedidah Mwiti-(Term ended on 3 October 2025)

Harun Mosop– Chairman (Term ended on 3 October 2025)

Samuel Muturi (Term ended 11 October 2025)

## CONSOLIDATED BANCASSURANCE INTERMEDIARY

Charles Njagagua (Term ended on 3 October 2025)

Jane Njogu-Representing CS,National Treasury

Kenneth Gatheru Gatiithi (Term ended on 3 October 2025)

Samuel Muturi (Term ended 11 October 2025)

## STAFF COMMITTEE:

Kenneth Gatheru Gatiithi- Chairman(Term ended on 3 October 2025)

Dr. Jedidah Mwiti-(Term ended on 3 October 2024)

Florence A. Oluoch

Samuel Muturi (Term ended 11 October 2025)

## FINANCE AND CREDIT COMMITTEE:

Dr. Jedidah Mwiti-(Term ended on 3 October 2025)

Kenneth Gatheru Gatiithi (Term ended on 3 October 2025)

Jane Njogu Representing CS,National Treasury

Samuel Muturi (Term ended 11 October 2025)

## Ag. COMPANY SECRETARY:

Albert Anjichi

Certified Public Secretary (Kenya)

P. O. Box 51133 – 00200, Nairobi

## REGISTERED OFFICE:

Consolidated Bank House

23 Koinange Street

P. O. Box 51133 - 00200, Nairobi

## AUDITORS:

### Principal auditor:

The Auditor General

Anniversary Towers

P. O. Box 30084 – 00100, Nairobi

### Delegated auditor:

RSM Eastern Africa LLP

Certified Public Accountants

1<sup>st</sup> Floor, Pacis Centre

Slip Road,off Waiyaki Way,Westlands

P. O. Box 349 – 00606, Nairobi

## CORRESPONDENT BANKS:

ABSA Bank Limited

Vostro Department

P.O. Box 585 Johannesburg 2000

BMCE Bank International

Serrano 59 - 280006

Madrid

Italy

ODDO BHF Aktiengesellschaft

Bockenheim Landstr.10 -60323Frankfurt am Main

Germany

## LEGAL ADVISERS:

Hamilton Harrison & Mathews

Delta Suites, Waiyaki Way

P.O. Box 30333 - 00100 Nairobi,

Kenya

## LEGAL ADVISERS :

Mboya Wangongú & Waiyaki Advocates Chambers Maji

Mazuri Road – Off James Gichuru Road

P. O. Box 74041 - 00200, Nairobi, Kenya

## **DR. DOMINIC MURAGE, PHD, CPA (K), CS (K)** **Chief Executive Officer (Ag.)**



Dr. Dominic Murage, PhD, CPA (K), CS (K), was appointed as the Acting Chief Executive Officer (CEO) on 12th October 2025. Following his appointment, the requisite regulatory vetting process was undertaken by the Central Bank of Kenya, culminating in formal approval and clearance.

Dr. Murage is a seasoned finance professional, scholar, governance expert, and strategic leader with over twenty (20) years of distinguished experience in Management, Human Resource Management, Taxation, Public Finance, Audit, Financial Reporting, Policy Analysis, Consultancy, Corporate Governance, Research and Training. He has built an extensive career across both the Public and Private sectors, establishing a strong and credible professional network.

Prior to his current appointment, Dr. Murage served as a Senior Lecturer in the Department of Finance and Accounting at the University of Nairobi. His areas of interest include Financial Investments, Taxation, Banking, Auditing, Financial Institutions and Accounting. He has also undertaken consultancy assignments in Taxation, Financial Investment, Financial Reporting, and Auditing within the Public and Private sectors.

Earlier in his career, he held senior administrative roles at the University of Nairobi, rising to the position of Assistant Registrar. He was subsequently appointed as the Finance Coordinator and Liaison Officer in the School of Business, where he managed and coordinated Self-Sponsored Student Programmes (Module II), supporting the University's revenue generation initiatives. Over the years, he has supervised numerous PhD theses and Master's research projects in Finance, Banking, Taxation and Accounting. Dr. Murage also served as Treasurer of the Universities' Academic Staff Union (UASU) - UoN Chapter, having been elected to the position by his fellow Dons. In addition, he served as a Member of the Research and Development Committee of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a founder Member of Committee on Fiscal Studies (CFS) at the University of Nairobi. Dr. Murage is widely published in peer-reviewed Business Management and Financials journals.

Dr. Murage holds a Doctor of Philosophy (PhD) in Business Administration (Finance option), a Master of Business Administration (MBA - Accounting option), and a Bachelor's Degree in Social Sciences, all from the University of Nairobi. He is a Certified Public Accountant of Kenya (CPA-K), a Certified Secretary (CS-K), and a Certified ISO Lead Auditor. He is also an active Member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing.

## **HON. CPA JOHN MBADI NG'ONGO, EGH**

### **Cabinet Secretary, The National Treasury - Institutional Director**

Hon. John Mbadi is the Cabinet Secretary (CS) for The National Treasury and Economic Planning. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.



Hon. John Mbadi has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency, Suba Constituency, and Gwassi Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to Hon. John Mbadi's political and legislative accomplishments, he is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. He holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya and the Chartered Institute of Arbitration.

Hon. John Mbadi's contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH). His skills span across planning, budgeting, financial analysis, accounting, economics and community development, complemented by strong leadership, effective communication and interpersonal skills. His areas of interest include politics, reading, and soccer.



**MR. DAVID KOROSS**  
**Managing Trustee/CEO – NSSF, Institutional Director**

Mr. Koross is the Managing Trustee/CEO of the National Social Security Fund. He has a wealth of experience in Marketing, Financial/Investment Management and Reporting, Customer Management, Pension Scheme Regulation and Administration. He holds a Master's Degree in Public Policy Management from Strathmore Business School and a Bachelor of Arts Degree in Economics from the University of Nairobi. He previously served as the Chief Executive Officer of Lapfund and as a Director of the NG-CDF Board.



**MS. FLORENCE AUMA OLUOCH**  
**Board Member**

Ms. Florence Auma was appointed to the Board of Consolidated Bank on 8th November 2024.

Ms. Florence brings on board organizational skills, problem solving skills, relationship management and interpersonal skills. In addition, she has acquired the following competencies over the years; Forward Planning and Strategic Thinking, Policy Formulation and Conflict Management.

Ms. Florence is the Managing Director of the Woolsacck Holdings Limited, which is involved in the Hospitality and Real Estate sectors. She is a business professional with extensive experience in the Financial and Insurance Industry, having worked as a financial advisor with Britam Insurance for twenty (20) years.

Ms. Florence successfully chaired the Strategic and Technical Committee, as well as the Audit Committee during her tenure as a Board Member at the Kenya Water Towers Agency and spearheaded the enhancement of Woolsacck Suites in Nyali into an internationally and locally searched block of furnished apartments at the coastal town of Mombasa.

Ms. Florence holds a Bachelor of Business Management (Marketing Management) Degree from Mount Kenya University, a Diploma in Sales and Marketing from the University of Nairobi and a Certificate of Proficiency from the College of Insurance, Mombasa.

## **WILBERFORCE ODHIAMBO MUOGA** Board Member



Wilberforce Muoga was appointed as a Member of the Consolidated Bank Board of Directors on 3rd June 2025.

Wilberforce is a dedicated and results-driven professional with more than 30 years' experience in Accounting, Finance, Consultancy and Religious Studies.

Wilberforce has held senior positions at the Ministry of Home Affairs and National Heritage, Habo Agencies Limited, Jesus Revival Gospel Church, Christ Evangelical Church and at the Suba County Council.

Wilberforce has received certification for accomplishing World Bank Funds Management and Citibank Donor Flow Services.

Wilberforce is currently pursuing a Masters' Degree in Theology at the Great Lake University of Kisumu. He holds a Bachelors' Degree in Theology from Jacksonville Baptist Theological Seminary (USA), a Bachelors' Degree in Commerce from Rani Durgwavati Vishwavidyalaya Jabalpur (India) and a Certificate in School Ministry from Living Word Bible Centre.

## **FCPA GEORGE MOKUA** Board Member



FCPA George Mokua was appointed as a Member of the Consolidated Bank Board of Directors on 3rd October 2025.

FCPA George Mokua is a Certified Public Accountant and Certified Secretary with extensive experience in External Audit, Financial Reporting, Business Consultancy Services and Company Secretarial practice. He has previously served as the Chairman of the Institute of Certified Public Accountants of Kenya (ICPAK), Board member of KASNEB and various other board positions including PAFA and IFAC Council.

FCPA George Mokua currently serves as the Chairman of the KCA University Board of Trustees, Chairman of the Accountancy Quality Advisory Group (AQAG) under the PAN African Federation of Accountants (PAFA), and as a Member of the Small and Medium Practice Advisory Group (SMPAG) under the International Federation of Accountants (IFAC).

FCPA George Mokua holds a Master's Degree in Business Administration (General Management) from the University of Free State, South Africa and a Bachelor of Business Management Degree (Accounting) from Moi University, Kenya.

## **PROF. KENNEDY NTABO OTISO, PHD**

### **Board Member**



Prof. Kennedy Ntabo Otiso, PhD was appointed to the Board of Consolidated Bank on 3rd October 2025.

Prof. Kennedy Ntabo Otiso has over a decade of progressive academic and administrative experience. He has previously served as a Senior Lecturer, Lecturer, Assistant Lecturer and Chairman/Founder of academic departments at institutions including Kibabii University and the University of Eldoret. He has held numerous leadership roles in university governance, including membership in Academic Boards, Postgraduate Committees, Budget Committees, Senate and various Procurement, Policy and Strategic Planning Committees.

Prof. Kennedy Ntabo Otiso has previously chaired key board committees including Risk and Staff Committees at Consolidated Bank of Kenya.

Prof. Kennedy Ntabo Otiso is an accomplished scholar and academic leader specializing in Marketing and Business Management. He holds a Doctor of Philosophy Degree (D.Phil.) in Business Management (Marketing Option) and a Master of Business Management from Moi University, as well as a Bachelor of Business Administration (Cum Laude) from the University of Eastern Africa, Baraton. He is currently an Associate Professor at Koitaleel Samoei University College (a Constituent College of the University of Nairobi), where he also serves as Head of the Department of Business Administration and Management Science and MBA/PhD Program Leader.

Prof. Kennedy Ntabo Otiso has an extensive record of scholarship, having published over 82 peer-reviewed journal articles, authored academic books, and contributed book chapters in the fields of Marketing, Strategic Leadership, Customer Relationship Management, and Performance Management. He has supervised multiple postgraduate students, including successful PhD and Master's candidates, and continues to mentor undergraduate and postgraduate research projects. He also serves as an external examiner for several Kenyan universities and as a curriculum review resource person for the Commission for University Education (CUE). He is a full member of the Marketing Society of Kenya, the Institute of Internal Auditors and Utafiti Foundation.

Prof. Kennedy Ntabo Otiso's professional engagement extends beyond academia whereby he has served on several school boards. He has actively participated in international conferences across East and Southern Africa, presenting research on Strategic Marketing, Innovation, and Organizational Performance. In addition, he is committed to community service and educational access, having facilitated scholarship support for secondary school students.

## **EDWARD KIPLIMO BITOK**

### **Board Member**

Edward Kiplimo Bitok, was appointed as a Member of the Consolidated Bank Board of Directors on 3rd October 2025.



Edward Bitok is an accomplished banker specializing in Banking Operations with over three decades of experience in Financial Services, Operations Management, and large-scale Systems Transformations. He is known for strategic thinking and a results-driven approach to leadership, with a track of record of building resilient operations aligned with regulatory requirements and standard service.

Edward Bitok recently worked as the Head of Operations at BPR Bank Rwanda PLC, a product of the merger of Banque Populaire du Rwanda with KCB Rwanda following its acquisition by KCB Group. In addition, He worked as the Director of Operations at The National Bank of Kenya and as Head of KCB Group Business Process Re-engineering charged with the responsibility of driving change into the organization.

Edward Bitok has extensive hands-on experience in Core Banking Systems including T24, TC3 and Fusion Banking Essence (FBE), Business Process Management Solutions, and Market-entry Projects, accompanied by strong analytical skills in Balance Sheet Management and Reconciliation and cross-functional initiatives that enhance collaboration and improve client satisfaction.

Edward Bitok is a Certified Public Accountant and holds a Bachelor of Commerce Degree in Accounting from The University of Nairobi. He is a member of the Institute of Certified Public Accountants of Kenya and Six Sigma Green Belt holder.

## **MR. ALBERT B.A ANJICHI**

### **Ag. Head of Legal & Company Secretary**

Albert B.A Anjichi joined Consolidated Bank in 2016.



Albert is an accomplished Advocate of the High Court of Kenya, Company Secretary, and Governance expert with over fifteen (15) years of professional experience in the legal practice specializing in commercial law, labour relations, dispute resolution, securities, legal and regulatory compliance, litigation and corporate governance. Prior to joining the Bank, Albert worked with the ABSA Bank of Kenya Limited and Manani Lilan & Mwetich Company Advocates.

Albert holds a Master of Business Management Degree from the United States International University (USIU), a Bachelor of Law (LL.B) Degree from Moi University, a post-graduate Diploma in Law from Kenya School of Law, and is a Certified Company Secretary (CPS-Kenya).

Albert is an active member of the Institute of Certified Secretaries of Kenya (ICS-K) and the Law Society of Kenya (LSK) and has a Certification in Legal Audit & Compliance and Environmental, Social and Governance (ESG).

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  - o Using cash – visit any of our branches with the Reference Number, pay and get a receipt
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- Return to eCitizen portal to complete the service by clicking “Confirm Payments”

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**DR. DOMINIC MURAGE**  
Ag. Chief Executive Officer



**MICHAEL MBUVA**  
Principal Officer, Consolidated  
Bancassurance Intermediary



**ALBERT ANJICHI**  
Ag. Company secretary &  
Head of Legal Services



**FRED RONOH**  
Ag. Head of Finance &  
Administration



**JOSEPHINE KIOKO**  
Head of Corporate Banking &  
Ag. Head of Retail & SME



**Joshua Kagia**  
Head of Treasury



**ROSE MUKOBA**  
Ag. Head of Human Resource



**EDWARD NTHULI**  
Head of Operations & Central Processing



**JULLIE ODADI**  
Ag. Head of Credit, Product  
Development & Innovation



**GEORGE RUTTO**  
Head of Internal Audit



**HARRISON MUTHOKA**  
Ag. Head of Risk & Compliance



**ADRIAN OBOTE**  
Ag. Head of ICT



**PROF. KENNEDY NTABO OTISO, PHD**  
Acting Chairman

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

As I write my first message to our stakeholders as the Acting Chairman of the Board, I do so with deep appreciation for the resilience of the Bank and the collective efforts that continue to strengthen our institution. Since assuming the role of Acting Chairman in February 2026, it has been a privilege working alongside the Board, Management and staff in steering the Bank during this important phase of its growth and transformation journey.

The Board is encouraged by the strong progress achieved during the year, particularly the significant turnaround to profitability and the continued strengthening of the Bank's financial position. This performance reflects the effectiveness of Management's execution of the Bank's strategic priorities, supported by prudent governance, disciplined oversight and operational resilience despite a dynamic operating environment characterised by both challenges and emerging opportunities.

As we move forward, the Board remains focused on supporting sustainable growth, strengthening governance frameworks, enhancing operational resilience and positioning the Bank to deliver long-term value to all stakeholders.

## **Operating Environment**

The global economy in 2025 continued to demonstrate resilience, supported by accommodative monetary policies and steady recovery across both advanced and emerging markets. In Kenya, the operating environment was characterised by gradual economic recovery, easing inflationary pressures and continued policy interventions aimed at supporting macroeconomic stability and economic growth.

The recovery was supported by relatively stable exchange rates, prudent fiscal and monetary measures and continued easing of monetary policy by the Central Bank of Kenya. While geopolitical developments and global market uncertainties continued to pose risks to international trade and commodity markets, the domestic economic environment remained relatively stable and supportive of business activity.

The banking sector continued to play a critical role in supporting economic growth while adapting to an evolving landscape shaped by digitisation, regulatory developments and changing customer expectations. Amid these dynamics, Consolidated Bank remained committed to supporting businesses, individuals and other stakeholders while strengthening service delivery, operational efficiency and digital transformation initiatives.

## **Financial Performance**

The Group delivered a strong financial performance during the year, marked by a significant turnaround to profitability and overall strengthening of its financial position. This performance underscores the effectiveness of the Bank's strategic direction, disciplined execution and continued focus on operational efficiency and sustainable growth.

The Board wishes to sincerely appreciate The National Treasury, the Bank's main shareholder with a 93.4% shareholding, for its continued support and commitment towards strengthening the Bank's core capital base through the intended capital injection. This support comes at a critical time as the Bank continues to align itself with the enhanced minimum core capital requirements introduced under the new Business Laws (Amendment) Act, 2024, and underscores the shareholder's strategic confidence in the Bank's long-term sustainability, resilience and growth potential.

The intended capital boost will not only support compliance with the new regulatory capital thresholds but will also significantly enhance the Bank's capacity to support business expansion, deepen financial inclusion, strengthen lending capabilities and play a greater catalytic role in advancing national economic development, while preserving the Bank's operational independence and commitment to sound corporate governance principles.

## **Board Changes**

The Board remained actively engaged throughout the year in providing strategic oversight and governance support to the Bank.

During the year, the Bank bid farewell to the former Chairman, Hon. Muriuki Njagagua, and the following Non-Executive Directors: Dr. Jedidah Karwitha Mwiti, Mr. Harun Kimosop, Mr. Timothy Kotoine Tiampati and Mr. Kenneth Gatheru Gatiithi. On behalf of the Board, I sincerely thank them for their dedicated service, commitment and valuable contribution to the Bank during their tenure and wish them well in their future endeavours.

Additionally, the tenure of the former Chief Executive Officer, Mr. Sam Muturi, came to an end in October 2025 upon completion of his contract. The Board sincerely appreciates his service and contribution to the Bank and wishes him success in his future endeavours.

The Board subsequently appointed Dr. Dominic Murage, PhD, CPA(K), CS as Acting Chief Executive Officer to provide leadership continuity and steer the Bank through the next phase of its growth and transformation journey. The Board remains confident in Management's capacity to sustain the Bank's positive momentum, strengthen institutional performance and deliver long-term value to stakeholders.

During the year, the following individuals were appointed to the Board as Non-Executive Directors: FCPA George Mokuu, Mr. Wilberforce Muoga, Mr. Edward Bitok and myself, Prof. Kennedy Ntabo Otiso, PhD. We welcome the new Directors to the Board and look forward to their contribution as we continue to strengthen the institution and execute the Bank's strategic growth agenda.

## **Acknowledgements**

I wish to express my sincere gratitude to all our stakeholders for their continued support and confidence in the Bank.

I also extend my appreciation to my fellow Directors for their guidance, dedication and invaluable insights throughout the year. To Management and staff, thank you for your commitment, resilience and professionalism, which continue to drive the Bank's transformation and success.

To our customers, we deeply value your trust and loyalty, while to our shareholders, we remain grateful for your continued confidence and support.

With your continued partnership, I remain confident that the future of Consolidated Bank remains bright and promising.

Thank you.



**Prof. Kennedy Ntabo Otiso, PhD**

Acting Chairman



## **DR. DOMINIC MURAGE** Ag. Chief Executive Officer

Dear Shareholders,

As I write my first message to you as the Acting Chief Executive Officer of this great institution, I do so with deep appreciation of both the challenges the Bank has faced over the years and the significant strides made by the Board, Management and staff in sustaining and strengthening the Consolidated Bank brand.

Since my appointment as Acting Chief Executive Officer in October 2025, it has been both an honour and a fulfilling journey leading this institution in pursuit of sustainable growth and long-term value for all our stakeholders. I am encouraged by the resilience, dedication and commitment demonstrated across the organization as we continue to reposition the Bank for greater success.

On behalf of Management, I wish to express our sincere gratitude to our shareholders, customers and business partners for the unwavering support and confidence you have continued to accord the Bank. Your trust remains the cornerstone of our continued growth and transformation journey.

The year 2025 marked a significant turning point for the Bank as we strengthened our focus on turnaround, institutional growth and long-term sustainability. I am pleased to report that the Bank made significant progress during the year, achieving a historic turnaround to profitability after several years of losses. This achievement marks an important milestone for the Bank and lays a strong foundation for sustainable growth, enhanced shareholder value and continued positive impact for our diverse stakeholders.

## **The Economic and Banking Environment**

Kenya's economy remained resilient during the year despite a challenging global economic environment. According to the Kenya National Bureau of Statistics (KNBS), the economy grew by 4.6% in 2025 compared to 4.7% in 2024, supported mainly by growth in agriculture, financial services, construction and tourism.

The economy continued to benefit from ongoing Government interventions aimed at enhancing macroeconomic stability, supporting productive sectors and strengthening the overall business environment. Improved foreign exchange stability, easing inflation and prudent fiscal and monetary measures contributed to a more stable operating environment for businesses and financial institutions.

Monetary conditions became more supportive during the year as the Central Bank of Kenya adopted a more accommodative monetary policy stance. The Central Bank Rate (CBR) was reduced from 12.5% earlier in the year to 9.0% by December 2025, with a further reduction to 8.75% in February 2026. The stable inflation environment and exchange rate stability provided a more predictable environment for business activity, lending and investment.

The banking sector remained stable and resilient, supported by adequate liquidity and strong regulatory oversight. Private sector credit growth gradually recovered during the year, reflecting improving business confidence and increased economic activity across key sectors of the economy.

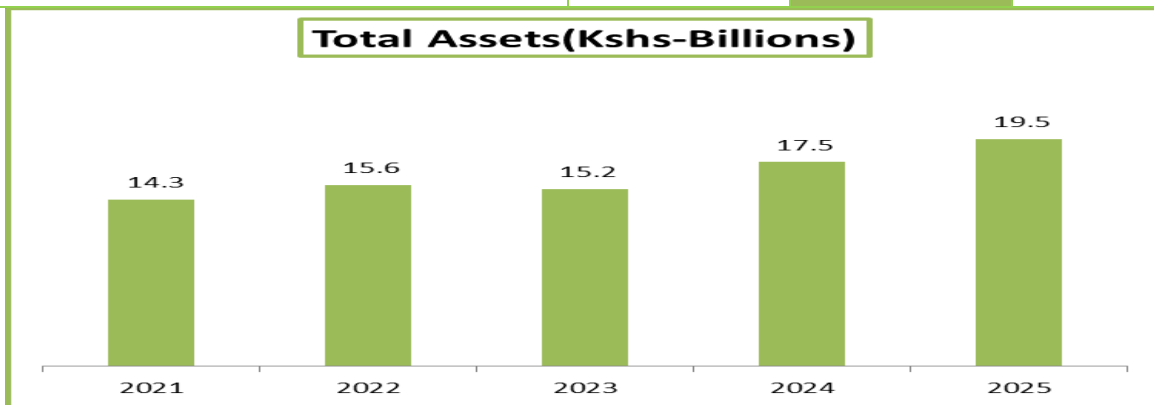
## **Bank Performance Highlights**

The Bank delivered a strong and resilient performance during the year, supported by deliberate efforts to strengthen business growth, operational efficiency, asset quality, brand positioning, and enhancement of our people, systems and processes.

As a result of these deliberate efforts, the Bank returned to profitability after several years of losses, achieving significant milestones and delivering historic results. The progress achieved during the year reflects the Bank's renewed focus on sustainable growth, operational resilience and value creation for stakeholders.

The Bank also made substantial progress towards achieving its financial commitments, as reflected in the strong growth in revenue and expansion of the balance sheet highlighted below.

<b>Sustained Balance Sheet momentum</b>			
<b>In Ksh. Millions</b>	<b>2024</b>	<b>2025</b>	<b>Change</b>
Customer deposits	11,715,930	12,291,974	5%
Loan Book	8,513,879	8,557,151	1%
Investment in government securities	6,374,515	8,219,243	29%
<b>Total Assets</b>	<b>17,521,756</b>	<b>19,491,287</b>	<b>11%</b>

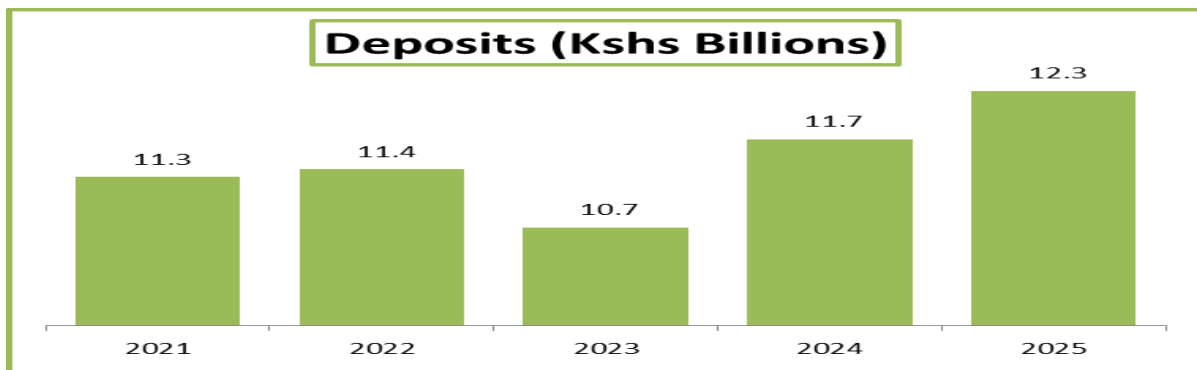


The Group reported an impressive 11% growth in total assets, which increased to Ksh. 19.5 billion as at 31st December 2025 from Ksh. 17.5 billion in 2024. The growth in the balance sheet was mainly driven by a 29% increase in Government securities, which rose to Ksh. 8.2 billion from Ksh. 6.4 billion in the previous year, following the effective deployment of the Bank's

improved liquidity position. Growth was also supported by loans and advances to customers, which increased by 1% to close at Ksh. 8.6 billion.

Customers' deposits grew by 5% from Ksh. 11.7 billion in 2024 to Ksh. 12.3 billion in 2025, reflecting growing customer confidence and the success of the Bank's business growth and diversification initiatives. The strong deposit growth enabled the Bank to maintain a healthy liquidity position while investing excess liquidity in earning assets.

The Bank continued to invest in and enhance its digital banking platforms to provide customers with convenient, secure and efficient access to banking services without the need to visit branches.



<b>Robust revenue growth and turn-around to profitability</b>			
<b>In Ksh. Millions</b>	<b>2024</b>	<b>2025</b>	<b>Change</b>
Net Interest income	939,557	1,300,641	38%
Non-interest income	568,148	631,342	11%
<b>Total Income</b>	<b>1,507,705</b>	<b>1,931,983</b>	<b>28%</b>
Allowances for expected credit losses	235,245	288,978	23%
Operating expenses	1,407,876	1,425,426	1%
<b>Profit/(Loss) Before Tax</b>	<b>(135,416)</b>	<b>217,579</b>	<b>261%</b>
Income Tax expense	(19,804)	(19,395)	-2%
<b>Profit/(Loss) After Tax</b>	<b>(155,220)</b>	<b>198,184</b>	<b>228%</b>

The Bank recorded robust Net Interest Income (NII) growth of 38%, rising to Ksh. 1.3 billion from Ksh. 940 million in the previous year. This growth was mainly driven by higher interest

income from investments in Government securities following the effective utilization of the Bank's improved liquidity position.

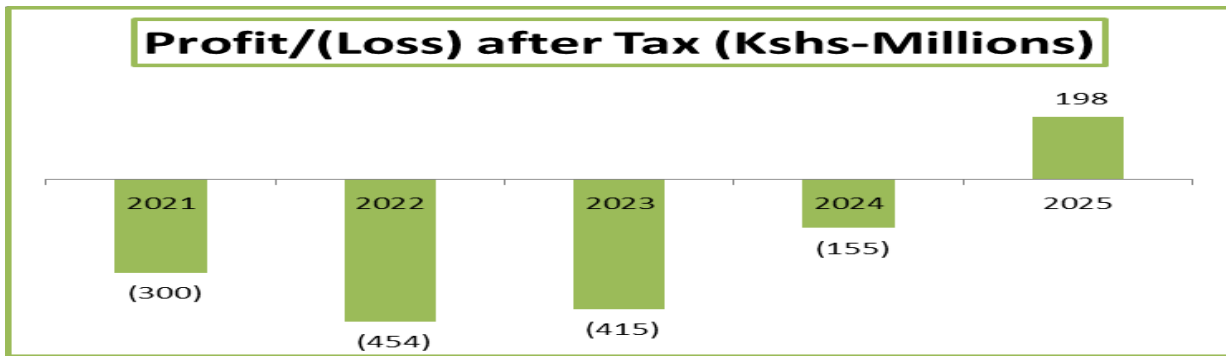
Non-funded income also recorded strong double-digit growth of 11%, increasing to Ksh. 631 million from Ksh. 568 million recorded in the previous year. The growth was supported by increased fees and commissions, Government securities trading income, channel and digital banking income, as well as bancassurance income, which the Group continues to prioritize as key revenue streams.

The Bank's revenue base remained well diversified across business segments and product lines, with Net Interest Income contributing 67% of total revenue while non-funded income accounted for 33%. As a result of these strategic initiatives, total income grew by 28% to an all-time high of Ksh. 1.9 billion from Ksh. 1.5 billion recorded in the previous year.

Impairment increased by 23% from Ksh. 235 million in 2024 to Ksh. 288 million in 2025, mainly due to increased loan loss provisions arising from elevated non-performing loans. Gross non-performing loans increased by 12% to Ksh. 4.08 billion from Ksh. 3.64 billion in 2024, reflecting the challenging macroeconomic environment that continued to affect some customers' repayment capacity.

To address this, the Bank continues to strengthen its underwriting standards, enhance credit monitoring processes, identify distressed accounts early and implement timely mitigation measures, while also improving operational efficiency across collections and recoveries functions.

The Bank's total costs closed at Ksh. 1.42 billion, representing a marginal increase of 1% from Ksh. 1.41 billion recorded in the previous year. This reflects deliberate cost containment measures and improved operational efficiencies implemented during the year.



The Group recorded a net profit of Ksh. 198 million in 2025 compared to a net loss of Ksh. 155 million in 2024, representing a strong turnaround in performance and underscoring the effectiveness of the Bank’s ongoing transformation initiatives. We remain confident in the Bank’s financial strength and the strategic direction we have set to deliver sustainable growth and long-term value.

**Capital**

The Bank’s capital position remains below the statutory minimum requirements, and Management continues to prioritize initiatives aimed at strengthening the capital base. To address this, the Bank has developed a comprehensive capital build-up and restoration plan geared towards achieving compliance with regulatory requirements while supporting the Bank’s growth ambitions in the medium to long term.

**Future Focus and Outlook**

The strong performance achieved in 2025 provides a solid foundation for the Bank’s aspirations in 2026 and beyond. We remain firmly committed to driving sustainable growth, enhancing operational resilience, deepening customer relationships and creating long-term value for all our stakeholders.

The Bank will continue to leverage technology, strengthen risk management practices, enhance service delivery and pursue strategic business opportunities that support our growth agenda and reinforce our position within the banking sector.

## **Business Events and Corporate Social Responsibility**

During the year, the Bank continued to support various initiatives and community programmes, including business expos, International Women's Day celebrations, tree planting activities, donation of water tanks, the Mater Heart Run and other sustainable Corporate Social Responsibility (CSR) initiatives focused on education, environmental conservation and support for vulnerable members of society.

## **Appreciation**

I wish to sincerely thank all our employees for their commitment, resilience and dedication throughout the year. Their hard work and professionalism continue to drive the Bank's transformation journey and overall success.

I also wish to acknowledge the invaluable support, guidance and stewardship provided by the Board of Directors, as well as the trust and loyalty of our customers and the continued confidence of our shareholders.

As we look ahead, we remain well positioned to deliver sustainable value to our stakeholders while continuing to contribute to the growth of the Bank and the broader Kenyan economy.

Thank you and God bless you.



**Dr. Dominic Murage, PhD, CPA (K), CS**

**Chief Executive Officer (Ag.)**

Corporate governance defines the process and structure used to direct and manage the business affairs of Consolidated Bank of Kenya Limited (“the Bank”) with the aim of enhancing corporate accounting and shareholders’ long-term value while taking into account the interests of other stakeholders.

The Board of Directors is responsible for the governance of the Bank and is committed to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. To this end the Bank has put in place processes, systems, practices and procedures which are frequently reviewed and updated embracing the changing corporate environment and world trends.

## Shareholders

The shareholders’ roles are firstly to appoint the Directors and hold the Board accountable and responsible for efficient and effective governance of the Bank. Secondly they also appoint the Independent Auditor of the Bank.

## Business ethics

The Bank conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its clients, intermediaries, insiders, employees and other stakeholders are conducted at arm’s length, with integrity and transparency. The business is conducted with high levels of transparency and accountability.

## Board of Directors

The names of the Directors as at the date of this report are set out on page 1.

The Board fulfils its fiduciary responsibility to the shareholders by maintaining control over the strategic, financial, operational and compliance issues of the Bank. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Chief Executive Officer to conduct the day-to-day business of the Bank.

The Board consists of seven non-executive directors (including the Chairman) and the Chief Executive Officer. The Board members possess extensive experience in a variety of disciplines in banking, business and financial management, all of which are applied in the overall management of the Bank. The Board meets at least once every two months and has a formal schedule of matters reserved for it. The Directors are given appropriate and timely information so that they can perform their fiduciary responsibilities effectively. During the year, this threshold was not attained at all times, some of the critical decisions were passed awaiting the Board to be fully constituted, and they were subsequently ratified.

The Board has delegated the authority of day to day management to the CEO but retains the overall responsibility for financial and operating decisions as indicated on the statement of directors’ responsibilities. The Board has access to the Company Secretary. To ensure effectiveness, the Board has set up various committees which operate within and in accordance with clearly set terms of reference. The committees report to the Board at periodic intervals and by circulation.

### a) Directors’ Emoluments and Loans

The remuneration of all Directors is subject to the guidelines issued by the Office of the President on terms and conditions of service for State Corporations. The Directors are not eligible for membership of the pension scheme and do not participate in any of the Bank’s bonus schemes. Information on the compensation received and the dealings of the Directors with the Bank are included in notes 17 and 42 to the financial statements.

### b) Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Bank and its Directors or Management except those disclosed in note 42 to the financial statements.

The Board has set up working committees to assist in discharging its duties and responsibilities as follows:

## Audit Committee

The Committee reviews the integrity of the financial statements of the Bank and recommends the statements for approval to the Board. The Committee considers management’s recommendations in respect of impairment on loans and advances as well as other disclosure requirements. The Committee is also mandated to raise the standards of corporate governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting. In addition to advising the Board on best practice, the committee also monitors management’s compliance with relevant legislation, regulations and guidelines as well as the Bank’s laid down policies and procedures. The committee has direct contact with the Internal Audit function, the Bank Secretary and the external auditors.

## Risk Committee

The committee is responsible for overseeing the implementation of the Bank's risk management framework to ensure that all existing and potential significant risks are identified and effectively managed. The committee considers both internal and external sources of information regarding risks to keep abreast with new developments and their potential impact to the business. The committee receives periodic reports from the risk and compliance function relating to the Bank's strategic risk, credit risk, market risk (interest rate risk, price risk, and foreign exchange risk), operational risk, regulatory risk, reputational risk, and liquidity risk.

## Finance and Credit Committee

The committee is mandated to review and make recommendations on the Bank's credit, financial and accounting policies, and review and make recommendations on the Bank's Annual Budget, oversight of the overall lending policy of the Bank and deliberate and consider loan applications beyond the credit discretion limits set for management. The committee also reviews and considers all issues that may materially impact the present and future quality of the Bank's credit risk management function as well as the quality of the loan portfolio and ensure adequate bad debt provisions are maintained in line with the Central Bank of Kenya prudential guidelines and IFRS Accounting Standards. The committee also reviews, approves and monitors the management's compliance with applicable statutory provisions, Bank policies and guidelines relating to the monitoring of price, liquidity, exchange rate and interest rate risks.

## Staff Committee

The committee is mandated to formulate staff policies and procedures and ensure an adequately staffed and professionally managed human resource. The committee assists the Board in discharging its corporate governance role by reviewing staffing needs of the Bank, appoints senior management staff, reviews training needs and undertake disciplinary measures as per the staff policies.

## Board Evaluation

The Board has had regular communication on its composition and effectiveness. Through the communications, directors are called upon on the functions requiring their expertise. This is taken into account in peer review performance. A Board assessment and peer review on performance was undertaken for the year ended 31st December 2025. This performance evaluation is an annual exercise aimed at ensuring that the Board remains efficient and effective while discharging its responsibilities.

A detailed report has been separately submitted to Central Bank of Kenya as per Prudential Guidelines.

## Management committees

For effective delegation the CEO has also set up various committees made up of senior officers of the Bank entrusted with different responsibilities which operate within prescribed Terms of Reference as approved by the Board. These Committees include the Asset and Liabilities Committee (ALCO), Executive Committee, Management Credit Committee and Human Resource Committee.

Tabulated below are the committees, their membership, frequency of meetings and functions.

	Asset and Liabilities Committee	Management Credit Committee	Executive Committee
Chairman	C.E.O	C.E.O	C.E.O
Members	Chief Commercial Officer Head of Finance Head of Operations and Central Processing..... Head of Treasury Head of Credit	Chief Commercial Officer Head of Finance Head of Operations and Central Processing Head of Credit Legal Manager	Head of Departments..... Principal Officer Banc assurance Subsidiary.....
Frequency of meetings	Monthly	Monthly	Monthly
Main functions	Management of statement of financial position and liquidity	Appraisal and approval of credit applications within their limits	Strategy decision making

The Bank is a public limited company and fully complies with the Banking Act and the Central Bank of Kenya Prudential Guidelines and Circulars. The Bank distributes its annual report and financial statements and also publishes quarterly reports and notices in the national dailies to ensure that the shareholders are fully informed of the Bank's performance. No individual shareholder has direct or indirect control powers to control the institution and all shareholders have access to the Bank and its Company Secretary who responds to their correspondences. In accordance with the Companies Act the shareholders have access to the shares register.

## Board meeting attendance

During the year under review, the Board held main board and working committee meetings. The Board members attendance for 2025 is as follows:

Name	Board Meeting			Audit Committee			Risk & Compliance Committee			Credit & Finance Committee			Staff Committee		
	Meetings required to attend	Meetings attended	%	Meetings required to attend	Meetings attended	%	Meetings required to attend	Meetings attended	%	Meetings required to attend	Meetings attended	%	Meetings required to attend	Meetings attended	%
Florence Oluoch	4	4	100%	-	-	-	2	2	100%	2	2	100%	5	5	100%
Harun Mosop	5	5	100%	3	2	67%	2	2	100%	2	2	100%	5	5	100%
Dr. Jedidah Mwiti	1	1	100%	-	-	-	-	-	-	-	-	-	-	-	-
Hon Keneth Gatithi	6	6	100%	3	3	100%	2	2	100%	3	3	100%	6	6	100%
Jane Njogu - Representing Cabinet Secretary National Treasury	6	5	83%	3	2	67%	-	-	-	5	2	40%	1	1	100%
Mr. Timothy Tiampati	4	4	100%	3	3	100%	-	-	-	2	2	100%	4	4	100%
Hon. Njagagua Muriuki- (Chairman)	6	6	100%	-	-	-	-	-	-	-	-	-	1	1	100%
Sam Muturi (CEO)	6	6	100%	3	3	100%	2	1	50%	5	4	80%	6	5	83%
George Mokuu (Appointed on 29 January 2026)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wilberforce Muoga (Appointed on 3 December 2025)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Edward Bitok (Appointed on 29 January 2026)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Kennedy Otiso (Appointed on 29 January 2026)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Board member's attendance for 2024 is as follows:

Name	Board Meeting		Audit Committee		Risk & Compliance Committee		Credit & Finance Committee		Staff Committee			
	Meetings required to attend	Meetings attended	Meetings required to attend	Meetings attended	Meetings required to attend	Meetings attended	Meetings required to attend	Meetings attended	Meetings required to attend	Meetings attended	%	
Hon. Muriuki Njagagua - Chairman	7	7	-	-	-	-	-	-	-	-	-	-
Samuel Muturi - (Chief Executive Officer)	7	7	-	-	1	1	4	4	6	6	100%	100%
Jane Wacuka Njogu Macharia - Representing Cabinet Secretary National Treasury	7	5	2	2	-	-	4	4	-	-	100%	-
Jedidah Mwiti- (Term ended on 3 October 2024)	4	4	2	1	1	1	2	2	3	3	100%	100%
Timothy Tiampati	7	7	2	2	-	-	4	4	6	6	100%	100%
Kenneth Gatithi	7	7	2	2	1	1	4	4	6	6	100%	100%
Tom Kahigu (Term ended on 5 October 2024)	6	6	-	-	1	1	3	3	4	4	100%	100%

## Board performance evaluation

The Chairman conducts evaluations of the performance of the Board, individual Directors and Board Committees annually. In addition, the Board and its Committees undertake an annual evaluation of their performance and report their findings and any resulting recommendations to the Board. The Board also undertakes an evaluation of the performance of the Chairman. The Board discusses the results of its evaluations and uses the process to constructively improve the effectiveness of the Board.

## Shareholders

Below is the list of the shareholders and their individual holdings

	Ordinary Shares				Preference shares		
	2025		2024		2025	2024	
	No of shares	%	No of shares	%	No of shares	%	%
Cabinet Secretary/The National Treasury	140,000,000	93.4%	140,000,000	93.4%			
National Social Security Fund	2,225,000	1.5%	2,225,000	1.5%	8,050,000	22.30%	22.30%
Kenya National Assurance (2001)	1,094,487	0.7%	1,094,487	0.7%	3,958,300	11.00%	11.00%
Kenya National Assurance Company Limited	835,513	0.6%	835,513	0.6%	3,021,700	8.40%	8.40%
Kenya Pipeline Company Limited	720,000	0.5%	720,000	0.5%	2,631,500	7.30%	7.30%
Kenya National Examination Council	695,000	0.5%	695,000	0.5%	2,520,000	7.00%	7.00%
Public Trustees	660,000	0.4%	660,000	0.4%	2,420,000	6.70%	6.70%
Telkom Kenya Limited	620,000	0.4%	620,000	0.4%	2,250,000	6.20%	6.20%
National Hospital Insurance Fund	590,000	0.4%	590,000	0.4%	2,120,000	5.90%	5.90%
LAPTRUST Retirement Services Limited	<u>483,000</u>	<u>0.3%</u>	<u>483,000</u>	<u>0.3%</u>	<u>1,756,000</u>	<u>4.90%</u>	<u>4.90%</u>
Total of 10 above	147,923,000	98.7%	147,923,000	98.7%	28,727,500	79.70%	79.70%
Other shareholders	<u>1,997,000</u>	<u>1.3%</u>	<u>1,997,000</u>	<u>1.3%</u>	<u>7,329,000</u>	<u>20.30%</u>	<u>20.30%</u>
<b>TOTAL SHAREHOLDING</b>	<b><u>149,920,000</u></b>	<b><u>100%</u></b>	<b><u>149,920,000</u></b>	<b><u>100%</u></b>	<b><u>36,056,500</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

## Compliance

The Board provides oversight to ensure that management adheres to all applicable laws, regulations, governance codes, policies, procedures and systems to monitor and control compliance across the bank. Additionally, the Bank prepares its financial statements in accordance with IFRS Accounting Standards, requirements of the Banking Act Cap 488 and the Kenyan Companies Act.



Florence A. Oluoch- Director

*27th March* 2026

## We offer:

- ❖ Foreign currency accounts: USD, GBP and EUR
- ❖ Cash Transactions
- ❖ Spot Transactions
- ❖ Forwards, Swaps and other Derivatives
- ❖ Fixed Deposits in Local and Foreign currencies
- ❖ Telegraphic Transfers
- ❖ Letters of Credit
- ❖ Investment in Government Securities: T Bills and T Bonds

## CONTACT US ON:

0703016174/6/7/80 or [treasury@consolidated-bank.com](mailto:treasury@consolidated-bank.com)



The Directors submit their report together with the Consolidated Audited Financial Statements for the year ended 31 December 2025.

## INCORPORATION

The Bank is domiciled in Kenya where it is incorporated as a private company limited by Shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

## DIRECTORATE

The Directors who held office during the year and to the date of this report are set out on page 1. The following changes took place in the directorship during the year:

Dr. Dominic Murage- Chief Executive Officer (Appointed on 19 December 2025)  
 FCPA George Mokuu (Appointed on 29 January 2026)  
 Wilberforce Muoga (Appointed on 3 December 2025)  
 Prof. Kennedy Otiso (D. Phil) (Appointed on 29 January 2026)  
 Edward Bitok (Appointed on 29 January 2026)  
 Hon. Muriuki Njagagua –Chairman (Term ended 3 October 2025)  
 Samuel Muturi - Chief Executive Officer (Term ended 11 October 2025)  
 Timothy Tiampati (Term ended 2 June 2025)  
 Kenneth Gatheru Gatiithi (Term ended 3 October 2025)  
 Harun K. Mosop (Term ended 3 October 2025)  
 Dr. Jedidah Mwiti (Term ended on 3 October 2025)

## PRINCIPAL ACTIVITIES

The principal activities of the Bank, which is governed by the Banking Act, are the provision of banking, financial and related services.

## BUSINESS REVIEW

In 2025, the Kenyan economy grew at an average of 4.9%, higher than the growth of 4.6% recorded in 2024. The growth is primarily attributable to growth in agricultural sector activity, on-going fiscal consolidation efforts by the Government, lower borrowing costs that encouraged public spending. Additionally, political stability during the year, increased investor confidence and undisrupted economic activities led to conducive business environment

The Kenyan banking sector maintained its stability and resilience, characterized by robust liquidity and a significant reversal in credit trends. Following the 2024 contraction, private sector lending rebounded strongly, recording a year-on-year growth of 5.9%, driven by improved demand in the manufacturing, construction, and trade sectors. The ratio of Non-Performing Loans (NPLs) peaked at 17.6% in June 2025 due to legacy stress in personal and household sectors, before easing to 15.5% by year-end as recovery efforts intensified. The Monetary Policy Committee (MPC) continued an aggressive easing cycle throughout 2025, lowering the Central Bank Rate (CBR) incrementally from 11.25% at the start of the year to 9% by December 2025. This record easing streak effectively lowered average commercial lending rates from an average of 17.2% at the beginning of the year to 14.9%. The implementation of the new Risk-Based Credit Pricing Model, which is based on KESONIA, came into effect on 1<sup>st</sup> December 2025.

The Bank is on the third year of implementing an aggressive five-year *turnaround and growth* strategic plan for the period 2023 to 2027, which is anchored on five strategic pillars of; business growth, brand positioning, people, asset quality and leveraging on technology. The Bank's 2025 performance highlights the Bank's resilience and growth in a challenging economic environment.

The Group bounced back to profitability after years of losses by returning a Profit after tax of KES 198 million in 2025 from a net loss of KES 155 million in 2024 an improvement of 228%. The Bank's total assets grew by an impressive 11% to hit KES 19.5 billion from KES. 17.5 billion in 2024. Net advances grew by 1% to KES 8.55 billion from KES 8.51 billion with investment in Government securities growing by an impressive 29% to KES 8.2 billion from the KES 6.4. Customers deposits grew by 10% from KES 11.7 billion in 2024 to KES 12.3 billion in 2025 due to an aggressive business diversification growth strategy. Total operating income grew by 28% to KES 1.9 billion. Operating expenses grew by a marginal 1% to support business growth with provisions for impairment growing by 22% to KES 288 Million due to tough operating environment most businesses operated in and the Bank's principles of prudence in risk management

The summary of financial performance for the Group is as below;

	2025 KES'000	2024 KES'000
<b>RESULTS</b>		
Profit (Loss) before taxation	217,579	(135,416)
Tax charge	<u>(19,395)</u>	<u>(19,804)</u>
Profit(Loss) for the year transferred to accumulated losses	<u>198,184</u>	<u>(155,220)</u>

## Dividend

The Directors do not recommend the payment of a dividend for the year (2024: nil).

## STATEMENT AS TO DISCLOSURE TO THE INDEPENDENT AUDITOR

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

- there is, so far as the Director is aware, no relevant audit information of which the Bank's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

## Independent Auditor

The Auditor General is responsible for the statutory audit of the Bank's books of account in accordance with section 14 and section 39(i) of the Public Audit Act, 2015 which empowers the Auditor General to nominate other auditors to carry out the audit on her behalf and subject to the approval by the Central Bank of Kenya in accordance with the requirements of Section 24(1) of the Banking Act of Kenya. The agreed auditor's remuneration has been charged to profit and loss for the year.

RSM Eastern Africa LLP, who were appointed by the Auditor General, carried out the audit of the financial statements for the year ended 31 December 2025.

## BY ORDER OF THE BOARD



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Ag. Company Secretary  
Albert Anjichi

Nairobi

.....*27th March*.....2026

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

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. They also accept responsibility for:

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

The Directors have considered the matters discussed in note 9 to the financial statements, which indicates that the Group recorded a profit after tax of KES 198.1 million during the year ended 31 December 2025 (2024) loss of (KES 155 million) and accumulated losses stood at KES 4.226 billion (2024: KES 4.425 billion) as of that date.

The turnaround of the Bank to profitability in a difficult operating macroeconomic environment is an indication of the Bank's positive outlook. The turnaround to profitability is attributable to increased revenue due to diversification of the earning assets and the cost containment measures the Bank has been implementing. The Bank's total assets grew by 11% to hit KES 19.5 Billion with the total operating income increasing by 28% to KES 1.931 billion from KES 1.508 billion recorded the previous year. The Bank took the strategic initiative to invest in more attractive but less risky earning assets such as Government securities due to the low demand for credit even as it continued to grow the net advances cautiously given the difficult operating environment most customers operated in.

The Bank's regulatory capital ratios as at 31 December 2025 were however below the regulatory minimum with total capital / risk weighted assets at (4.4%) (2024: (5.81%)) against a minimum of 14.5% and core capital / risk weighted assets at (4.4%) (2024: (5.81%)) against a minimum of 10.5%. As at 31st December 2025, the Bank's core capital stood at negative KES 546 million against the required minimum of KES 3 billion.

The Bank's liquidity stood at 30% as at 31 December 2025 (2024: 24%) which was well above the statutory minimum of 20%.

The Board and management have put in place an aggressive growth and turnaround five-year strategic plan for the period 2023 to 2027. The strategy is anchored on five strategic pillars; business growth, brand positioning, people, asset quality and leveraging on technology will see the Bank turnaround to profitability.

Raising additional capital to finance growth and maintain healthy regulatory ratios is of paramount importance and the Board has put in place a clear capital build-up plan to achieve the required capital requirements .

Based on the foregoing, and having made an assessment of the Group and the Bank's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt on the Group and the Bank's ability to continue as a going concern except as disclosed in note 9 to the financial statements.

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 ..... *27th March* ..... 2026 and signed on its behalf by:



Florence A. Oluoch

Director



Edward Bitok

Director

The Board establishes and approves formal and transparent remuneration policies to attract and retain both Executive and Non-Executive Directors. The remuneration of all Directors is subject to the guidelines issued by the State Corporations Advisory Committee (SCAC) on terms and conditions of service for State Corporations.

In accordance with the guidelines provided by the State Corporations Advisory Committee (SCAC), Salaries and Remuneration Commission (SRC) as well as the National Treasury and other shareholders' approval during the Annual General Meetings, the Directors are paid a sitting allowance of KES 20,000 for every meeting attended. The Directors and the Chairman are also paid a monthly retainer of KES 50,000 and KES 150,000, respectively. The Directors are not eligible for membership of the pension scheme and do not participate in any of the Bank's bonus schemes.

## Contract of Service

In accordance with the Kenyan Companies Act and CBL Prudential Guidelines, on Non-Executive Directors, a third of the Board is elected at every Annual General Meeting by shareholders for a term of three years, on rotational basis.

The former Chief Executive Officer had a three-year renewable contract of service with Consolidated Bank of Kenya Limited and Subsidiary, effective 11 October 2022 to 11 October 2025 and the contract was not renewed. An Acting Chief Executive Officer was appointed with effect from 12 October 2025 until a substantive Chief Executive Officer is recruited

## Changes to Directors' Remuneration

During the period, there were no changes in Directors' remuneration, which is set as per the guidelines provided by the State Corporation Advisory Committee and the Salaries, and Remuneration Commission.

## Statement on approval of Directors' Remuneration during the Annual General Meeting

During the Annual General Meeting held virtually on 26 June 2025, the shareholders approved the payment of Directors' fees for the year ended 31 December 2025 in accordance with the guidelines provided by the State Corporations Advisory Committee and the Salaries and Remuneration Commission.

The following tables shows a single figure remuneration for the CEO and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2025 together with the comparative figures for 2024. The aggregate Directors emoluments are shown in note 17.

FOR THE YEAR ENDED 31 DECEMBER 2025	Category	Gross	Honorarium	Allowances	Total
		Payments			
		KES' 000	KES' 000	KES' 000	KES' 000
Hon. Muriuki Njagagua	Non-Executive Chairman	-	1,364	3,330	4,964
Samuel Muturi	Chief Executive Officer	20,544	-	-	20,544
Jane Wacuka Njogu Macharia – Representing Cabinet Secretary National Treasury	Non-Executive	-	300	338	638
Omuga Wilberforce	Non-Executive	-	347	58	405
Mosop Harun	Non-Executive	-	543	1,256	1,799
Auma Florence	Non-Executive	-	688	2,182	2,870
Timothy Tiampati	Non-Executive	-	250	1,078	1,328
Jedidah Mwiti	Non-Executive	-	198	90	288
Keneth Gatiithi	Non-Executive	-	456	3,320	3,776
<b>Total</b>		<b>20,544</b>	<b>4,146</b>	<b>11,652</b>	<b>36,342</b>

FOR THE YEAR ENDED 31 DECEMBER 2024	Category	Gross	Honorarium	Allowances	Total
		Payments			
		KES' 000	KES' 000	KES' 000	KES' 000
Hon. Muriuki Njagagua	Non-Executive Chairman	-	1,800	4,902	6,702
Samuel Muturi	Chief Executive Officer	25,181	-	-	25,181
Jane Wacuka Njogu Macharia – Representing Cabinet Secretary National Treasury	Non-Executive	-	600	260	860
Kahigu Tom Muchiru	Non-Executive	-	746	1,056	1,802
Timothy Tiampati	Non-Executive	-	639	1,485	2,124
Jedidah Mwiti	Non-Executive	-	497	619	1,116
Keneth Gatiithi	Non-Executive	-	639	1,609	2,248
<b>Total</b>		<b>25,181</b>	<b>4,921</b>	<b>9,931</b>	<b>40,033</b>

# Junior Saver Account

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## PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### **Opinion**

The accompanying financial statements of Consolidated Bank of Kenya Limited set out on pages 17 to 94, which comprise the Group and the Bank statements of financial position as at 31 December, 2025, and statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by RSM

Eastern Africa LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the Group and Bank financial statements present fairly, in all material respects, the financial position of Consolidated Bank of Kenya Limited as at 31 December, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Banking Act, 2012 (Revised)

### **Basis for Opinion**

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

### **Material Uncertainty Related to Going Concern**

During the year under review, the Bank realized a net profit of Kshs.184, 299,000 (2024 – loss, Kshs.163,328,000) resulting in accumulated loss of Kshs.4,265,603,000 which was net of other adjustments totaling Kshs.870,000 (2024 - accumulated loss, Kshs.4, 450,772,000) as at 31 December, 2025. As a result the Group registered a profit of Kshs. 198,184,000 (2024 – loss, Kshs. 155, 220,000) while the accumulated loss decreased to Kshs. 4,226,002,000 net of other adjustments totaling to Kshs. 870,000 (2024 - Kshs.4, 425,056,000) as at 31 December, 2025. Further, as disclosed in Note 9 to the financial statements, the Banks total capital to risk weighted assets ratio was negative 4.44% (2024 - negative 5.81%) against a regulatory minimum capital ratio of 14.5%. The Group's core capital stood at negative Kshs. 546,073,000 which is below required minimum core capital of Kshs .3 Billion as at 31 December 2025. These conditions alongside other matters as disclosed in Note 9 to the financial statements cast significant doubt on the Bank's ability to discharge its obligations when due and its existence as a going concern is dependent upon continued support by the Government and its creditors.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not

provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

Key Audit Matter	How the Matter was Addressed
<p><b>Impairment Allowances on Loans and Advances at Amortized Cost in the Consolidated and Bank Financial Statements</b></p> <p>I determined that the impairment on loans and advances to customers to be a Key Audit Matter due to the high degree of estimation uncertainty and significant judgement applied by Management in determination of Expected Credit Losses (ECL) as summarized below;</p> <p><b>Forward-Looking Information</b></p> <p>IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant Management judgment applied in determining the macroeconomic information used and the probability weightings applied.</p> <p><b>Significant Increase in Credit Risk</b></p> <p>The criteria selected to identify a significant increase in credit risk is a key area of Judgement within the Bank’s ECL calculation as these criteria determine whether a 12-month or lifetime provisions are recorded.</p> <p><b>Model Estimations</b></p> <p>Inherently judgmental modeling used to estimate ECLs, which involves determining Probabilities of Default (‘PD’), Loss Given Default (‘LGD’), and Exposures at Default (‘EAD’). The PD and LGD modules used are the key drivers of the Bank’s ECL results and are therefore the most significant judgmental aspect of the Bank’s ECL modeling approach.</p>	<p>I assessed the appropriateness of parameters used in the statistical models in respect of Probability of Default (PDs), Loss Given Default (LGDs), and Exposure at Default (EADs) by considering local economic conditions, and;</p> <p>I assessed the basis for establishing Stage 3 loss allowance in terms of the Group and Bank’s policies and in terms of the requirements of IFRS 9. This included assessing reasonability of Management assumptions on cash flow projections and time to realization for a sample of the facilities.</p> <p>I made use of internal financial risk modeling specialists to:</p> <p>Assess the Group and Bank’s methodology for determining the economic scenarios used in the forward-looking information and the probability weightings applied to the scenarios;</p> <p>Assess the key economic variables used in the determination of ECL, including agreeing a sample of economic variables to external sources, as well as the overall reasonableness of the economic forecasts by comparing the Group’s and Bank’s forecasts to reputable, external sources of macroeconomic forecasts.</p>
	I obtained and reviewed management’s plan of action

<p><b>Going Concern</b></p> <p>There existed a material uncertainty related to going concern .The Bank did not meet key regulatory ratios during the year under the review. Further, the Business Laws (Amendment) Act, 2024, which was signed into law in December, 2024, requires banks to increase their minimum core capital from Kshs .1 billion to Kshs 10 billion over the next five years. The top-up starts with an increase to Kshs 3 billion by the end of 2025 progressing to Kshs. 7 billion by 2027 , Kshs.8 billion by 2028 and finally reaching Kshs.10 billion by 2029 .Currently the Banks core capital stands at negative Kshs.546, 073, 000.</p>	<p>that included a five -year Strategic Plan which ends in 2027.</p> <p>Based on my understanding of the Bank and the assessed risks , I identified and discussed any matters that cast doubt on the feasibility of the plan</p> <p>I reviewed management's estimate.Specifically,I:</p> <ol style="list-style-type: none"> <li>a. Evaluated the reliability of the data used to generate the forecast;</li> <li>b. Checked the arithmetic accuracy of the information and computations;</li> <li>c. Ensured that the information is internally consistent (that is, the entity can physically generate products in the sales forecast);</li> <li>d. Compared the forecast to actual prior period experience and assessed the reasonableness of the forecast.</li> <li>e. Considered the forecasted cash generated/used in operations, debt repayments and other known cash requirements; and</li> </ol>
<p><b>Key Audit Matter</b></p>	<p><b>How the Matter was Addressed</b></p>
	<p>Considered whether the assumptions used about the economy, interest rates, industry trends, costs, staffing, sales, and general market conditions were reasonable.</p> <p>I determined whether the nature/implications of the material uncertainty have been adequately disclosed in the financial statements and appropriately accounted for in accordance with IFRS.</p> <p>Reviewed the letter of support obtained by the directors from the anchor shareholder, the Government of Kenya.</p>

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

**Other Information**

The Directors are responsible for the Other Information set out on pages 1 to 12, which comprise Corporate Information, the Statement of Corporate Governance, and Report of the Directors, the

Statement of Directors' Responsibilities, and the Directors' Remuneration Report. The Other Information does not include the financial statements and my audit report thereon.

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

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.

### Conclusion

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

### Basis for Conclusion

#### 1. Non-Compliance with Prudential Guidelines on Capital Requirements

As reported previously, review of the financial statements revealed that the Bank did not comply with various capital requirements set out in the Banking Act and Central Bank of Kenya (CBK) Prudential Guidelines as indicated below

- I. The Bank's core capital stood at a negative balance of Kshs. 546, 073, 000 against the minimum required capital of Kshs 3, 000, 000, 000. This was a contrary of section 18(2) of the Banking Act, 1995(Revised 2015) which states that, "a non-operating holding company or any other vehicle ownership which controls a group shall, in relation to its business, maintain adequate capital and adequate forms of liquidity to demonstrate that it is a source of strength for the institution and shall comply with any regulations issued by the Central Bank on minimum ratios or capital requirements in any other form. In accordance with the compliance table in the Second Schedule of the banking Act, the minimum core capital that all the banks were required to maintain as at 31 December, 2025 was Kshs. 3, 000, 000, 000.

- II. The Bank's total capital to risk weighted assets ratio stood at negative 4.44% as reflected in Note 9 to the financial statements. This was against the minimum capital ratio required of 14.5% set out in Section 4.1.2 of Part IV of the CBK Prudential Guidelines, 2013.
- III. The Bank's core capital to risk weighted assets ratio stood at negative 4.44% as reflected in Note 9 to the financial statements. This was against the minimum capital ratio required of 10.5% set out in Section 4.1.2 of Part IV of the CBK Prudential Guidelines, 2013.
- IV. The Bank's core capital to total deposits ratio stood at negative 4.50% as reflected in Note 9 to the financial statements. This was against the required ratio of 8% set out in Section 4.1.1 of Part IV of the CBK Prudential Guidelines, 2013.

In the circumstances, Management was in breach of the law

## **2. Non-Compliance with Insider Lending Prudential Limits**

Review of the Bank's insider lending position revealed that, as at 31 December, 2025, loans advanced to the staff amounted to Kshs. 434,996,000 against a negative core capital balance of Kshs. 546,073,000. This results in insider lending effectively representing (67%) of core capital. Further, the bank was not compliant with the single-insider limit of 20%, as individual staff loan balances remain outstanding despite the negative capital position. This was contrary to Section 11 (f) and (g) of the Banking Act, Cap 488 which provides that an institution shall not grant or permit to be outstanding advances or credit facilities or give any financial guarantees or incur any other liabilities to or in favor of, or on behalf of, its associate and the persons mentioned in paragraphs (c), (d) and (e) amounting to more than 20% or 100% in the aggregate of the core capital of the institution.

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

## **3. Failure to Comply with the Law on Climate Change and Financing**

Review of the Bank's approved budget, work plans and strategic plan revealed that climate change actions had not been integrated into core operations as required by the National Policy on Climate Change Finance, 2017. The Bank had not designated a fully resourced unit or a senior officer to coordinate climate mainstreaming, the annual budget contained no funds for climate-related programmes, and climate governance structures, roles, and risk management processes had not been established contrary to Section 15(5) of the Climate Change Act, 2023.

## **4. Non-Compliance with the Law on Affirmative Action**

Review of the Bank's staff establishment revealed that out of the total number of sixty-eight (68) employees, there was no representation of people living with disability, contrary to Section 21(2)(a)

of the Persons with Disabilities Act, 2025 which requires an employer with at least twenty employees to reserve at least five percent direct employment opportunities for persons with disabilities.

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

#### **5. Acting Appointments Beyond Limit Allowed**

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

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

#### **6. Unapproved Human Resource Instruments**

Review of the Bank's Human Resource (HR) instruments revealed that the instruments were operationalized without the requisite approval by the State Corporations Advisory Committee (SCAC) as provided in Circular No. OP/SCAC 9/21/11 of 15 March, 2017. Further, and as previously reported, the Bank continued to implement a salary structure that had not been approved by the Salaries and Remuneration Commission (SRC) to advise on the remuneration and benefits of all public officers.

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

#### **7. Non-Compliance with the One-Third Basic Pay Rule**

Analysis of the December, 2025 payroll revealed that thirteen (13) employees had net salaries that were less than one-third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 (revised 2012) which provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

#### **8. Non-Compliance with the Public Sector Accounting Standards Board Requirements**

As previously reported, Management failed to include several components within the Other Information, as required by the financial reporting template prescribed by the Public Sector Accounting Standards Board. The missing information encompassed Key Entity Information and Management, the Chairman's Statement, the Report of the Chief Executive Officer, Management Discussion and Analysis, Environmental and Sustainability Reporting, and the Statement of Performance against Predetermined Objectives. Further, Management did not provide an update on

the implementation status of audit recommendations for most of the issues raised in the previous year's audit report.

This was contrary to Section 81(3) of the Public Finance Management Act, 2012 which states that Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standard Board from time to time.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all materials respects, with the authorities that govern them .I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

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

#### **Basis for Conclusion**

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### **Conclusion**

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

- I. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- II. The information given in the Directors' report on pages 8 to 9 is consistent with the financial statements; and
- III. The auditable part of the Directors' remuneration report on pages 11 to 12 has been properly prepared in accordance with the Companies Act, 2015.

#### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the

Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **1. Non-compliance with Central Bank of Kenya's Governance Requirements**

Review of the Bank's governance structure for the year under review established that the institution failed to comply either the Central Bank of Kenya's Prudential Guidelines on Corporate Governance (CBK/PG/02). This arose after the contracts of several directors were terminated in October 2025, leaving the Bank without a fully constituted Board and disrupting the mandatory Board committee structure. The resulting governance gap constituted a breach of the guidelines.

Further, the Chief Executive Officer position remained vacant from October, 2025 until 19 December, 2025. The CBK Prudential Guidelines obligate the Board to ensure the timely appointment and retention of a substantive Chief Executive Officer to maintain leadership continuity and uphold accountability. The prolonged vacancy in this critical role created a leadership void and weakened executive oversight at a time when robust governance structures were essential.

In the circumstances, the absence of a fully constituted Board and a substantive Chief Executive Officer weakened governance, disrupted oversight and resulted in noncompliance with the CBK Corporate Governance requirements.

### **2. Failure to Conduct Audit across Key Departments and Functions**

Review of the Internal Audit function established that several key departments and branches were not audited during the year under review. These included ICT – Digital Banking and Alternative Banking Channels, Operations and Central Processing, Finance and Administration, Treasury, Risk and Compliance, Human Resources, Credit and Remedial, Procurement, ICT – Applications and General Controls, and the Marketing and Customer Service Department.

In the circumstances, failure to execute audits in line with the approved audit plan may limit the Board Audit Committee's oversight, delay identification and remediation of control weaknesses and reduce assurance over the effectiveness of governance, risk management, and internal controls.

### **3. Elevated Credit Risk within the Loan Portfolio**

Review of the Bank's loan portfolio revealed a significant concentration of facilities classified as non-performing, indicating an elevated credit risk within the portfolio. While Normal and Watch List loans together represent just over half of the loan book, a substantial portion of the portfolio falls within the non-performing categories, namely, sub-standard, doubtful and loss. Of particular concern is the loss category, which constitutes 32.84% of the total loan book, signaling prolonged arrears, weakened recoverability prospects and inadequate credit risk mitigation. The high proportion of impaired facilities underscores vulnerabilities in credit appraisal, monitoring, and recovery processes and heightens the Bank's exposure to potential credit losses.

In the circumstances, the significant concentration of loans in the non-performing categories exposes the Bank to regulatory and reputational risk and may adversely impact capital adequacy.

#### **4. High Sector Concentration Exposure**

As previously reported, the Bank's gross loan portfolio remained significantly concentrated in the Trade Sector, which accounts for 41% of total gross loans (2024:51%). Although this reflects a 10% year-to-year reduction in concentration, trade continued to represent a material portion of the Bank's credit exposure. The portfolio showed limited diversification across other viable sectors of the economy. Exposure to Manufacturing remained low at 1% (2024:0%), while Agriculture and Mining and Quarrying each contributed less than 1% of total gross loans. Energy and Water, though improved, accounted for only 2% of the portfolio. This disproportionate reliance on a single sector exposes the bank to significant sector-specific vulnerabilities. Adverse developments within the Trade industry, including economic downturns, regulatory changes, or market volatility, could generate a systematic impact on the Bank's overall loan portfolio, potentially leading to substantial financial losses.

In the circumstances, the significant concentration of over 40% of the loan portfolio in the Trade sector presents a material risk to the Bank's financial stability.

#### **5. Weaknesses in Information Technology Control Environment**

Review and evaluation of the Information Technology (IT) systems relating to the operations of the Bank (the Core Banking System), IT systems used for the purpose of internal controls over financial reporting and other information systems revealed the following weaknesses:

- i. Outdated Systems and Database
- ii. End-of-Life(EOL) and Support for some Operating Systems
- iii. Use of Non -Activated Windows Operating Systems
- iv. Absence of Privileged Access Management Solution

In the circumstances, the effectiveness of the Bank's IT systems, could not be confirmed.

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

#### **REPORT ON OTHER LEGAL AND REGULATORY SYSTEMS**

##### **Conclusion**

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. The information given in the Director's report on pages 8 to 9 is consistent with the financial statements; and
- iii. The audited part of the Directors' remuneration report on pages 11 to 12 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

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

### **Responsibilities of the Management and Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

### **Auditor-General's Responsibilities for the Audit**

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

whether due to fraud or error of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**30 March, 2026**



**Consolidated  
Bancassurance Intermediary**  
Securing your growth

## **GOLFERS' INSURANCE COVER**

### **The policy covers:**

- Loss/damage to Golfing Equipment
- Insured Personal effects
- Third Party liability
- Personal accident (Death & PTD)
- Hole-In-One
- Medical expenses for Caddies
- Public

Premium from as low as  
**Kshs 3,054 p.a.\*** (Terms apply)



## **CONTACT US ON:**

[bancassurance@consolidated-bank.com](mailto:bancassurance@consolidated-bank.com) Head Office: 0703016126/111/114

# GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2025 KES'000	2024 KES'000
INTEREST INCOME	12	2,034,765	1,829,018
INTEREST EXPENSE	13	<u>(734,124)</u>	<u>(889,461)</u>
NET INTEREST INCOME		1,300,641	939,557
Fee and commission income	14	250,143	255,576
Foreign exchange trading income	15	43,760	58,606
Other operating income	16	<u>337,439</u>	253,966
OPERATING INCOME		1,931,983	1,507,705
Operating expenses	17	(1,425,412)	(1,407,876)
Increase in expected credit loss on loans and advances	25	(288,978)	(235,134)
Credit write-back/(loss expense) on balances due from banking institutions	22(a)	<u>(14)</u>	<u>(111)</u>
PROFIT BEFORE TAX		217,579	(135,416)
INCOME TAX EXPENSE	19(a)	<u>(19,395)</u>	<u>(19,804)</u>
PROFIT FOR THE YEAR		<u>198,184</u>	<u>(155,220)</u>
OTHER COMPREHENSIVE INCOME			
Items that may not be reclassified subsequently to profit or loss:			
			-
Net gain on equity instruments designated at fair value through other comprehensive income	27	320	-
Surplus on revaluation of property and equipment	28	<u>85,437</u>	-
Total other comprehensive income for the year, net of tax		<u>85,757</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>283,941</u>	<u>(155,220)</u>
LOSS PER SHARE			
Basic and diluted	20	<u>1.32</u>	(1.04)

ASSETS	Notes	31 December 2025 KES'000	31 December 2024 KES'000
Cash and balances with Central Bank of Kenya	21	803,249	834,990
Balances due from banking institutions	22(a)	452,124	430,740
Financial assets at amortised cost	23	8,219,243	6,374,515
Loans and advances to customers (Net)	24	8,557,151	8,513,879
Other assets	26	448,209	381,800
Equity instruments at fair value through other comprehensive income	27	8,674	8,354
Current tax recoverable	19(b)	3,273	-
Property and equipment	28(a)	764,664	700,404
Right of Use Assets	28(c)&29(a)	166,161	198,704
Intangible assets	29(c)	<u>68,539</u>	<u>78,370</u>
<b>TOTAL ASSETS</b>		<b><u>19,491,287</u></b>	<b><u>17,521,756</u></b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
<b>LIABILITIES</b>			
Deposits and balances due to banking institutions	22(b)	12,677	17,268
Balances due to Central Bank of Kenya	22(c)	5,806,109	4,724,216
Customer deposits	30	12,291,974	11,715,930
Current tax payable	19(b)	-	1,688
Other liabilities	31	<u>585,245</u>	<u>551,313</u>
<b>TOTAL LIABILITIES</b>		<b><u>18,696,005</u></b>	<b><u>17,010,415</u></b>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	32(b)	3,719,530	3,719,530
Revaluation surplus	34	500,750	425,408
Accumulated losses	35	(4,226,002)	(4,425,056)
Regulatory reserve	36	793,198	783,973
Fair value reserve	37	<u>7,806</u>	<u>7,486</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b><u>795,282</u></b>	<b><u>511,341</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b><u>19,491,287</u></b>	<b><u>17,521,756</u></b>

The financial statements on pages 48 to 123 were approved and authorised for issue by the Board of Directors on.....27th March.....2026 and were signed on its behalf by:



Director- Florence A. Oluoch



Ag. Chief Executive Officer Dr. Dominic Murage



Director - Edward Bitok



Ag. Company Secretary - Albert Anjichi

# BANK STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2025 KES'000	2024 KES'000
INTEREST INCOME	12	2,032,476	1,827,561
INTEREST EXPENSE	13	<u>(734,124)</u>	<u>(889,461)</u>
NET INTEREST INCOME		1,298,352	938,100
Fee and commission income	14	214,154	232,556
Foreign exchange trading income	15	43,760	58,606
Other operating income	16	<u>337,439</u>	<u>253,966</u>
OPERATING INCOME		1,893,705	1,483,228
Operating expenses	17	(1,406,739)	(1,395,601)
Increase in expected credit loss on loans and advances	25	(288,978)	(235,134)
Credit write-back/(loss expense) on balances due from banking institutions	22(a)	<u>(14)</u>	<u>(111)</u>
PROFIT BEFORE TAX		197,974	(147,618)
INCOME TAX EXPENSE	19(a)	<u>(13,675)</u>	<u>(16,171)</u>
PROFIT FOR THE YEAR		<u>184,299</u>	<u>(163,789)</u>
OTHER COMPREHENSIVE INCOME			
Items that may not be reclassified subsequently to profit or loss:			-
Net gain on equity instruments designated at fair value through other comprehensive income	27	<u>320</u>	-
Surplus on revaluation of property and equipment	28	<u>85,437</u>	-
Total other comprehensive income for the year, net tax		<u>85,757</u>	-
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR, NET OF TAX		<u>270,056</u>	<u>(163,789)</u>
LOSS PER SHARE			
Basic and diluted	20	<u>1.23</u>	<u>(1.09)</u>

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2025 KES'000</b>	<b>31 December 2024 KES'000</b>
Cash and balances with Central Bank of Kenya	21	803,249	834,990
Balances due from banking institutions	22(a)	452,124	430,740
Financial assets at amortised cost	23	8,193,894	6,364,047
Loans and advances to customers (net)	24	8,557,151	8,513,879
Other assets	26	447,991	381,684
Investment in subsidiary	42	5,000	5,000
Equity instruments at fair value through other comprehensive income	27	8,674	8,354
Current tax recoverable	19(b)	4,155	-
Property and equipment	28(b)	763,881	700,213
Right of Use Assets and Leasehold land	28(c)&29(a)	166,162	198,704
Intangible assets	29(c)	<u>68,539</u>	<u>78,373</u>
<b>TOTAL ASSETS</b>		<b><u>19,470,820</u></b>	<b><u>17,515,983</u></b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
<b>LIABILITIES</b>			
Deposits and balances due to banking institutions	22(b)	12,677	17,268
Balances due to Central Bank of Kenya	22(c)	5,806,109	4,724,216
Customer deposits	30	12,291,974	11,715,930
Due to subsidiary	42	19,133	20,074
Current tax payable	19(b)	-	1,557
Other liabilities	31	<u>585,246</u>	<u>551,313</u>
<b>TOTAL LIABILITIES</b>		<b><u>18,715,139</u></b>	<b><u>17,030,358</u></b>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	32(b)	3,719,530	3,719,530
Revaluation surplus	34	500,750	425,408
Accumulated losses	35	(4,265,603)	(4,450,772)
Regulatory reserve	36	793,198	783,973
Fair value reserve	37	<u>7,806</u>	<u>7,486</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b><u>755,681</u></b>	<b><u>485,625</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b><u>19,470,820</u></b>	<b><u>17,515,983</u></b>

The financial statements on pages 48 to 123 were approved and authorised for issue by the Board of Directors on 27th March 2026 and were signed on its behalf by:



Director- Florence A. Oluoch



Ag. Chief Executive Officer Dr. Dominic Murage



Director - Edward Bitok



Ag. Company Secretary - Albert Anjichi

	Note	Share capital KES'000	Revaluation reserve KES'000	Accumulated losses KES'000	Regulatory reserve KES'000	Fair value reserve KES'000	Total KES'000
At 1 January 2024		3,719,530	435,474	(4,229,607)	733,678	7,486	666,561
Loss for the year		-	-	(155,220)	-	-	(155,220)
Transfer of excess depreciation	35	-	(14,380)	14,380	-	-	-
Deferred tax on excess depreciation	35	-	4,314	(4,314)	-	-	-
Transfer to regulatory reserve	36	=	=	(50,295)	50,295	=	=
At 31 December 2024		<u>3,719,530</u>	<u>425,408</u>	<u>(4,425,056)</u>	<u>783,973</u>	<u>7,486</u>	<u>511,341</u>
At 1 January 2025		3,724,530	425,408	(4,425,056)	783,973	7,486	511,341
Profit/(Loss) for the year		-	-	198,184	-	-	198,184
Fair value gain of equities through OCI	37	-	-	-	-	320	320
Transfer of excess depreciation	35	-	(14,421)	14,421	-	-	-
Deferred tax on excess depreciation	35	-	4,326	(4,326)	-	-	-
Transfer to regulatory reserve	36	=	=	(9,225)	9,225	=	=
Revaluation surplus on land and buildings	34	=	85,437	=	=	=	85,437
At 31 December 2025		<u>3,719,530</u>	<u>500,750</u>	<u>(4,226,002)</u>	<u>793,198</u>	<u>7,806</u>	<u>795,282</u>

The fair value gain on properties of KES 500,750 included in retained earnings is non-distributable until the property is disposed of.

Note	Share capital KES'000	Revaluation reserve KES'000	Accumulated losses KES'000	Regulatory reserve KES'000	Fair value reserve KES'000	Total KES'000
At 1 January 2024	3,719,530	435,474	(4,244,187)	733,678	7,486	651,981
Loss for the year	-	-	(2,567)	-	-	(2,567)
Other comprehensive income	-	-	(163,789)	-	-	(163,789)
Transfer of excess depreciation	-	(14,380)	14,380	-	-	-
Deferred tax on excess depreciation	-	4,314	(4,314)	-	-	-
Transfer to regulatory reserve	-	-	(50,295)	50,295	-	-
At 31 December 2024	<u>3,719,530</u>	<u>425,408</u>	<u>(4,450,772)</u>	<u>783,973</u>	<u>7,486</u>	<u>485,625</u>
At 1 January 2025	3,719,530	425,408	(4,450,772)	783,973	7,486	485,625
Loss for the year	-	-	184,299	-	-	184,299
Fair value gain of equities through OCI	-	-	-	-	320	320
Transfer of excess depreciation	-	(14,421)	14,421	-	-	-
Deferred tax on excess depreciation	-	4,326	(4,326)	-	-	-
Transfer to regulatory reserve	-	-	(9,225)	9,225	-	-
Revaluation surplus on land and buildings	-	85,437	-	-	-	85,437
At 31 December 2025	<u>3,719,530</u>	<u>500,750</u>	<u>(4,265,603)</u>	<u>793,198</u>	<u>7,806</u>	<u>755,681</u>

The fair value gain on properties of KES 500,750 included in retained earnings is non-distributable until the property is disposed of.

	Note	2025 KES'000	2024 KES'000
<b>CASH FLOWS GENERATED FROM OPERATIONS</b>			
Cash flows used in from operations	38(a)	(1,005,683)	(1,032,720)
Tax paid	19(b)	<u>(22,800)</u>	<u>(15,842)</u>
Net cash flows used in operating activities		<u>(1,028,483)</u>	<u>(1,048,562)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	28(a)	(17,812)	(12,504)
Right of use addition	28 (c)	-	(35,874)
Proceeds on sale of property and equipment	16 & 28	-	45
Purchase of intangible assets	29(c)	<u>(12,452)</u>	<u>(2,759)</u>
Net cash (used in) investing activities		(30,264)	(51,092)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest portion on lease liability	29(b)	<u>(28,912)</u>	<u>(30,192)</u>
Net cash used in financing activities		(28,912)	(30,192)
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		<b>(1,087,659)</b>	<b>(1,129,846)</b>
CASH AND CASH EQUIVALENTS AT START OF YEAR		<u>(3,475,754)</u>	<u>(2,345,908)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>(4,563,413)</u>	<u>(3,475,754)</u>

	Note	2025 KES'000	2024 KES'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash flows used in generated from operations	38(a)	(1,011,562)	(1,030,633)
Tax paid	19(b)	<u>(17,830)</u>	<u>(12,929)</u>
Net cash flows used in operating activities		(1,029,392)	(1,043,562)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in subsidiary	33	-	(5,000)
Purchase of property and equipment	28(b)	(16,903)	(12,504)
Right of use addition	28 (c)	-	(35,874)
Proceeds on sale of property and equipment	16 & 28	-	45
Purchase of intangible assets	29(c)	<u>(12,452)</u>	<u>(2,759)</u>
Net cash used in investing activities		(29,355)	(56,092)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest portion on lease liability	29(b)	<u>(28,912)</u>	<u>(30,192)</u>
Net cash used in financing activities		(28,912)	(30,192)
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		<b>(1,087,659)</b>	<b>(1,129,846)</b>
CASH AND CASH EQUIVALENTS AT START OF YEAR		<u>(3,475,754)</u>	<u>(2,345,908)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	38(b)	<u>(4,563,413)</u>	<u>(3,475,754)</u>

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## 1. General information

Consolidated Bank of Kenya Limited (The “Bank”) together with its subsidiary provides retail and corporate banking services and insurance agency services in Kenya. Consolidated Bank of Kenya Limited is the ultimate parent of the Group.

The address of its registered office is as follows:

Consolidated Bank House, Koinange Street

P O Box 51133

Nairobi- 00200.

## 2. Material accounting policy information

The accounting policy information adopted in the preparation of these financial statements is set out below:

## 3. Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with IFRS Accounting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (KSh), which is also the functional currency (see (c) below), rounded to the nearest thousand.

The financial statements comprise a profit and loss account (statement of profit or loss), statement of comprehensive income, balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Bank in their capacity as owners are recognised in the statement of changes in equity.

## 4. Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below. Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

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

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

## 5. Changes in accounting policies and disclosures

### 5.1 New and amended Standards and interpretations

Several other amendments and interpretations apply for the first time in 2025, but do not have an impact on the financial statements of the Group. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

In these financial statements the company has considered the effects of the new standards. Several amendments and interpretations apply for the first time in 2025, but do not have an impact on the company's financial statements.

Amendments to IAS 21 titled Lack of Exchangeability	1 January 2025
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The following amendments became effective during the period:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below.

New standards or amendments	Effective for annual period beginning or after
Presentation and Disclosure in Financial Statements (IFRS 18)	1 January 2027
IFRS 19 titled Subsidiaries without Public Accountability: Disclosures	1 January 2027
Annual Improvements to IFRS Accounting Standards	1 January 2026
Amendments to IFRS 9 and IFRS 7 titled Contracts Referencing Nature	1 January 2026
Amendments to IFRS 19 Subsidiaries without Public Accountability	1 January 2027
Subsidiaries without Public Accountability (Amendment to IFRS 16)	1 January 2027
Amendments to the classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2027

None of the standards and interpretations listed above is expected to have a significant impact on the Group's financial statements when they become effective.

## 6 Basis of Consolidation

The Consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2025. Consolidated Bank Consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including: the purpose and design of the investee, the relevant activities and how decisions about those activities are made and whether the Bank can direct those activities, contractual arrangements such as call rights, put rights and liquidation rights, whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies. All intra-Group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on Consolidation. Disclosures for investment in subsidiaries, structured entities, securitisations and asset management activities are provided in note 39.

Investments in subsidiary companies are stated at cost less impairment loss where applicable. The dormant subsidiaries listed in note 39 have no assets and liabilities and are at nil value.

## 7 Material accounting policy information

### 7.1 Interest income and expense

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

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

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. Previously unrecognised interest revenue of a cured credit impaired financial asset are recognised as a reversal of an impairment loss.

The average effective interest on financial assets held at amortised cost and loans and advances to customers are disclosed under notes 23 and 24 respectively.

### 7.2 Fees and commissions income and other fees and commissions expense

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Bank provides a service to its customers, consideration is recovered immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Bank typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

### 7.3 Property, Equipment, Intangible assets and Right of use Assets (Leases)

#### 7.3 Property and Equipment

Property and equipment are stated at cost (or as professionally re-valued from time to time where applicable), excluding costs of day to-day servicing, less accumulated depreciation and any accumulated impairment losses respectively. Cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use and directly attributable to the acquisition of the asset. The Bank's policy is to regularly revalue land and buildings at least every five years to ensure that the carrying amount is not materially different from its fair value.

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

Any increase arising on the revaluation is recognised in other comprehensive income and accumulated in the revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and charged against the revaluation surplus; all other decreases are charged to profit or loss. As disclosed in note 28, the Group revalued its Land and buildings in December 2025 by an independent Valuer - Kenstate Valuers Limited.

#### Addition and disposal

The addition and disposal or decommissioning of property and equipment and intangible assets are processed on the date of the acquisition and the date of the disposal respectively. The assets are removed from the statement of financial position and the register on the disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss which is difference between the proceeds and the carrying amount is recognised in the profit and loss.

## 7 Material accounting policy information..Continued

### Right of use

Right-of-use assets are depreciated on a straight-line basis over the lease term.

### Depreciation

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset or the revalued amounts, to its residual values over its estimated useful life as follows:

Fixtures, fittings, equipment & ATMs	5 years
Leasehold improvements	5 years
Computers	3 years
Motor vehicles	4 years
Buildings	40 years or land lease period if shorter

Land is not depreciated as it is deemed to have an indefinite life.

The depreciation charge to profit and loss is based on the carrying amounts of the property and equipment. The excess of this charge over that based on the historical cost of the property and equipment is released each year from the revaluation surplus to retained earnings.

### 7.3.2 Intangible assets - computer software costs

Costs incurred on computer software are initially accounted for at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software is amortised on a straight-line basis and the amortisation expenses are recognised in profit or loss over its estimated useful life, from the date it is available for use. The estimated useful life of software for the current and comparative period is 5 years. The amortisation method, useful life and the residual value are reviewed at each financial year-end and adjusted, if appropriate.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation method or period, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. The carrying amount and amortisation are disclosed in note 29.

### Derecognition of intangible assets

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

### 7.3.3 Leases (Policy applicable after 1 January 2019)

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *The Bank as lessee*

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

#### Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term (1-5 years).

#### Lease liabilities

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

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. Subsequent remeasurement of lease liability are treated as adjustments to the right of use assets. Any reduction in the carrying amount are recognised in the profit and loss.

#### Bank as a lessor

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

## 7 Material accounting policy information..Continued

### 7.3.4 Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

### 7.3.5 Impairment of non-financial assets

At the reporting date, the Bank reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss.

If objective evidence on impairment losses exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. In cases where the asset is carried at revalued amount, the impairment loss recognised through, the profit and loss. In determining the recoverable amount, the Bank considers the higher of the fair value of the asset less costs to dispose, and value in use. In estimating value in use, the Bank is cognisant of the estimated future cash flows discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself.

Intangible assets with indefinite useful life are tested for impairment annually, and when there is indication that the asset may be impaired.

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

## 7.4 Translation of foreign currencies

### 7.4.1 Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Kenya shillings, which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Kenya shillings has been rounded to the nearest thousand (KES'000).

### 7.4.2 Transactions and balances

Foreign currency transactions that are transactions denominated, or that requires settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through profit or loss. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the income statement, with the exception of the effective portion of the differences on foreign currency borrowings that are accounted for as an effective hedge against a net investment in a foreign entity. These differences are recognised in OCI until the disposal of the net investment, at which time, they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

### 7.4.3 Foreign exchange contracts

Foreign exchange contracts include open spot contracts and foreign exchange forward contracts. These instruments are valued by either observable foreign exchange rates and observable or calculated forward points. These forwards and spot contracts are in foreign exchange deals carried out in the interbank markets. These are held for risk management purposes and therefore include hedges that are economic hedges, but do not meet the hedge accounting requirements. Most of the trading portfolio is within the Bank's investment banking division (Treasury Department) and is treated as trading risk for risk management purposes.

## 7 Material accounting policy information..Continued

### 7.5 Income tax

#### 7.5.1 Current tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation reporting date. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Current income tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

#### 7.5.2 Deferred income tax

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

- i. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii. where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

and it is probable that the temporary differences will not reverse in the foreseeable future.

#### 7.5.2 Deferred income tax (continued)

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. The Group has not recognized deferred tax asset/liability due to the loss-making position.

#### Value added tax

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

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

## 7 Material accounting policy information..Continued

### 7.6 Financial instruments

#### 7.6.1 Date of initial recognition

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

#### 7.6.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in notes 7.6.4 to 7.6.9.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

#### 7.6.3 Day 1 profit or loss

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

#### 7.6.4 Classification and measurement

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

- Amortised cost, as explained in note 7.6.5
- FVOCI, as explained in note 7.6.8

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

#### 7.6.5 Due from banks, loans and advances to customers, financial investments at amortised cost

The Bank measures *Due from banks, Loans and advances to customers and other financial investments* at amortised cost only if both of the following conditions are met:

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

An analysis of the gross carrying amount, maximum exposure to credit risk based on the bank's internal credit grading system and year end classification and the corresponding ECLs for the loans and advances to customers and balances due from other banking institutions is shown in note 10.6.

#### 7.6.6 Business model assessment

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

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

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

## 7 Material accounting policy information..Continued

### 7.6 Financial instruments (continued)

#### 7.6.7 Solely payments of principal and interest test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

#### 7.6.8 Equity instruments at FVOCI

The bank holds Kakuzi PLC quoted equity shares and has elected to classify this as equity instruments at FVOCI. Gains and losses on these equity instruments are recognised through other comprehensive income. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

The Bank presents non-recyclable items such as the movement in fair value of equity instruments at fair value through other comprehensive income (FVOCI) within the 'Fair value reserve' Such movements could also be presented within 'Retained earnings', but we believe showing them on a separate financial statement line provides greater transparency.

However, when such movements in fair value become "realised" upon derecognition of the equity instruments, the corresponding values are reclassified to retained earnings.

#### Classification and measurement

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

##### ii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### 7.6.9 Financial assets and financial liabilities at fair value through profit or loss

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

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

### 7.7 Impairment of financial assets

#### 7.7.1 Overview of the expected credit loss – Expected Credit Losses principle

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in note 10.6.

## 7 Material accounting policy information..Continued

### 7.7 Impairment of financial assets..Continued

#### 7.7.2 Expected Credit Losses (ECLs)

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

Based on the above process, the Bank Groups its financial assets into Stage 1, Stage 2, and Stage 3 as described below:

**Stage 1:** These are financial instruments that are performing in accordance with contractual terms and are expected to continue to do so since there are no signs of deterioration in credit risk or circumstances of the borrower from initial recognition. The bank recognises impairment allowance based on 12 months ECL.

**Stage 2:** These are financial instruments that have exhibited potential weaknesses which may if not corrected weaken the asset. The financial instruments have shown significant increase in credit risk and hence the bank recognises impairment allowance on the lifetime ECL.

**Stage 3:** These financial instruments that are credit impaired. The bank considers financial instruments credit impaired when the borrower is 90 days past due on contractual payments. Other qualitative considerations include existence of events and circumstances that indicates that the borrower is unlikely to pay. The Bank recognises impairment allowance on the lifetime ECL.

#### Calculation of ECL

The key components and the mechanics behind the computation of the ECL are outlined below

**Probability of Default (PD):** The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The bank models its PDs at sector level using survival analysis over a defined period.

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

**Loss Given Default (LGD):** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The PD and LGD investment in government securities and bonds are considered negligible, approximating 0% although Government securities generally also bear risk in accordance to the country's risk rating.

**Undrawn Loan commitments guarantees and letters of credit**

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. Details of the gross carrying exposure and the corresponding ECL are disclosed in note 10.6

#### 7.7.3 Forward looking information

The bank has included a forward looking macro-economic overlay in its ECL model. The bank relies on the following economic indicators to develop the forward looking macroeconomic overlay. The bank adopts the following data sets for analysis of macroeconomic overlay;

**Historical industry and Bank's non-performing loans**

Historical macroeconomic statistics. The adopted macroeconomic factors include:

- Gross Domestic Product – GDP
- Inflation – consumer price index
- Exports
- Lending rates
- Exchange rates – effective

**Forecast macroeconomic data**

This is then regressed against Banks Non-performing loans in order to determine a relationship with the Macro economic variables.

## 7 Material accounting policy information (continued)

### 7.7 Impairment of Financial assets (continued)

#### 7.7.3 Forward looking information (continued)

To eliminate bias and ensure there is probability weighting, the bank adopts base, worst and best-case forecasts adjustment factors to obtain a probability weighted PD. The weights are determined based on coefficient of determination (R<sup>2</sup>). R<sup>2</sup> provides the Base while an even split of 1-R<sup>2</sup> provides the weights for best and worst-case scenarios.

#### Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. The fair value of collateral values is disclosed in note 10.6.

#### 7.7.4 Derecognition of financial assets

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

Financial assets whose original contractual terms have been modified, including those loans subject to forbearance strategies, are modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates among other factors.

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the income statement to the extent that an impairment loss has not already been recorded.

Gains and losses arising from modifications for credit reasons are recorded as part of credit impairment. Modification gains and losses arising for non-credit reasons are recognised either as part of credit impairment or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income.

#### Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially through sale all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement to the extent that an impairment loss has not already been recorded.

#### 7.7.5 Write off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery i.e. after exhausting all recovery efforts. If the amount to be written off is greater than the accumulated loss allowance, the difference is charged to the profit and loss account. Any subsequent recoveries are recognised as income through the profit and loss account.

## 7 Material accounting policy information (continued)

### 7.7 Impairment of Financial assets (continued)

#### 7.7.6 Revolving credit facilities

The Bank's product offering includes a variety of corporate and retail overdraft and revolving loan facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is five years for corporate and seven years for retail products. The interest rate used to discount the ECL for overdrafts is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation considers that many facilities are repaid in full each month and are consequently not charged interest.

### 7.8 Financial liabilities and equity instruments issued by the Bank

#### a) Classification and measurement

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

#### b) Derecognition of financial liabilities

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

#### c) Offsetting

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

### 7.9 Regulatory reserve

To the extent that impairment provisions determined in accordance with the Prudential Guidelines issued by the Central Bank exceed the impairment provisions recognised in accordance with IFRS Accounting Standards, the excess is treated as an appropriation of retained earnings and transferred to the Regulatory reserve. The reserve is non-distributable.

### 7.10 Cash and cash equivalents

Cash and cash equivalents for the purposes of the Statement of Cash Flows comprise cash in hand, balances with the Central Bank of Kenya, government securities and loans and advances to Banks with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, less deposits from banking institutions. This represents a change in accounting policy from prior years, when the cash reserve ratio requirement held with the Central Bank of Kenya was excluded from cash and cash equivalents in the Statement of Cash Flows. Further information is provided in Note 38.

## 7 Material accounting policy information (continued)

### 7.11 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off-balance sheet transactions and disclosed as contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. In calculating ECL the three-stage impairment approach is extended to apply to cover the off balance sheet items. The bank considers the nominal contractual values of financial guarantees and letters of credit net of collateral in determining the loss given default LGDs. The nominal values for the undrawn loan commitments and overdrafts is determined using a credit conversion factor calculated using the monthly average utilization over the history of the available data. The nominal values of these instruments together with the corresponding ECL are disclosed in note 10.6.3.4.

### 7.12 Employee benefit costs

The Bank operates a defined contribution retirement benefit scheme for all its employees on permanent and pensionable terms. The scheme is administered by an independent investment management company and is funded by contributions from both the Bank and employees. Employees on short term contracts are entitled to gratuity which is paid at the end the contract.

The Bank also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Fund Act. The obligations under the scheme are limited to specific contributions legislated from time to time.

The Bank's contributions in respect of retirement benefit costs are charged to the profit and loss in the year to which they relate.

Employee entitlement to leave not taken is charged to profit or loss as it accrues.

### 7.13 Determination of fair value

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

Level 1 financial instruments:	Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
Level 2 financial instruments:	Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
Level 3 financial instruments:	Those that include one or more unobservable input that is significant to the measurement as whole.

## 7 Material accounting policy information (Continued)

### 7.13 Determination of fair value (Continued)

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

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

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

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

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

Model calibrations are challenged on a quarterly basis or when significant events in the relevant markets occur.

When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the Risk and Finance functions are also responsible for:

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

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

External valuers are involved for valuation of significant assets such as properties. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

## 8. Critical judgements and key sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Items with the most significant effect on the amounts recognized in the Consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

### 8.1 Impairment losses on financial instruments

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

The management discusses with the Finance and Credit Committee the ECL model and matters regarding significant increase in credit risk (SICR) and the impact on financial statements.

### 8.2 Going concern assessment

8.3

Having made an assessment of the Group and the Bank's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt on the Group and the Bank's ability to continue as a going concern except as disclosed in note 9 to the financial statements.

### 8.4 Property, equipment and intangible assets

Critical estimates are also involved in the determination of fair values of property and equipment including the depreciation rates and residual values for property, equipment and intangible assets.

### 8.4 Contingent Liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation proceedings in Kenya arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. The details of the cases and resultant contingent liability are disclosed in note 41.

### 8.5 Income tax

The Bank is subjected to numerous taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognises liabilities for the anticipated tax /levies payable with utmost care and diligence. However, significant judgement is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

### 8.6 Estimating the incremental borrowing rate

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

### 8.7 Effective Interest Rate (EIR) method

The Bank's EIR method, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well expected changes to the Bank's base rate and other fee income/expense that are integral parts of the instrument.

## 8.8 Overdrafts and other revolving facilities

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

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

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis.

## 9 Going concern

During the year ended 31 December 2025, the Group incurred a net profit of KES 198 million (2024: A net loss of KES 155 million) and the Bank incurred a net profit of KES 184 million (2024: A net loss of KES 164). The accumulated losses as at 31 December 2025 were KES 4.226 billion for the Group (2024: KES 4.425 billion) and KES 4.266 billion for the Bank (2024: 4.451 billion).

The bank regulatory capital ratios as at 31 December 2025 were also below the regulatory minimum as illustrated below:

Prudential Capital Ratio	2025	2024	Minimum Capital Ratio
Core Capital to Deposits	(4.50%)	(6.23%)	8.00%
Core capital to Risk weighted assets	(4.44%)	(5.81%)	10.50%
Total Capital to Risk weighted assets	(4.44%)	(5.81%)	14.50%

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and the Bank's ability to continue as a going concern.

The Bank's total assets grew by an impressive 11% to hit KES 19.5 billion from KES. 17.5 billion in 2024. Net advances grew by 1% to close the year at KES. 8.56 billion. Investment in Government securities grew by 29% to KES 8.2 billion from KES 6.4 billion recorded in 2024. Customer deposits grew by 5% from KES 11.76 billion in 2024 to KES 12.36 billion in 2025 due to an aggressive business growth strategy. Total operating income grew by 29% to KES1.9 billion with 38% growth in the net interest income with major growth arising from investment in Government securities. Operating expenses grew marginally by 1% to Kes.1.4 billion with provisions for impairment increasing by 23% to KES 289 Million from KES 235 million in 2024 due to tough operating environment and the Bank's principles of prudence in risk management.

The Bank's regulatory capital ratios as at 31 December 2025 were however below the regulatory minimum with total capital / risk weighted assets at (4.44%) (2024: (5.81%)) against a minimum of 14.5% and core capital / risk weighted assets at (4.44%) (2024: (5.81%)) against a minimum of 10.5%. As at 31<sup>st</sup> December 2025 the Bank's core capital stood at negative KES 546 million against the required minimum of KES 3 billion.

The Board and management have put in place an aggressive growth and turnaround five-year strategic plan for the period 2023 to 2027. The strategy is anchored on five strategic pillars; business growth, brand positioning, people, asset quality and leveraging on technology will see the Bank turnaround to profitability.

Raising additional capital to finance growth and maintain healthy regulatory ratios is of paramount importance and the Board has put in place a clear capital build-up plan to achieve the required capital requirements.

Based on the foregoing Management and the Board has assessed the Group and the Bank's ability to continue as a going concern and is satisfied that the Group and the Bank have the requisite resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis. The basis of preparation of these financial statements presumes that the Group and the Bank will realize its assets and discharge its liabilities in the ordinary course of business.

## 10. Risk management objectives and policies

### 10.1 Risk

The Bank defines risk as the possibility that the outcome of an action or event could bring about adverse impacts on the institution's capital or earnings. Such outcomes could either result in direct loss of earnings/capital or may result in imposition of constraints on bank's ability to meet its business objectives. Whilst risk is inherent in the Bank's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, operational risk, strategic risk, reputational and regulatory & compliance risks.

### 10.2 Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board has established a risk management committee comprising of three non-Executives Directors to assist in the discharge of this responsibility. The board has also established the Bank Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. These committees comprise executive members and report regularly to the board of Directors on their activities.

The Board provides written principles for overall risk management as well as written policies covering specific risk areas. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and best market practices. The Bank, 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.

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. This committee is assisted in these functions by the Internal Audit Function. The Internal Audit Function undertakes reviews of risk management controls and procedures, the results of which are reported to the committee.

### 10.3 Risk mitigation and risk culture

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. In accordance with the Bank's policy, its risk profile is assessed before entering into hedging transactions which are authorised by the Assets Liability Committee (ALCO) of the bank. The effectiveness of all the hedge relationships is monitored by the Treasury function on a daily basis and ALCO on a monthly basis. It is the Bank's policy that in situations of ineffectiveness, it will enter into a new hedge relationship to mitigate risk on a continuous basis. The Bank actively uses collateral to reduce its credit risks.

### 10.4 Risk measurement and reporting systems

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

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

Information compiled from all of the businesses is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Board Risk Committee, and the Executive Committee (EXCOM). The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board Risk Committee receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

## 10. Risk Management objectives and policies (continued)

### 10.5 Excessive risk concentration

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

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

The most critical type of risks to which the Bank is exposed to are financial risks which include:

- a) Credit risk and expected credit losses
- b) Liquidity risk
- c) Market risks

### 10.6 Credit risk and expected credit losses

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Bank's loans and advances to customers and other Banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. The Bank is also exposed to other credit risks arising from its trading activities including derivatives.

The Bank enters into derivative transactions in forwards and spot contingents in the foreign exchange deals carried out in the interbank markets. The derivatives are recorded at fair value. Derivatives held for risk management purposes include hedges that are economic hedges, but do not meet the hedge accounting requirements. Most of the trading portfolio is within the Bank's investment banking division (treasury) and is treated as trading risk for risk management purposes.

Credit risk is the single largest risk for the Bank's business and management carefully manages its exposure to credit risk. For risk management reporting purposes, the Bank considers and Consolidated identifies all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

#### 10.6.1 Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit and Finance Committee comprising four non-executive directors. The implementation of the credit risk policies and monitoring of the credit portfolio to ensure that risks are managed within acceptable standards is the responsibility of the credit committee comprising executive management.

The committee assisted by the credit department is responsible for the management of the Bank's credit risk including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are delegated to the head of credit and the credit committee while larger facilities require approval by the Board of Directors.
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank credit committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Bank in the management of credit risk.

# Loan Products

Personal Loans | Mortgage Loans | Solid Scholar Loans | Asset Finance



## 10. Risk Management objectives and policies (continued)

### 10.6 Credit risk and expected credit losses (continued)

#### 10.6.2 Credit risk and expected credit losses (continued)

#### 10.6.2 Credit risk measurement

In measuring credit risk of loans and advances to customers, the Bank takes into account the following factors:

- The probability of default: this is the possibility of the customer failure to pay over the stipulated period in the contract
- Exposure at default: current exposure on the borrower and the likely future development from which the Bank derives the exposure at default
- Estimated recovery ratio should default occur; this is the amount that can be recovered through sale of collateral

The Bank assesses the probability of default of individual borrowers using internal rating methods tailored to the various categories of the borrower. In assessing the credit quality of the customer the Bank takes into account the customers financial position, past experience and other industry specific factors. The credit risk measurements are embedded in the Bank's daily operational management and closely aligned to the Central Bank of Kenya loan classifications.

#### Risk limit control and mitigation policies

The Bank structures 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 revolving basis and are subject to annual or more frequent review.

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.

The Bank takes security for funds advances and implements guidelines on the acceptability of specific classes of collateral. To minimise 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. Collateral held for other financial assets other than loans and advances depends on the nature of the instrument.

The primary purpose of acceptances, letters of credit and guarantees is to ensure funds are available to a customer as required. Guarantees and standby letters of credit carry the same risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisation to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank 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.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

#### 10.6.3 Impairment assessment

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

- A material decrease in the borrower's turnover, the loss of a major customer or cessation of significant part of operation
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- The debtor (or any legal entity within the debtor's Group) filing for bankruptcy application/protection
- The borrower is deceased

## 10. Risk Management objectives and policies (continued)

### 10.6 Credit risk and expected credit losses (continued)

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or

Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

#### 10.6.3.1 Loans and advances

For loans and advances to various segments including retail and SME the borrowers are assessed based on the historical, current and forward-looking information including the following:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles. Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

#### Maximum exposure to credit risk before collateral held

	2025		2024	
	KES'000	%	KES'000	%
<b>Credit Exposures</b>				
<b>On – balance sheet items</b>				
Cash and balances with the CBK	539,675	3%	524,915	3%
Government securities	8,193,894	42%	6,364,047	38%
Balances due from banking institutions	452,124	2%	430,740	3%
Loans and advances to customers	8,557,151	43%	8,513,879	50%
Uncleared items and other assets	<u>295,098</u>	<u>1%</u>	<u>162,629</u>	<u>1%</u>
	<u>18,037,942</u>	<u>92%</u>	<u>15,996,210</u>	<u>94%</u>
<b>Off-balance sheet items</b>				
Acceptances and letters of credit	17,978	0%	70,870	0.4%
Guarantees	653,285	3%	601,556	3.6%
Undrawn formal stand-by facilities, credit lines and other commitments to lend	<u>972,906</u>	<u>5%</u>	<u>263,337</u>	<u>1.6%</u>
	<u>1,644,169</u>	<u>8%</u>	<u>935,763</u>	<u>6%</u>
<b>At 31 December</b>	<u>19,682,111</u>	<u>100%</u>	<u>16,931,973</u>	<u>100%</u>

## 10. Risk Management objectives and policies (continued)

### 10.6.2 Credit risk and expected credit losses (continued)

The above represents the worst-case scenario of credit exposure for 31 December 2025 and 2024, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures, set out above are based on gross carrying amount as reported on the statement of financial position.

Loans and advances to customers comprise 43% (2024: 50%) of the total maximum exposure. The fair value of collateral held in respect of assets subject to credit risk as at 31 Decembers 2025 was KES.23,107,799 (2024: KES 22,961,900).

While collateral is an important mitigant to credit risk, the Bank's policy is to establish that loans are within the capacity of the customer to repay, as the primary way out. The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to Banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

The Bank is confident that its policies and procedures provide sufficient safeguards against exposure on credit risk as shown on the table below.

The table below shows the ECL charges on financial instruments for the year 2025 recorded in the income statement:

Credit loss expense	Stage 1		Stage 2		Stage 3	Total
	collective	individual	collective	individual		
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-
Financial investments at amortised cost	-	-	-	-	-	-
Balances due from banking institutions	227	-	-	-	-	227
Loans and advances to customers	=	=	<u>13,564</u>	<u>275,415</u>	=	<u>288,978</u>
Total expected credit losses	<u>227</u>	=	<u>13,564</u>	<u>275,415</u>	=	<u>289,205</u>

The table below shows the ECL charges on financial instruments for the year 2024 recorded in the income statement:

Credit loss expense	Stage 1		Stage 2		Stage 3	Total
	collective	individual	collective	individual		
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-
Financial investments at amortised cost	-	-	-	-	-	-
Balances due from banking institutions	227	-	-	-	-	227
Loans and advances to customers	=	=	<u>15,473</u>	=	<u>219,662</u>	<u>235,134</u>
Total Impairment loss	<u>227</u>	=	<u>15,473</u>	=	<u>219,662</u>	<u>235,361</u>

Apart from the loans and advances to customers all other credit exposures are neither past due nor impaired.

#### Loans and advances to customers

##### Loans and receivables neither past due nor impaired

The Bank classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. These exposures will normally be maintained within approved product programs and with no signs of impairment or distress. These exposures are categorised internally as grade 1, that is, normal accounts in line with CBK prudential guidelines and a provision of 1 % is made and appropriated from revenue reserves to statutory reserves.

## 10. Risk Management objectives and policies (continued)

### 10.6.2 Credit risk and expected credit losses (continued)

Loans where the contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank are classified as past due but not impaired. These exposures are graded internally as category 2 that is watch accounts in the Bank's internal credit risk grading system, in line with CBK guidelines.

#### Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Performing loans whose terms have been renegotiated are no longer treated as past due but are reclassified as performing loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered past due.

#### Write-off policy

When a loan is uncollectible it is written off against the related provisions for loan impairment. Such loans are written off after all the necessary recovery procedures have been completed and the amount of loan has been determined.

The Bank adopted the rebuttable presumption approach by bucketing performing loans as follows; 0-30 Days - Stage 1, 30-90 Days past due - stage 2, >90 days past due - stage 3 loans. All financial assets are rated as normal on origination. PDs are modelled by segment based on a survival analysis by tracking points of defaults since origination to reporting date.

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. An analysis of the changes in the gross carrying amount and the corresponding ECL allowance in relation to loans and advances to customers as at 31 December 2025 was as follows:

	Stage 1 KES '000	Stage 2 KES'000	Stage 3 KES '000	Total KES '000
Gross carrying amount as at 1 January 2025	5,894,432	888,577	3,637,437	10,420,446
New assets originated or purchased (excluding write off)	1,139,253	36,998	1,921	1,178,172
Assets derecognised or repaid	(713,466)	(63,313)	(31,103)	(807,882)
Transfer to stage 1	344,448	(324,964)	(19,484)	-
Transfer to stage 2	(308,289)	344,911	(36,622)	-
Transfer to stage 3	(165,607)	(395,001)	560,608	-
Changes to contractual due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(27,547)	(27,547)
<b>As at 31 December 2025</b>	<b><u>6,190,771</u></b>	<b><u>487,208</u></b>	<b><u>4,085,210</u></b>	<b><u>10,763,189</u></b>

## 10. Risk management objectives and policies (continued)

### 10.6 Credit risk and expected credit losses (continued)

An analysis of the changes in the gross carrying amount and the corresponding ECL allowance in relation to loans and advances to customers as at 31 December 2024 is as follows:

	Stage 1 KES '000	Stage 2 KES'000	Stage 3 KES '000	Total KES '000
Gross carrying amount as at 1 January 2024	6,595,155	587,755	3,471,063	10,653,973
New assets originated or purchased (excluding write off)	1,949,773	306,475	103,984	2,360,231
Assets derecognised or repaid	(2,151,426)	(161,593)	(238,274)	(2,551,293)
Transfer to stage 1	63,539	(61,558)	(1,981)	-
Transfer to stage 2	(290,718)	298,211	(7,493)	-
Transfer to stage 3	(271,891)	(80,713)	352,604	-
Changes to contractual due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(42,466)	(42,466)
Foreign exchange adjustment	=	=	=	=
<b>As at 31 December 2024</b>	<b><u>5,894,432</u></b>	<b><u>888,577</u></b>	<b><u>3,637,437</u></b>	<b><u>10,420,446</u></b>

#### ECL for loans and advances

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
ECL allowance as at 1 January 2025	80,307	18,917	556,929	656,153
New assets originated or purchased	37,454	7,060	44,248	88,762
Assets derecognised or repaid (excluding write off)	(26,225)	(8,105)	(114,123)	(148,452)
Transfer to stage 1	5,322	(2,790)	-	2,532
Transfer to stage 2	(4,746)	2,790	-	(1,956)
Transfer to stage 3	(2,718)	(6,495)	157,079	147,866
Amounts written off	=	=	<u>(27,805)</u>	<u>(27,805)</u>
<b>As at 31 December 2025 (note 25)</b>	<b><u>89,394</u></b>	<b><u>11,377</u></b>	<b><u>616,328</u></b>	<b><u>717,099</u></b>

## 10. Risk management objectives and policies (continued)

### 10.6 Credit risk and expected credit losses (continued)

ECL for loans and advances

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
ECL allowance as at 1 January 2024	74,577	16,179	541,230	631,986
New assets originated or purchased	30,919	9,478	49,894	90,291
Assets derecognised or repaid (excluding write off)	(3,178)	(6,068)	(498,765)	(508,011)
Transfer to stage 1	(10,025)	(3,672)	-	(13,697)
Transfer to stage 2	(10,457)	4,320	-	(6,137)
Transfer to stage 3	(1,529)	(1,320)	507,036	504,187
Amounts written off	=	=	(42,466)	(42,466)
As at 31 December 2024 (note 25)	<u>80,307</u>	<u>18,917</u>	<u>556,929</u>	<u>656,153</u>

The table below summarizes the credit quality, the maximum exposures to credit risk based on the bank's internal credit risk rating system and year end stage classification. The amounts presented are gross of impairment allowance. Details of the bank internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are explained in note 10.6.3.3.

An analysis of the changes in the gross carrying amount and the corresponding ECL as at 31 December 2025 was as follows

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
Gross carrying amount as at 1 January 2025	6,364,047	-	-	6,364,047
New assets purchased	3,411,864	-	-	3,411,864
Assets derecognised or matured	(1,582,017)	=	=	(1,582,017)
At 31 December 2025	<u>8,193,894</u>	=	=	<u>8,193,894</u>

An analysis of the changes in the gross carrying amount and the corresponding ECL as at 31 December 2024 is as follows

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
Gross carrying amount as at 1 January 2024	3,759,019	-	-	3,759,019
New assets purchased	<u>2,605,028</u>	=	=	<u>2,605,028</u>
At 31 December 2024	<u>6,364,047</u>	=	=	<u>6,364,047</u>

ECL on Financial investment at amortized cost as at 31 December 2025 and as 31 December 2024 rounds off to zero hence no tabular presentation. This also applies to ECL on government securities.

10, **Risk management objectives and policies (continued)**

10.6 **Credit risk and expected credit losses (Continued)**

10.6.3.3 **Dues from other banking institutions**

The table below shows the credit quality and the maximum exposure to credit risk based on the bank and Group's internal credit rating system and year end classification.

An analysis of the changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
Gross Carrying amount 1 January 2024	203,563	-	-	203,563
Net movement for the year	<u>227,390</u>	=	=	<u>227,390</u>
As at 31 December 2024	<u>430,953</u>	=	=	<u>430,953</u>

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
Gross Carrying amount 1 January 2025	430,953	-	-	430,953
Net movement for the year	<u>21,398</u>	=	=	<u>21,398</u>
As at 31 December 2025	<u>452,351</u>	=	=	<u>452,351</u>

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '002	Total KES '000
ECL allowance as at 1 January 2024	102	-	-	102
Net movement for the year	111	-	-	111
As at 31 December 2024	213	-	-	213

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '002	Total KES '000
ECL allowance as at 1 January 2025	213	-	-	213
Net movement for the year	14	-	-	14
As at 31 December 2025	<u>227</u>	=	=	<u>227</u>

10 **Risk management objectives and policies (continued)**

10.6 **Credit risk and expected credit losses (Continued)**

10.6.3.4 **Letters of credit and guarantees**

Letters of credit and guarantees (including standby letters of credit commit the bank to make payments in the event of a specific act generally to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. nominal values of such commitments are listed below;

	2025 KES '000	2024 KES '000
Financial guarantees	653,285	601,556
Letters of credit	17,978	70,870
Other undrawn commitments	<u>301,567</u>	<u>263,337</u>
<b>Total</b>	<b><u>972,830</u></b>	<b><u>935,763</u></b>

The table below shows the credit quality and the maximum exposures to credit risk based on the bank's internal credit risk rating system and year end classification.

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
Outstanding exposure as at 1 January 2024	1,264,600	-	-	1,264,600
New exposures	138,633	-	-	138,633
Exposures derecognised or matured/ lapsed (excluding write off)	<u>(730,807)</u>	-	-	<u>(730,807)</u>
<b>As at 31 December 2024</b>	<b><u>672,426</u></b>	<b>=</b>	<b>=</b>	<b><u>672,426</u></b>

An analysis of the outstanding exposures and the corresponding ECLs are as follows

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
Outstanding exposure as at 1 January 2025	672,426	-	-	672,426
New exposures	458,647	-	-	458,647
Exposures derecognised or matured/ lapsed (excluding write off)	<u>(459,810)</u>	-	-	<u>(459,810)</u>
<b>As at 31 December 2025</b>	<b><u>671,263</u></b>	<b>=</b>	<b>=</b>	<b><u>671,263</u></b>

10, **Risk management objectives and policies (continued)**

10.6 **Credit risk (Continued)**

10.6.3.4 **Letters of credit and guarantees (continued)**

The corresponding ECL

	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
ECL as at 1 January 2024	3,775	-	-	3,775
New exposures	14,913	-	-	14,913
Exposures derecognised or matured (excluding write offs)	<u>(9,676)</u>	-	-	<u>(9,676)</u>
As at 31 December 2024	<u>9,012</u>			<u>9,012</u>
	Stage 1 KES '000	Stage 2 KES '000	Stage 3 KES '000	Total KES '000
ECL as at 1 January 2025	9,012	-	-	9,012
New exposures	2447	-	-	2447
Exposures derecognised or matured (excluding write offs)	<u>(619)</u>	-	-	<u>(619)</u>
As at 31 December 2025	<u>10,840</u>			<u>10,840</u>

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

	Loans and advances to customers	
	2025 KES'000	2024 KES'000
Against individually impaired financial assets	2,286,409	1,964,365
Against collectively impaired financial assets	<u>18,948,690</u>	<u>18,778,152</u>
<b>Total</b>	<b><u>21,235,099</u></b>	<b><u>20,742,517</u></b>

**Settlement risk**

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Acceptance of settlement risk on free settlement trade requires transaction specific or counterparty specific approvals from the Bank's Credit Committee.

## 10. Risk management objectives and policies (continued)

### 10.7 Concentration of risk

Details of significant concentrations of the Bank's assets, liabilities and off-balance sheet items by industry Groups are as detailed below:

	2025 KES'000	%	2024 KES'000	%
(i) Advances to customers- gross				
Manufacturing	151,144	1	31,536	-
Wholesale and retail	4,566,359	42	5,277,573	51
Transport and communication	676,674	6	418,408	4
Agricultural	21,761	0	13,359	-
Business services	287,905	3	220,324	2
Real estate	1,595,331	15	1,590,968	15
Other	3,464,015	33	<u>2,868,278</u>	<u>28</u>
	<u>10,763,189</u>	<u>100</u>	<u>10,420,446</u>	<u>100</u>
(ii) Customer deposits				
Central and local Government	1,061,192	9	1,209,993	10
Non-financial public enterprises	15,139	0	8,047	-
Co-operative societies	2,108,594	16	1,792,966	15
Insurance companies	62,739	1	157,000	1
Private enterprises and individuals	9,043,169	74	8,547,410	74
Non-profit institutions	1,141	0	<u>514</u>	-
	<u>12,291,974</u>	<u>100</u>	<u>11,715,930</u>	<u>100</u>
(iii) Off balance sheet items (Letters of credit and guarantees)				
Manufacturing	15,700	2%	15,700	2
Wholesale and retail	530,161	79%	531,324	79
Transport and communication	50	0%	50	-
Business services	27,800	4%	27,800	4
Building and Construction	81,354	12%	81,354	13
Other	<u>16,198</u>	<u>2%</u>	<u>16,198</u>	<u>2</u>
	<u>671,263</u>	<u>100%</u>	<u>672,426</u>	<u>100</u>

### 10.8 Liquidity risk

Liquidity risk is the risk that the Group and Bank will encounter difficulty in meeting obligations from its financial liabilities when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments or other cash outflows.

#### Management of liquidity risk

The Assets and Liabilities Committee (ALCO) is responsible for the overall management and monitoring of the Bank's liquidity risk.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

## 10. Risk management objectives and policies (continued)

### 10.8 Liquidity risk (continued)

#### 10.8.1 Management of liquidity risk (continued)

Liquidity risk is addressed through the following measures:

- The treasury department monitors liquidity ratios on a daily basis against internal and regulatory requirements
- Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- The Bank invests in short term liquid instruments which can easily be sold in the market when the need arises.
- The Bank enters into lending contracts subject to availability of funds.
- The Bank has an aggressive strategy aimed at increasing the customer deposit base.
- The Bank borrows from the market through interbank transactions with other Banks and the Central Bank of Kenya for short term liquidity requirements.
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the board. Daily reports covering the liquidity position of the Bank are regularly submitted to Asset and Liability Committee.

#### 10.8.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Banks, debt securities issued, other borrowings and commitments maturing within the next month. The Central Bank of Kenya minimum liquidity ratio is 20%. Details of the reported Bank ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	2025	2024
At 31 December	30%	25%
Average for the period	28%	21%
Maximum for the period	32%	29%
Minimum for the period	23%	13%

## Commercial Construction Loan

**Our commercial construction loan supports customers building single or multiple units for sale or rent, offering competitive interest rates and a capital repayment moratorium during construction.**

## 10. Risk management objectives and policies (continued)

### 10.8 Liquidity risk (continued)

#### 10.8.2 Liquidity risk based on undiscounted cash flows

The table below analyses the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and non-financial assets by expected maturity dates as at the date of the statement of financial position.

	Up to 1 month KES'000	1 - 3 months KES'000	4 - 12 months KES'000	1 - 5 Years KES'000	Over 5 Years KES'000	Total KES'000
AT 31 December 2025						
<b>FINANCIAL ASSETS</b>						
Cash and balances with the CBK	803,249	-	-	-	-	803,249
Balances due from banking institutions	452,351	-	-	-	-	452,351
Other assets	461,038	-	-	-	-	461,038
Government securities	-	-	1,443,894	1,100,000	5,650,000	8,193,894
Loans and advances to customers	<u>1,967,675</u>	<u>210,930</u>	<u>332,446</u>	<u>2,939,333</u>	<u>3,106,780</u>	<u>8,557,164</u>
<b>Total financial assets</b>	<b><u>3,684,313</u></b>	<b><u>210,930</u></b>	<b><u>1,776,340</u></b>	<b><u>4,039,333</u></b>	<b><u>8,756,780</u></b>	<b><u>18,467,696</u></b>
<b>FINANCIAL LIABILITIES</b>						
Balance due to Central Bank of Kenya	-	5,806,109	-	-	-	5,806,109
Deposits and balances due to banking institutions	12,677	-	-	-	-	12,677
Customer deposits	7,089,173	4,571,678	1,376,411	-	-	13,037,263
Other Liabilities	<u>585,246</u>	-	-	-	-	<u>585,246</u>
<b>Total financial liabilities</b>	<b><u>7,687,096</u></b>	<b><u>10,377,787</u></b>	<b><u>1,376,411</u></b>	<b><u>=</u></b>	<b><u>=</u></b>	<b><u>19,441,294</u></b>
<b>Net liquidity gap</b>	<b><u>(4,002,783)</u></b>	<b><u>(10,166,857)</u></b>	<b><u>399,929</u></b>	<b><u>4,039,333</u></b>	<b><u>8,756,780</u></b>	<b><u>(973,598)</u></b>
AT 31 December 2025						
<b>Total financial assets</b>	<b><u>3,693,064</u></b>	<b><u>206,420</u></b>	<b><u>2,000,910</u></b>	<b><u>5,372,574</u></b>	<b><u>5,265,944</u></b>	<b><u>16,538,913</u></b>
<b>Total financial liabilities</b>	<b><u>7,778,976</u></b>	<b><u>8,564,683</u></b>	<b><u>1,499,815</u></b>	<b><u>- 152</u></b>	<b><u>=</u></b>	<b><u>17,843,626</u></b>
<b>Net liquidity gap</b>	<b><u>(4,085,912)</u></b>	<b><u>(8,358,263)</u></b>	<b><u>501,095</u></b>	<b><u>5,372,422</u></b>	<b><u>5,265,944</u></b>	<b><u>(1,304,713)</u></b>

The above table shows the undiscounted cash flows on the Bank's financial assets and financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately. The table below shows maturity analysis for the loan commitments (off-balance sheet commitments).

	Up to 1 month KES'000	1-3 months KES'000	4-12 months KES'000	1-5 Years KES'000	Total KES'000
AT 31 December 2025					
Guarantees	149,896	142,144	275,964	85,281	653,285
Acceptances and letters of credit	-	17,978	-	-	17,978
Undrawn formal stand-by facilities, credit lines and other commitments to lend	<u>163,259</u>	<u>39,047</u>	<u>61,031</u>	-	<u>263,337</u>
<b>Total</b>	<b><u>313,155</u></b>	<b><u>199,169</u></b>	<b><u>336,995</u></b>	<b><u>85,281</u></b>	<b><u>934,600</u></b>
AT 31 December 2024					
Guarantees	160,106	114,112	287,736	39,602	601,556
Acceptances and letters of credit	-	70,870	-	-	70,870
Undrawn formal stand-by facilities, credit lines and other commitments to lend	<u>163,259</u>	<u>39,047</u>	<u>61,031</u>	-	<u>263,337</u>
<b>Total</b>	<b><u>323,365</u></b>	<b><u>224,029</u></b>	<b><u>348,767</u></b>	<b><u>39,602</u></b>	<b><u>935,763</u></b>

## 10 Risk management objectives and policies (continued)

### 10.9 Market risks

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, equity prices, foreign exchange rates and credit spreads. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Bank separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market. Non-trading portfolios mainly arise from the interest rate management of the entity's retail and commercial Banking assets and liabilities.

#### 10.9.1 Management of market risks

Overall responsibility of managing market risk rests with the Asset and Liability Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken which is monitored daily.

#### 10.9.2 Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of interest-bearing financial instruments because of a change in market interest rates. The ALCO is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities. Other assets are settled no more than 12 months after the reporting date. All the balances are interest bearing.

The table below summarises the Bank's exposures to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of the contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items because the interest rates are fixed.

AS AT 31 December 2025	Up to 1 month KES'000	1 - 3 months KES'000	4 - 12 months KES'000	1 - 5 Years KES'000	Non-interest bearing KES'000	Total KES'000
<b>FINANCIAL ASSETS</b>						
Cash and balances with the CBK	-	-	-	-	803,249	803,249
Balances due from other banking institutions	456,883	-	-	-	-	456,883
Government securities	-	-	1,443,894	6,750,000	-	8,193,894
Loans and advances to customers	<u>1,967,675</u>	<u>210,930</u>	<u>332,446</u>	<u>6,046,100</u>	-	<u>8,557,151</u>
<b>Total financial assets</b>	<b><u>2,420,026</u></b>	<b><u>210,930</u></b>	<b><u>1,804,483</u></b>	<b><u>12,796,113</u></b>	<b><u>803,249</u></b>	<b><u>18,034,801</u></b>
<b>FINANCIAL LIABILITIES</b>						
Balance due to Central Bank of Kenya	-	5,806,109	-	-	-	5,806,109
Deposits and balances due to banking institutions	12,677	-	-	-	-	12,677
Customer deposits	<u>2,280,995</u>	<u>4,218,906</u>	<u>1,255,850</u>	-	<u>4,536,223</u>	<u>12,291,974</u>
<b>Total financial liabilities</b>	<b><u>2,306,433</u></b>	<b><u>10,025,015</u></b>	<b><u>1,255,850</u></b>	<b>-</b>	<b><u>4,536,223</u></b>	<b><u>18,123,520</u></b>
Interest rate sensitivity gap	<u>130,886</u>	<u>(9,814,085)</u>	<u>548,633</u>	<u>12,796,113</u>	<u>(3,732,974)</u>	<u>(88,719)</u>

## 10. Risk management objectives and policies (continued)

### 10.9 Market risks (continued)

#### Management of market risks

##### Interest rate/equity price volatility

Volatility measures the expected future variability of a market price. It is generally quoted as a percentage; a higher number represents a more volatile instrument, for which larger swings in price (or interest rate) are expected. Volatility is a key input in option-based models and is used to estimate the future prices for the underlying instrument (e.g., equity or interest rate). Volatility varies per instrument and in time and therefore, it is not viable to make reliable and meaningful general statements about volatility levels.

Certain volatilities, generally those relating to longer-term maturities are unobservable and are estimated by the Bank.

##### *Sensitivity analysis on interest rates*

An increase of 10 percentage point in interest rates for the period would have increased/ (decreased) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2026.

	Loans and advances		Investments at amortised cost	
	2026 KES'000	2025 KES'000	2026 KES'000	2025 KES'000
Interest income	81,639	89,899	58,533	36,712
Interest expense	<u>(46,279)</u>	<u>(52,125)</u>	<u>(5,566)</u>	<u>(14,472)</u>
Net change in interest	<u>35,360</u>	<u>37,774</u>	<u>52,967</u>	<u>22,240</u>

A decrease of 10 percentage point in interest rates for the period would have had an equal but opposite effect on the profit or loss and equity, on the basis that all other variables remain constant.

#### Recovery rates

Recovery rates reflect the estimated loss that the Bank will suffer given expected defaults. The recovery rate is given as a percentage and reflects the opposite of loss severity (i.e., 100% recovery reflects 0% loss severity).

In line with general market convention, loss severity is applied to asset-backed securities while recovery rate is more often used as pricing input for corporate or government instruments. Higher loss severity levels / lower recovery rates indicate lower expected cash flows upon the default of the instruments. Recovery rates for complex, less liquid instruments are usually unobservable and are estimated based on historical data. Currently, the Bank has no such investments.

#### Currency risk

The bank 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 total for both overnight and intra-day positions which are monitored daily.

**10. Risk management objectives and policies (continued)**

**10.9 Market risks (continued)**

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's financial instruments categorised by currency.

AS AT 31 December 2025	USD KES'000	GBP KES'000	EURO KES'000	OTHERS KES'000	TOTAL KES'000
<b>FINANCIAL ASSETS</b>					
Cash and balances with Central Bank of Kenya	98,404	3,403	11,712	2,016	115,535
Balances due from Banking institutions	406,358	4,416	43,628	-	454,402
Loans and advances to customers	9	-	-	-	9
<b>Total financial assets</b>	<b>504,771</b>	<b>7,819</b>	<b>55,340</b>	<b>2,016</b>	<b>569,946</b>
<b>FINANCIAL LIABILITIES</b>					
Customer deposits	261,584	10,798	27,965	-	300,347
<b>Total financial liabilities</b>	<b>261,584</b>	<b>10,798</b>	<b>27,965</b>	<b>-</b>	<b>300,347</b>
<b>NET ON BALANCE SHEET POSITION</b>	<b>243,187</b>	<b>(2,979)</b>	<b>27,375</b>	<b>2,016</b>	<b>269,599</b>
<b>NET OFF BALANCE SHEET POSITION</b>	<b>94,814</b>	<b>-</b>	<b>3,040</b>	<b>-</b>	<b>97,854</b>
<b>AT 31 December 2024</b>	<b>208,643</b>	<b>20,707</b>	<b>57,827</b>	<b>2,303</b>	<b>289,480</b>
<b>Total financial assets</b>	<b>182,272</b>	<b>10,800</b>	<b>35,304</b>	<b>-</b>	<b>228,376</b>
<b>Total financial liabilities</b>	<b>26,371</b>	<b>9,907</b>	<b>22,523</b>	<b>2,303</b>	<b>61,104</b>
<b>NET ON BALANCE SHEET POSITION</b>	<b>94,814</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>94,817</b>
<b>NET OFF BALANCE SHEET POSITION</b>	<b>94,814</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>94,817</b>

## 10. Risk management objectives and policies (continued)

### 10.9 Market risks (continued)

#### Market risks - sensitivity analysis

A principal part of the Bank'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. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. Consolidated Bank 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.

For simulation modelling, the Bank 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.

Interest rate risks – increase/decrease of 10% in net interest margin

The Interest rate risks sensitivity analysis is based on the following assumptions.

- 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.
- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modelling is applied to Net interest margins.
- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.
- The projections make other assumptions including that all positions run to maturity.

The analysis below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves as at 31 December 2025.

Assuming no management actions, a series of such appreciation would increase net interest income for 2025 by KES 129,835 (2024: KES 93,810,000), while a series of such falls would decrease net interest income for 2025 by KES 129,835 (2024: KES 93,810,000).

Also a series of such rises would increase the adjusted core capital to RWA and Adjusted total capital to RWA by 0.8% (2023: 0.7%) and 0.8% (2023: 0.7%) respectively, while a series of such falls would decrease the adjusted core capital to RWA and Adjusted total capital to RWA by 0.8% (2023: 0.7%) and 0.8% (2023: 0.7%) respectively.

Foreign exchange risks – appreciation/depreciation of KES against other currencies by 10%

The Foreign Exchange Risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Kenya shillings.
- The Currency Risk sensitivity analysis is based on the assumption that all currency positions are highly effective.
- The Base currency in which the Bank's business is transacted is Kenya shillings.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies as at 31 December 2025.

## 10. Risk management objectives and policies (continued)

### 10.9 Market risks (continued)

#### Market risks - sensitivity analysis (continued)

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

	Amount 31 December 2025 KES'000	Scenario 1 10% appreciation KES'000	Scenario 2 10% Depreciation KES'000
Loss before taxation	197,974	327,809	68,139
Adjusted Core Capital	(546,073)	(416,238)	(675,908)
Adjusted Total Capital	(546,073)	(416,238)	(675,908)
Risk Weighted Assets (RWA)	12,504,883	12,504,883	12,504,883
Adjusted Core Capital to RWA	(4.44%)	(3.34%)	(5.43%)
Adjusted total Capital to RWA	(4.44%)	(3.34%)	(5.43%)

	Amount 31 December 2024 KES'000	Scenario 1 10% appreciation KES'000	Scenario 2 10% Depreciation KES'000
Loss before taxation	(147,618)	(53,808)	(241,428)
Adjusted Core Capital	(731,242)	(637,432)	(825,052)
Adjusted Total Capital	(731,242)	(637,432)	(825,052)
Risk Weighted Assets (RWA)	12,576,699	12,576,699	12,576,699
Adjusted Core Capital to RWA	(5.81%)	(5.07%)	(6.56%)
Adjusted total Capital to RWA	(5.81%)	(5.07%)	(6.56%)

### 10.10 Other risks

Non-financial risk management disclosures:

#### 10.10.1 Strategic risk

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. This risk is a function of the compatibility of organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

The Bank faces several strategic risks from its environment which include:

- Macro-economic changes.
- Competition from the financial industry and organisations providing similar services.
- Technological changes.
- Key legislative and regulatory changes.
- Major political events.
- Human capital or social/demographic trends and changes.
- Inadequate capitalisation

The Board of Directors is ultimately responsible for the overall generation and implementation of the Bank's strategy for purposes of enhancing shareholders' value. It has however delegated the implementation aspects to the Chief Executive Officer and the Senior Management team. The Board of Directors, with support of the Chief Executive Officer Senior Management, develops and implements a new strategic cycle every 5 years to cater for the next growth phase of the Bank.

10 **Risk management objectives and policies (continued)**

10.10 **Other risks (continued)**

10.10.1 **Strategic risk (continued)**

The Chief Executive Officer supported by the (Executive Committee) EXCOM is responsible for the execution of the approved strategic objectives on a day to day basis and actively monitors business performance against these objectives through periodic reviews. The business carries out business performance reviews periodically but at a minimum on a monthly basis against pre-determined milestones and key performance indicators. The reviews are reported to the Board of Directors for information and advice, or action where significant deviations occur. These reports include identifying the key risks faced by the Bank and how they are being managed.

Each business head is responsible for ensuring that strategic initiatives are aligned to the overall strategy of the Bank and supported by the relevant and appropriate operating policies and programs that direct behaviour. They are also responsible for monitoring, managing and reporting on the effectiveness and risks of their business' strategic objectives, and the progress they have made towards achieving these. They oversee the direction and trends of significant current and emerging risks related to their business units and that mitigating actions are taken where appropriate.

The Chief Executive Officer co-ordinates an annual strategic planning process intended to align individual business strategies to overall enterprise level strategies as approved by the Board of Directors. They include a comprehensive review and evaluation of the business strategies, competitive positioning, financial performance, initiatives of strategic executions, and key business risks.

The Bank's financial and non-financial performance, including its key risks, is reported to the Board of Directors on a bimonthly basis for review and action, where necessary.

10.10.2 **Operational risk**

Operational Risk is "the risk that the Bank will incur direct or indirect loss due to an event or action causing the failure of technology, processes, infrastructure, personnel, and other risks having an operational impact". The impact of these risks can result in significant financial loss, reputational harm or regulatory censure and penalties.

The major operational risks faced by the Bank include:

- People and related issues such as staff retention, fraud, amongst others.
- Systems and processes changes related to the drive to meet our clients' needs.

The Board of Directors takes the lead in establishing the "tone at the top" which promotes a strong risk management culture. The Bank has also put in place a corporate culture that is guided by strong risk management and that supports and provides appropriate standards and incentives for professional and responsible behaviour.

## 10 Risk management objectives and policies (continued)

### 10.10 Other risk (continued)

#### 10.10.2 Operational risk (continued)

All members of staff are responsible for the management and mitigation of Operational risks. This is reflected in the continuous control environment, risk awareness and management style. Specific roles or responsibilities are assigned for leading and managing the internal control environment through the following people:

- Board and CEO;
- Audit Committee;
- Internal Audit Department;
- Board Risk Management Committee;
- Risk Management Committee;
- Risk & Compliance Department;
- Business Operational Risk functions in corporate, Retail and SME ;
- Information Technology (IT) Steering Committee; and
- Business Heads and Operations Head.

Internal Audit is responsible for assessing compliance with operational risk policy and for reporting significant issues to the Board Audit Committee and the Board of Directors.

The Bank seeks to minimise actual or potential losses arising from Operational Risk failures. These include inadequately defined procedures or policies, systems failure, internal control flaws or breaches, insufficiently skilled staff, unmanageable events or customer actions. To achieve this, the Bank ensures:

- Robust operational risk policy and procedures that reflects industry practice are put in place and operationalized. These include toolkits to help identify, assess, control, manage and report on key Operational Risks. Toolkits in the Operational Risk Procedures manual include inter alia:
  - i) Framework for the Bank, businesses, and support functions to identify their major operational risks and mitigation plans;
  - ii) Key control standards;
  - iii) Indicators to identify Operational Risk; and
  - iv) Incident and issues tracking mechanisms to identify causal factors and operational losses:
- All staff in business and support functions, are aware of their responsibilities for Operational Risk Management.
- Potential Operational Risk impact of Bank activities and products are considered at their outset with a view to minimising these as far as possible.
- There are structured processes to report control failures to designated individuals and escalate material issues to Risk Management Committee, Executive Committee (EXCOM) and Board Risk Management Committee as appropriate.
- Employees are given Operational Risk training appropriate to their roles.
- Employee and Bank assets are adequately protected.
- Workable Business Continuity Plans are established (including Disaster Recovery and Crisis Management procedures) to minimise the impact of unplanned events on business operations and customer service.
- The financial impact of operational losses is mitigated through the utilisation of insurance or other risk transfer mechanisms where appropriate.

## 10 Risk management objectives and policies (continued)

### 10.10.2 Other risks (continued)

#### 10.10.3 Compliance (policy/legal/regulatory) risk

Compliance risk 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, as well as from the possibility of incorrect interpretation of effective laws or regulations.

The Bank is committed to ensuring that its business activities are conducted in accordance with applicable laws and regulations, internal rules, policies and procedures, and ethical standards (“compliance laws, rules and standards”). The Bank has established appropriate policies, procedures and controls that will ensure effective compliance with laws, regulations and codes relevant to its businesses, customers and staff.

Business unit heads have the responsibility and accountability of managing regulatory and legal risks relating to their units on a day to day basis with assistance / advice and oversight from Legal and Compliance Department. The Risk and Compliance Department identifies and monitors the key risks and is responsible for ensuring that the day to day business controls comply with applicable legislation and are in line with best practice. Internal and external legal counsel work closely with business units to identify areas of existing and potential regulatory/legal risks and actively manage them to reduce the Bank’s exposures.

Senior Management and the Board Risk Management Committee receive the Risk Management Department’s opinions / reports on the strength of the Banks Compliance Risk Framework to enable them to determine whether it is under control and where not, tracks significant corrective actions to finality. Additionally, significant exposures under “for or against” litigation are reviewed periodically.

#### 10.10.4 Reputational risk

Reputational risk is the potential that negative stakeholder impressions or perceptions, whether true or not, regarding the Bank’s business practices, actions or inactions, will or may cause a decline in customer base, liquidity, and overall brand value. It is a resultant effect of all other risks highlighted in this report and therefore cannot be managed in isolation. Therefore, when all the other risks are managed well, this risk is substantially minimised.

The Bank’s reputation is an invaluable and fragile asset that is broad and far reaching and includes image, goodwill and brand equity. Reputational risk management supports value creation and seeks to deal effectively with potential future events that create uncertainty.

Ultimate responsibility for this risk rests with the Board of Directors and Senior Management who examine the Bank’s reputational risk as part of their regular mandate. They are assisted in this aspect by the Corporate Communications Department. Their purpose is to ensure that all products, services, and activities meet the Bank’s reputational risk objectives in line with the Board of Director’s approved appetite. The Bank’s reputational risk strategy however cascades into the other Bank’s policies procedures each level of management is responsible for the appropriateness of policies, processes and controls within its purview.

Senior Management and the Board of Directors receive periodic reports on the assessment of the Bank’s reputational risk exposures that arise from its business activities so as to form a view on associated risks and implement corrective actions.

## 10. Risk management objectives and policies (continued)

### 10.11 Financial assets at fair value through other comprehensive income

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value through OCI measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at FVTOCI:

		Level 1	Level 2	Level 3	Total
	Note	KES'000	KES'000	KES'000	KES'000
31 December 2025					
Quoted investments		<u>8,674</u>	=	=	<u>8,674</u>
31 December 2024					
Quoted investments		<u>8,354</u>	=	=	<u>8,354</u>

The above was valued at quoted bid prices in an active market (Nairobi Securities Exchange). Except as detailed above, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the statement of financial position approximate their fair values. This note provides information about how the Bank determines fair values of various financial assets and financial liabilities. Fair value of the Bank's financial assets and financial liabilities are measured at fair value on a recurrent basis. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in, the valuation technique(s) and inputs used):

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/12/25 KES '000	31/12/24 KES '000				
Quoted investments	8,674	8,354	Level 1	Quoted bid prices in an active market	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period (2024: none).

### 10.12 Price risk sensitivity

The Bank is exposed to price risk on quoted investment securities.

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

	Impact on equity	
	2025 KES '000	2024 KES '000
Effect of increase on Equity	<u>40</u>	<u>36</u>

## 11 Capital management (Group and Bank)

### Regulatory capital

The Banks objectives when managing capital which is a broader concept than the 'equity' on the face of balance sheet, are:

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

The Bank monitors the adequacy of its capital using the minimum capital requirements and ratios established by Central Bank of Kenya. These ratios measure capital adequacy by comparing the Bank's core capital with total risk-weighted assets plus risk weighted off-balance sheet items, total deposit liabilities and total risk weighted off balance sheet items.

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%) are applied. For example cash in hand (domestic and foreign), balances held with Central Bank of Kenya including securities issued by the Government of Kenya have a zero risk weighting, which means that no capital is required to support the holding of these assets. Property, plant and equipment carries a 100% risk weighting. Based on these guidelines, such assets must be supported by capital equal to 100% of their carrying amount. Other asset categories have intermediate weightings.

Off-

	Balance sheet carrying amount		Risk weighted amount	
	2025 KES '000	2024 KES '000	2025 KES '000	2024 KES '000
Cash and balances with Central Bank of Kenya	803,249	834,990	-	-
Deposits and Balances due other Banks	452,124	430,740	90,425	86,191
Loans and advances to customers	8,557,151	8,513,879	7,929,052	7,835,819
Government securities at amortised cost	8,193,894	6,364,047	-	-
Financial assets at fair value through profit or loss				
Financial assets at fair value through other comprehensive income	13,674	13,354	13,674	13,354
Other receivables	452,146	381,684	452,146	381,673
Intangible assets	73,989	83,991	73,989	83,991
Property and equipment	<u>924,592</u>	<u>893,298</u>	<u>924,592</u>	<u>893,298</u>
	<u>19,466,664</u>	<u>17,515,983</u>	<u>9,483,878</u>	<u>9,294,326</u>
Off-balance sheet positions			<u>100,421</u>	<u>762,130</u>
Total credit risk weighted assets			<u>9,584,299</u>	<u>10,056,458</u>
Less: market risk qualifying assets			<u>13,674</u>	<u>13,354</u>
Adjusted credit risk weighted assets			<u>9,570,625</u>	<u>10,043,104</u>
Market risk equivalent assets			57,804	399,627
Operational risk equivalent assets			<u>2,876,455</u>	<u>2,133,969</u>
Total risk weighted assets			<u>12,504,883</u>	<u>12,576,699</u>

## 11. CAPITAL MANAGEMENT (Continued)

The Bank's regulatory capital position at 31 December 2025 and 31 December 2024 was as follows:

	2025 KES'000	2024 KES'000
Tier 1 capital	(546,073)	(731,242)
Tier 2 capital	-	-
Total capital	<u>(546,073)</u>	<u>(731,242)</u>
Total deposit liabilities	<u>12,291,974</u>	<u>11,715,930</u>

Capital ratios:

Total regulatory capital expressed as a percentage of total risk-weighted assets (CBK minimum 14.5%)	(4.44%)	(5.81%)
Total tier 1 capital expressed as a percentage of risk-weighted assets (CBK minimum 10.5%)	<u>(4.44%)</u>	<u>(5.81%)</u>

The Business Laws (Amendment) Act, 2024 required banks to increase their minimum core capital from KSh 1 Billion to KSh 10 Billion over the five years. The minimum core capital is KES 3 Billion as at 31 December 2025, progressing to KES 7 Billion by 2027, KES 8 Billion by 2028, and finally KES 10 Billion by 2029. Currently, the Bank's core capital stands at negative KES 546,073 Million. The Directors are putting in strategies to raise the capital to the required levels progressively through to 2029.

## 12. INTEREST INCOME (Group and Bank)

	2025 KES'000	2025 KES'000	2024 KES'000	2024 KES'000
	Group	Bank	Group	Bank
Interest on loans and advances	1,166,268	1,166,268	1,284,268	1,284,268
Interest on Bank placements	28,039	28,039	9,122	9,122
Interest on investments at amortised cost	<u>840,458</u>	<u>838,169</u>	<u>535,628</u>	<u>534,171</u>
	<u>2,034,765</u>	<u>2,032,476</u>	<u>1,829,018</u>	<u>1,827,561</u>

## 13. INTEREST EXPENSE (Group and Bank)

	2025 KES'000	2025 KES'000	2024 KES'000	2024 KES'000
	Group	Bank	Group	Bank
Interest on customer deposits	661,130	661,130	744,645	744,645
Interest on inter-bank borrowings	5,273	5,273	12,947	12,947
Interest on Central Bank of Kenya Repos	38,809	38,809	101,677	101,677
Interest on leases	<u>28,912</u>	<u>28,912</u>	<u>30,192</u>	<u>30,192</u>
	<u>734,124</u>	<u>734,124</u>	<u>889,461</u>	<u>889,461</u>

## 14. FEE AND COMMISSION INCOME

	2025 Group KES'000	2025 Bank KES'000	2024 Group KES'000	2024 Bank KES'000
Ledger related fees and commissions	28,094	28,094	31,263	31,263
Credit related fees and commissions	104,758	104,758	113,053	113,053
Transaction related fees	<u>117,291</u>	<u>81,302</u>	<u>111,260</u>	<u>88,240</u>
	<u>250,143</u>	<u>214,154</u>	<u>255,576</u>	<u>232,556</u>

## 15. FOREIGN EXCHANGE TRADING INCOME (Group and Bank)

Foreign exchange net income includes gains and losses from spot and forward contracts and translated foreign currency assets and liabilities.

	2025 KES'000	2024 KES'000
Gains on foreign exchange trading	54,091	68,937
Losses on foreign exchange trading	<u>(10,331)</u>	<u>(10,331)</u>
	<u>43,760</u>	<u>58,606</u>

## 16. OTHER OPERATING INCOME (Group and Bank)

	<u>Bank/Group</u>	
Rental income	69,608	74,324
Remedial recoveries	5,261	2,786
Recoveries on loans and advances	200,227	168,501
Gain on disposal of property and equipment	-	45
Dividend income	174	299
Gain/(loss) on Treasury Bonds trading	60,678	7,731
Sundry income	<u>1,491</u>	<u>280</u>
	<u>337,439</u>	<u>253,966</u>

## 17. OPERATING EXPENSES

	2025 Group KES'000	2025 Bank KES'000	2024 Group KES'000	2024 Bank KES'000
Staff costs (note 18)	723,215	711,200	713,407	707,013
Directors' emoluments - Fees	15,798	15,593	14,851	14,690
- Other	735	735	25,181	25,181
Other Board expenses	20,544	20,544	422	422
Depreciation - Current year (note 28)	71,365	71,238	70,033	69,977
Amortisation of intangible assets (note 29)	22,285	22,285	30,300	30,300
Amortisation of operating lease (note 30)	170	170	170	170
Contribution to Kenya Deposit Insurance Corporation	21,927	21,927	20,656	20,656
Auditors' remuneration	8,401	7,837	6,938	6,438
Credit loss expense on letters of credit and guarantees	1,827	1,827	5,238	5,238
Other operating expenses*	<u>539,146</u>	<u>533,383</u>	<u>520,680</u>	<u>515,516</u>
	<u>1,425,413</u>	<u>1,406,739</u>	<u>1,407,876</u>	<u>1,395,601</u>

\* Relates to all other operating expenses not captured under the other categories above.

## 18. STAFF COSTS

Salaries and wages	569,137	559,569	568,011	563,283
Training, recruitment and staff welfare costs	32,942	32,791	26,761	26,644
Pension contributions	30,286	30,003	31,602	31,397
Medical expenses	60,460	59,329	54,063	53,177
Staff insurance	2,244	2,203	6,378	6,266
Gratuity provision (note 32(a))	12,692	12,340	11,670	11,621
NSSF contributions	2,913	2,627	2,593	2,396
Affordable Housing Levy	8,841	8,638	7,103	7,002
Fringe Benefit Tax	<u>3,700</u>	<u>3,700</u>	<u>5,226</u>	<u>5,226</u>
	<u>723,215</u>	<u>711,200</u>	<u>713,407</u>	<u>707,012</u>

## 19. INCOME TAX

	2025 Group	2025 Bank	2024 Group	2024 Bank
a) Tax charge				
Current tax based on the taxable profit for the year at 30% (2025:30%)	17,575	12,118	20,393	16,171
Prior year over provision- current taxation	<u>1,820</u>	<u>1,557</u>	<u>(589)</u>	-
	<u>19,395</u>	<u>13,675</u>	<u>19,804</u>	<u>16,171</u>
Reconciliation of expected tax based on accounting loss to tax charge				
b) Profit/(Loss) before tax	<u>217,579</u>	<u>197,974</u>	<u>(135,416)</u>	<u>(147,618)</u>
Tax calculated at a tax rate of 30% (2025: 30%)	(65,274)	(59,392)	(40,625)	(44,285)
Tax effect of expenses not deductible for tax purposes	77,480	81,058	52,556	52,512
Non-taxable income	(49,484)	(48,722)	(40,751)	(40,750)
Prior year over provision - current taxation	1,820	1,557	(589)	-
Deferred tax asset on tax losses not recognised	<u>54,853</u>	<u>39,174</u>	<u>49,213</u>	<u>48,694</u>
	<u>19,395</u>	<u>13,675</u>	<u>19,804</u>	<u>16,171</u>

The bank has not recognised deferred tax assets of KES 54.8 million (2024: KES 48 million) due to uncertainty of future earnings and profits

## 19. INCOME TAX (CONTINUED)

	2025 KES'000 Group	2025 KES'000 Bank	2024 KES'000 Group	2024 KES'000 Bank
At 1 January	1,688	1,557	1,685	1,685
Charge for the year	(19,395)	(13,675)	(19,804)	(16,171)
Prior year (over)/under provision	(1,820)	(1,557)	589	-
Tax paid during the year	<u>22,800</u>	<u>17,830</u>	<u>15,842</u>	<u>12,929</u>
At 31 December	<u>3,273</u>	<u>4,155</u>	<u>(1,688)</u>	<u>(1,557)</u>

## 20. PROFIT (LOSS) PER SHARE (Bank)

Loss per share is calculated by dividing the net loss attributable to shareholders by the number of ordinary shares in issue during the year.

	2025 KES'000 Group	2025 KES'000 Bank	2024 KES'000 Group	2024 KES'000 Bank
Profit/(Loss) for the year	<u>198,184</u>	<u>184,299</u>	<u>(155,220)</u>	<u>(163,789)</u>
Number of ordinary shares (number in thousands)	<u>149,970</u>	<u>149,920</u>	<u>149,970</u>	<u>149,920</u>
Profit/(Loss) per share				
Basic and diluted (KES)	<u>1.32</u>	<u>1.23</u>	<u>(1.04)</u>	<u>(1.09)</u>

There were no potentially dilutive shares outstanding as at 31 December 2025 or 31 December 2024. Diluted earnings per share are therefore the same as basic earnings per share.

## 21. CASH AND BALANCES WITH CENTRAL BANK OF KENYA (Group and Bank)

	2025 KES'000	2024 KES'000
Cash in hand	263,574	310,075
Balances with Central Bank of Kenya:		
- Cash ratio reserve	396,098	491,490
- Other balances (available for use by the Bank)	<u>143,577</u>	<u>33,425</u>
	<u>803,249</u>	<u>834,990</u>

Cash in hand and balances with Central Bank of Kenya are non-interest bearing. The cash ratio reserve is based on the value of customer deposits as adjusted by the Central Bank of Kenya requirements. As at 31 December 2025 the cash ratio reserve requirement was 3.25% (2024: 4.25%) of all customer deposits held by the Bank.

In prior years this was excluded from cash and cash equivalents for the purposes of the Statement of cash flows, but following recent interpretations, it is now recognised that it should be included. The change in presentation has been applied retrospectively, and the effect on the Statement of cash flows has been:

## 22. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

	2025 Bank KES'000	2025 Group KES'000	2024 Bank KES'000	2024 Group KES'000
a) Balances due from banking institutions maturing within 90 days:				
Balances with correspondent banks	194,581	194,581	213,847	213,847
Balances with local banks	<u>257,770</u>	<u>257,770</u>	<u>217,106</u>	<u>217,106</u>
	<u>452,351</u>	<u>452,351</u>	<u>430,953</u>	<u>430,953</u>
Allowance for ECL				
As at 1 January	213	213	102	102
(Decrease)Increase in allowance in the year	<u>14</u>	<u>14</u>	<u>111</u>	<u>111</u>
	<u>227</u>	<u>227</u>	<u>213</u>	<u>213</u>
Allowance for impairment as at 31 December				
Net carrying value	<u>452,124</u>	<u>452,124</u>	<u>430,740</u>	<u>430,740</u>
b) Deposits due to local banks	<u>12,677</u>	<u>12,677</u>	<u>17,268</u>	<u>17,268</u>
c) Borrowing from Central Bank of Kenya	<u>5,806,109</u>	<u>5,806,109</u>	<u>4,724,216</u>	<u>4,724,216</u>

Deposits with/from local banks as at 31 December 2025 represent deposits due to microfinance banks.

The borrowings from Central Bank of Kenya as at 31 December 2025 were REPOs:

- Tenure: The period of the borrowings was 3 months from 2<sup>nd</sup> December 2025 to 2<sup>nd</sup> March 2026-5,806,109,000 (2024: The period of the borrowings was 3 months from 11 October 2024 to 13 January 2025-1,010,000,000, 3 months from 2 December 2024 to 3 March 2025-1,658,120,300 and 3 months from 11 December 2024 to 12 March 2025-2,056,096,000)
- Interest rate: the borrowing attracted varying interest rate
- Security: pledge of the Bank is only a portion of the Treasury Bonds whose fair value was KES.6,150,000,000 (2024: Security: pledge of the Bank is only a portion of the Treasury Bonds whose fair value was KES. 4,950,000,000).

## 23. FINANCIAL ASSETS AT AMORTISED COST

	2025 KES'000 Group	2025 KES'000 Bank	2024 KES'000 Group	2024 KES'000 Bank
<b>GOVERNMENT SECURITIES</b>				
Kenya Government Treasury bonds – at amortised cost	7,647,717	7,622,368	6,374,515	6,364,047
Treasury Bills	<u>571,526</u>	<u>571,526</u>	-	-
	<u>8,219,243</u>	<u>8,193,894</u>	<u>6,374,515</u>	<u>6,364,047</u>

The maturity profile of government securities is as follows:

	2025	2025	2024	2024
Less than 1 year	1,444,344	1,443,894	1,639,750	1,639,281
3 years to 5 years	1,099,899	1,100,000	2,574,765	2,574,766
Over 5 years	<u>5,675,000</u>	<u>5,650,000</u>	<u>2,160,000</u>	<u>2,150,000</u>
	<u>8,219,243</u>	<u>8,193,894</u>	<u>6,374,515</u>	<u>6,364,047</u>

## 23. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

The weighted average effective interest rate on treasury bonds was 13% (2024: 13%). As at 31 December 2025 a fair value of KES 6,150,000,000 (2023: KES 4,950,000,000) had been pledged to secure borrowings from Central Bank of Kenya

## 24. LOANS AND ADVANCES TO CUSTOMERS (Group and Bank)

	2025 KES'000	2024 KES'000
a) Commercial loans	5,571,387	5,179,131
Overdrafts	829,777	835,586
Mortgages	3,304,532	3,347,371
Asset finance loans	622,496.96	676,013
Staff loans	<u>434,996</u>	<u>382,345</u>
Gross loans and advances	10,763,189	10,420,446
Less:		
Interest in suspense	(1,488,939)	(1,250,414)
Impairment losses on loans and advances to customers (note 25)	<u>(717,099)</u>	<u>(656,153)</u>
Net loans and advances to customers	<u>8,557,151</u>	<u>8,513,879</u>

The weighted average effective interest rate on loans and receivables as at 31 December 2025 was 12.9% (2024 : 13.2%).

Included in gross loans and advances to customers of KES 9,274,250,000 (2024: KES 9,170,032,000) are non-performing loans amounting to KES 2,206,0034,000 (2024: KES 2,387,022,000). These are included in the statement of financial position net of specific provisions of KES 717,099,000 (2024 :KES 656,153,000).

### b) Analysis of gross loans and advances to customers by maturity:

Maturing:		
Within 1 year	1,967,675	2,032,085
Between 1 and 3 years	2,927,433	2,808,985
After 3 years	<u>5,868,081</u>	<u>5,579,376</u>
Loans and advances to customers	<u>10,763,189</u>	<u>10,420,446</u>

The concentration of advances to customers is covered under note 10.7.

## 25. EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES (Group and Bank)

At 1 January	656,153	631,986
Increase in expected credit loss	288,978	235,134
Write offs	(27,805)	(42,466)
Reversals of expected credit loss	<u>(200,227)</u>	<u>(168,501)</u>
At 31 December	<u>717,099</u>	<u>656,153</u>
Collectively assessed impairment	100,755	99,224
Individually assessed impairment	<u>616,344</u>	<u>556,929</u>
	<u>717,099</u>	<u>656,153</u>

## 26. OTHER ASSETS

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

	2025 KES'000 Group	2025 KES'000 Bank	2024 KES'000 Group	2024 KES'000 Bank
Clearing account	6,839	6,839	10,647	10,647
Prepayments	42,831	42,831	45,102	45,102
Rent receivable	26,001	26,001	21,970	21,970
Deposits for services	12,105	12,105	13,254	13,254
Others*	<u>360,433</u>	<u>360,215</u>	<u>290,827</u>	<u>290,711</u>
	<u>448,209</u>	<u>447,991</u>	<u>381,800</u>	<u>381,684</u>

\* Included in others are Mpesa, POS and Kenswitch balances.

## 27. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Group and Bank)

	2025 KES'000	2024 KES'000
At beginning of the year at January 1	8,354	8,354
Gain in market value of investment	<u>320</u>	-
At end of the year at December 31	<u>8,674.</u>	<u>8,354</u>

The investment consists of 21,699 shares of Kakuzi Limited which are in the name of the Bank.

In accordance with IFRS 13, the fair value ranking of the investment is at level 1.

Tax has not been recognised in respect of the gain in market value of investment at this time as deferred tax has not been recognised as disclosed in note 19.

## 28 (a). GROUP PROPERTY AND EQUIPMENT

	Land and buildings KES'000	Leasehold improvements KES'000	Motor vehicles KES'000	Fixtures, fittings, equipment & ATMs KES'000	Computers KES'000	Total KES'000
<b>COST/VALUATION</b>						
At 1 January 2024	732,500	428,224	23,827	368,778	164,720	1,718,049
Additions	-	-	-	10,845	1,659	12,504
Disposal	-	-	-	(1,235)	(165)	(1,400)
Transfer	-	-	-	(119)	119	-
At 31 December 2024	<u>732,500</u>	<u>428,224</u>	<u>23,827</u>	<u>378,269</u>	<u>166,333</u>	<u>1,729,153</u>
At 1 January 2025	732,500	428,224	23,827	378,269	166,333	1,729,153
Additions	-	815	-	15,007	1,990	17,812
Disposal	-	(5,385)	-	-	-	(5,385)
Surplus on revaluation	500	-	-	-	-	500
At 31 December 2025	<u>733,000</u>	<u>423,654</u>	<u>23,827</u>	<u>393,276</u>	<u>168,323</u>	<u>1,742,080</u>
<b>Comprising</b>						
At cost	-	423,654	23,827	393,276	168,323	1,009,080
At valuation	733,000	-	-	-	-	<u>733,000</u>
	<u>733,000</u>	<u>423,654</u>	<u>23,827</u>	<u>393,276</u>	<u>168,323</u>	<u>1,742,080</u>

## 28(a).GROUP PROPERTY AND EQUIPMENT (Continued)

	Land and buildings KES'000	Leasehold improvements KES'000	Motor vehicles KES'000	Fixtures, fittings, equipment & ATMs KES'000	Computers KES'000	Total KES'000
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2024	51,064	421,803	20,925	352,466	145,596	991,854
Charge for the year	16,938	15	1,512	11,477	8,353	38,295
Reclassification	-	-	-	(115)	115	-
Write off	=	=	=	(1,235)	(165)	(1,400)
<b>At 31 December 2024</b>	<b>68,002</b>	<b>421,818</b>	<b>22,437</b>	<b>362,593</b>	<b>153,899</b>	<b>1,028,749</b>
At 1 January 2025	68,002	421,818	22,437	362,593	153,899	1,028,749
Charge for the year	16,937	123	1,390	13,247	7,294	38,991
Elimination on revaluation	(84,939)	=	=	=	=	(84,939)
Elimination on disposal	=	(5,385)	=	=	=	(5,385)
<b>At 31 December 2025</b>	<b>=</b>	<b>416,556</b>	<b>23,827</b>	<b>375,840</b>	<b>161,193</b>	<b>977,416</b>
<b>NET BOOK VALUE</b>						
At 31 December 2025	<u>733,000</u>	<u>7,098</u>	<u>=</u>	<u>17,436</u>	<u>7,130</u>	<u>764,664</u>
At 31 December 2024	<u>664,498</u>	<u>6,406</u>	<u>1,390</u>	<u>15,676</u>	<u>12,434</u>	<u>700,404</u>

**28(b). BANK PROPERTY AND EQUIPMENT**

	Land and buildings KES'000	Leasehold improvements KES'000	Motor vehicles KES'000	Fixtures, fittings, equipment & ATMs KES'000	Computers KES'000	Total KES'000
<b>COST/VALUATION</b>						
At 1 January 2024	732,500	422,839	23,827	368,254	164,510	1,711,930
Additions	-	-	-	10,845	1,659	12,504
Reclassification	-	-	-	(119)	119	-
Disposals	-	-	-	(1,235)	(165)	(1,400)
At 31 December 2024	<u>732,500</u>	<u>422,839</u>	<u>23,827</u>	<u>377,745</u>	<u>166,123</u>	<u>1,723,034</u>
At 1 January 2025	732,500	422,839	23,827	377,745	166,123	1,723,034
Additions	-	-	-	15,007	1,896	16,903
Revaluation	500	-	-	-	-	500
Reclassification	-	-	-	4,887	(4,887)	-
At 31 December 2025	<u>733,000</u>	<u>422,839</u>	<u>23,827</u>	<u>397,639</u>	<u>163,132</u>	<u>1,740,437</u>
Comprising						
At cost	-	422,839	23,827	397,639	163,132	1,007,437
At valuation	<u>733,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733,000</u>
	<u>733,000</u>	<u>422,839</u>	<u>23,827</u>	<u>397,639</u>	<u>163,133</u>	<u>1,740,437</u>

**28(b). BANK PROPERTY AND EQUIPMENT (Continued)**

	Land and buildings KES' 000	Leasehold improvements KES' 000	Motor vehicles KES' 000	Fixtures, fittings, equipment & ATMs KES' 000	Computers KES' 000	Total KES' 000
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2024	51,064	416,432	20,925	352,174	145,388	985,983
Charge for the year	16,938	-	1,512	11,435	8,353	38,238
Elimination on disposal	-	-	-	(1,235)	(165)	(1,400)
Reclassification	=	=	=	(115)	115	=
At 31 December 2024	<u>68,002</u>	<u>416,432</u>	<u>22,437</u>	<u>362,259</u>	<u>153,691</u>	<u>1,022,821</u>
At 1 January 2025	68,002	416,432	22,437	362,259	153,691	1,022,821
Charge for the year	16,937	-	1,390	13,247	7,289	38,864
Elimination on Revaluation	(84,939)	-	-	-	-	(84,939)
Reclassification	=	=	=	(189)	=	(189)
At 31 December 2025	<u>=</u>	<u>416,432</u>	<u>23,827</u>	<u>375,317</u>	<u>160,980</u>	<u>976,557</u>
<b>NET CARRYING AMOUNT</b>						
At 31 December 2025	<u>733,000</u>	<u>6,407</u>	<u>=</u>	<u>22,322</u>	<u>2,152</u>	<u>763,881</u>
At 31 December 2024	<u>664,498</u>	<u>6,407</u>	<u>1,390</u>	<u>15,486</u>	<u>12,432</u>	<u>700,213</u>

Land and buildings were last revalued as at 31 December 2025, by Kensate Valuers Limited, independent valuers. Valuations were made on the basis of the open market value using the highest and best use valuation model resulting in a total valuation surplus of KES 500,000. The book values of the properties were adjusted to the revalued amounts and the resultant surplus was credited to the revaluation reserves.

Motor vehicles, fixtures fittings and equipment with a cost of KES 919,383,385 (2024 KES 898,235,465) were fully depreciated as at 31 December 2024. The notional depreciation charge on these assets would have been KES 202,709,452 (2024: KES 198,721,820).

In accordance with IFRS 13, the fair value ranking of the land and buildings is at Level 3 as the fair value measurement is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices. There is no remeasurement recognised in profit or loss, no transfers from level 1 or level 2 and no purchases. Other categories of assets are carried at cost less accumulated depreciation.

**28 (c). GROUP AND BANK RIGHT OF USE OF ASSETS**

	Right of use of assets (rental space) KES'000
<b>COST/VALUATION</b>	
At 1 January 2024	379,578
Additions	<u>35,874</u>
At 31 December 2024	<u>415,452</u>
At 1 January 2025	415,452
Additions	-
At 31 December 2025	<u>415,452</u>
Comprising	
At cost	<u>415,452</u>
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2024	190,628
Charge for the year	<u>31,739</u>
At 31 December 2024	<u>222,367</u>
At 1 January 2025	222,367
Charge for the year	<u>32,373</u>
At 31 December 2025	<u>254,740</u>
<b>NET CARRYING AMOUNT</b>	
At 31 December 2025	<u>160,712</u>
At 31 December 2024	<u>193,085</u>

**29 .(a) LEASEHOLD LAND (Group and Bank)**

	2025 KES'000	2024 KES'000
<b>COST</b>		
At 1 January and 31 December	<u>45,298</u>	<u>45,298</u>
<b>ACCUMULATED AMORTISATION</b>		
At 1 January	39,679	39,509
Charge for the year	<u>170</u>	<u>170</u>
At 31 December	<u>39,849</u>	<u>39,679</u>
<b>NET CARRYING AMOUNT</b>		
At 31 December	<u>5,449</u>	<u>5,619</u>

## 29 (b). GROUP AND BANK LEASE LIABILITY

Set out below are the carrying amount of lease liability (included in the liabilities under note 32) and the movement during the period

	2025	2024
As at 1 January	242,172	230,864
Additions	-	35,874
Accretion of interest	28,912	30,192
Payments	<u>(56,570)</u>	<u>(54,758)</u>
As at 31 December	<u>214,514</u>	<u>242,172</u>

If the land and buildings were stated on the historical cost basis, their carrying amounts would be as follows:

	2025 KES'000	2024 KES'000
At 1 January	94,950	99,471
Depreciation charge	<u>(4,521)</u>	<u>(4,521)</u>
At 31 December	<u>90,429</u>	<u>94,950</u>

## 29 (c). GROUP INTANGIBLE ASSETS

	Computer Software KES'000	Work in Progress KES'000	Total KES'000
<b>COST/VALUATION</b>			
At 1 January 2024	791,475	600	792,075
Additions	2,759	-	2,759
Transfer from WIP	<u>600</u>	<u>(600)</u>	-
At 31 December 2024	<u>794,834</u>	-	<u>794,834</u>
At 1 January 2025	794,834	0	794,834
Additions	-	<u>12,454</u>	<u>12,452</u>
At 31 December 2025	<u>794,834</u>	<u>12,454</u>	<u>807,286</u>
<b>ACCUMULATED AMORTISATION</b>			
At 1 January 2024	686,164	-	686,164
Charge for the year	<u>30,300</u>	-	<u>30,300</u>
At 31 December 2024	<u>716,464</u>	-	<u>716,464</u>
At 1 January 2025	716,464	-	716,464
Charge for the year	<u>22,285</u>	-	<u>22,285</u>
At 31 December 2025	<u>738,749</u>	-	<u>738,749</u>
<b>NET CARRYING AMOUNT</b>			
At 31 December 2025	<u>56,085</u>	<u>12,454</u>	<u>68,539</u>
At 31 December 2024	<u>78,370</u>	-	<u>78,370</u>

## 29 (b). GROUP AND BANK LEASE LIABILITY

Set out below are the carrying amount of lease liability (included in the liabilities under note 32) and the movement during the period

	2025	2024
As at 1 January	242,172	230,864
Additions	-	35,874
Accretion of interest	28,912	30,192
Payments	<u>(56,570)</u>	<u>(54,758)</u>
As at 31 December	<u>214,514</u>	<u>242,172</u>

If the land and buildings were stated on the historical cost basis, their carrying amounts would be as follows:

	2025 KES'000	2024 KES'000
At 1 January	94,950	99,471
Depreciation charge	<u>(4,521)</u>	<u>(4,521)</u>
At 31 December	<u>90,429</u>	<u>94,950</u>

## 29 (c). GROUP INTANGIBLE ASSETS

	Computer Software KES'000	Work in Progress KES'000	Total KES'000
<b>COST/VALUATION</b>			
At 1 January 2024	791,475	600	792,075
Additions	2,759	-	2,759
Transfer from WIP	<u>600</u>	<u>(600)</u>	-
At 31 December 2024	<u>794,834</u>	-	<u>794,834</u>
At 1 January 2025	794,834	0	794,834
Additions	-	<u>12,454</u>	<u>12,452</u>
At 31 December 2025	<u>794,834</u>	<u>12,454</u>	<u>807,286</u>
<b>ACCUMULATED AMORTISATION</b>			
At 1 January 2024	686,164	-	686,164
Charge for the year	<u>30,300</u>	-	<u>30,300</u>
At 31 December 2024	<u>716,464</u>	-	<u>716,464</u>
At 1 January 2025	716,464	-	716,464
Charge for the year	<u>22,285</u>	-	<u>22,285</u>
At 31 December 2025	<u>738,749</u>	-	<u>738,749</u>
<b>NET CARRYING AMOUNT</b>			
At 31 December 2025	<u>56,085</u>	<u>12,454</u>	<u>68,539</u>
At 31 December 2024	<u>78,370</u>	-	<u>78,370</u>

## 29 (c). Continued BANK INTANGIBLE ASSETS

	Computer Software KES'000	Work in Progress KES'000	Total KES'000
<b>COST/VALUATION</b>			
At 1 January 2024	788,477	600	789,077
Additions	2,759	-	2,759
	<u>600</u>	<u>(600)</u>	=
At 31 December 2024	<u>791,836</u>	=	<u>791,836</u>
At 1 January 2025	791,836	-	791,836
Additions		12,452	12,452
At 31 December 2025	<u>791,837</u>	<u>12,452</u>	<u>804,289</u>
<b>ACCUMULATED AMORTISATION</b>			
At 1 January 2024	683,164	-	683,164
Charge for the year	<u>30,300</u>	=	<u>30,300</u>
At 31 December 2024	<u>713,464</u>	-	<u>713,464</u>
At 1 January 2025	713,464	-	713,464
Charge for the year	<u>22,285</u>	=	<u>22,285</u>
At 31 December 2025	<u>735,750</u>	=	<u>735,750</u>
<b>NET CARRYING AMOUNT</b>			
At 31 December 2025	<u>56,087</u>	<u>12,452</u>	<u>68,539</u>
At 31 December 2024	<u>78,373</u>	=	<u>78,373</u>

### 30. CUSTOMER DEPOSITS (Group and Bank)

Current and demand accounts	4,523,547	3,484,752
Savings accounts	1,441,438	1,326,167
Fixed deposit accounts	<u>6,326,989</u>	<u>6,905,011</u>
	<u>12,291,974</u>	<u>11,715,930</u>

*Maturity analysis of customer deposits:*

Repayable:		
On demand	5,964,985	4,810,919
Within one year	<u>6,326,989</u>	<u>6,905,011</u>
	<u>12,291,974</u>	<u>11,715,930</u>

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2025 was 5.6% (2024: 6.5%). Concentration of customers' deposits is covered under note 10.7.

### 31. OTHER LIABILITIES

	2025	2025	2024	2024
	KES'000	KES'000	KES'000	KES'000
	Group	Bank	Group	Bank
Accrued expenses	151,836	151,836	114,845	114,845
Gratuity (note 31(a))	27,880	27,880	18,059	18,059
Tenants deposits	20,066	20,066	18,162	18,162
Cheques for collection	11,054	11,054	12,050	12,050
Sundry payables*	149,056	149,056	137,013	137,013
ECL provision for letters of credit and guarantees	10,839	10,839	9,012	9,012
Lease liability (note 29 (b))	<u>214,514</u>	<u>214,514</u>	<u>242,172</u>	<u>242,172</u>
	<u>585,245</u>	<u>585,245</u>	<u>551,313</u>	<u>551,313</u>

\* Included in sundry payables are uncleared POS transactions, uncleared cheques and unclaimed balances

	2025	2025	2024	2024
	KES'000	KES'000	KES'000	KES'000
a) Gratuity	Group	Bank	Group	Bank
Balance as at 1 January	18,059	18,059	10,295	10,295
Paid	(2,871)	(2,519)	(3,906)	(3,857)
Charge for the year	<u>12,692</u>	<u>12,340</u>	<u>11,670</u>	<u>11,621</u>
Balance as at 31 December	<u>27,880</u>	<u>27,880</u>	<u>18,059</u>	<u>18,059</u>

## 32. SHARE CAPITAL (Group and Bank)

	2025 KES'000 Bank	2025 KES'000 Group	2024 KES'000 Bank	2024 KES'000 Group
a) Authorised:				
80,000,000 ordinary shares of KES 20 each (2024:160,000,000 ordinary shares of KES 20 each)	3,200,000	3,200,000	3,200,000	3,200,000
80,000,000, 4% non-cumulative irredeemable non-convertible preference shares of KES 20 each	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>
	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,800,000</u>
b) Issued and fully paid:				
44,920,000 ordinary shares of Sh 20 each	2,998,400	3,003,400	2,998,400	2,998,400
36,056,500 4% non-cumulative irredeemable	721,130	721,130	721,130	721,130
	<u>3,719,530</u>	<u>3,724,530</u>	<u>3,719,530</u>	<u>3,719,530</u>

Non-convertible non-participating preference shares are entitled to receive a discretionary dividend before any dividend is declared to the ordinary shareholders. The preference shares have no right to share in any surplus assets or profits and no voting rights.

**34. REVALUATION RESERVES (Group and Bank)**

	2025 KES'000	2024 KES'000
At 1 January	425,408	435,474
Transfer of excess depreciation	(14,421)	(14,380)
Revaluation surplus on land and buildings	85,437	-
Deferred tax on transfer of excess depreciation- Buildings	<u>4,326</u>	<u>4,314</u>
At 31 December	<u>500,750</u>	<u>425,408</u>

The revaluation surplus arises on the revaluation of freehold land and buildings. Where revalued land or buildings are sold, the portion of the revaluation surplus that relates to that asset and is effectively realised over the period in which this is transferred, is transferred directly to revenue reserves. The revaluation surpluses are non-distributable.

Tax has not been recognised in respect of the revaluation surplus at this time as deferred tax has not been recognised as disclosed in note 19 (b).

**35. ACCUMULATED LOSSES**

	2025 KES'000	2025 KES'000	2024 KES'000	2024 KES'000
	Group	Bank	Group	Bank
At 1 January	(4,425,056)	(4,450,772)	(4,229,607)	(4,244,187)
Opening balance adjustment	-	-	-	(2,567)
Profit/(Loss) for the year	198,184	184,299	(155,220)	(163,789)
Transfer of excess depreciation	14,421	14,421	14,380	14,380
Deferred tax on transfer of excess depreciation	(4,326)	(4,326)	(4,314)	(4,314)
Transfer (to)/from statutory reserve	<u>(9,225)</u>	<u>(9,225)</u>	<u>(50,295)</u>	<u>(50,295)</u>
At 31 December	<u>(4,226,002)</u>	<u>(4,265,603)</u>	<u>(4,425,056)</u>	<u>(4,450,772)</u>

**36. REGULATORY RESERVE (Group and Bank)**

	2025 KES'000	2024 KES'000
At 1 January	783,973	733,678
Transfer from accumulated deficit	<u>9,225</u>	<u>50,295</u>
At 31 December	<u>793,198</u>	<u>783,973</u>

**37. FAIR VALUE RESERVE (Group and Bank)**

	2025 KES'000	2024 KES'000
At 1 January	7,486	7,486
Gain in market value of quoted equity shares through OCI	320	-
At 31 December	7,806	7,486

The fair value gain shows the effects from the fair value measurement of equity instruments at fair value through other comprehensive income. Refer to note 7.6.8 for additional fair value disclosures.

## 38 (a) NOTES TO THE GROUP STATEMENT OF CASH FLOWS

	2025 KES'000	2024 KES'000
(a) Reconciliation of loss before tax to cash used in operations		
Profit/(Loss) before tax	217,579	(135,416)
Adjustments for:		
Depreciation of property and equipment (note 28)	71,365	70,033
Amortisation of intangible assets (note 29)	22,285	30,300
Amortisation of leasehold land (note 29)	170	170
Interest expense on leases	28,912	30,192
Gain/Loss on disposal of property and equipment	-	(45)
Prior year adjust-	(1,557)	(589)
Impairment (credit)/charge on loans and advances	<u>88,751</u>	<u>66,633</u>
Profit before working capital changes	<u>427,505</u>	<u>61,278</u>
(Decrease)/Increase in other assets	(66,409)	(15,981)
(Increase)/decrease in gross loans and receivables	(132,023)	362,626
Increase in customer deposits	576,044	1,050,568
Increase in other liabilities	33,928	113,846
(Increase)/Decrease in treasury bonds	<u>(1,844,728)</u>	<u>(2,605,057)</u>
Cash (used in)/from operations	<u>(1,005,683)</u>	<u>(1,032,720)</u>
(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position and notes		
Cash on hand (note 21)	263,574	310,075
Balances with Central Bank of Kenya –other (note 21)	539,675	524,915
Balances with other banking institutions (note 22)	452,124	430,740
Balance to Central Bank (note 22 (c))	(5,806,109)	(4,724,216)
Deposits and balances to other banking institutions (note 22 (b))	<u>(12,677)</u>	<u>(17,268)</u>
	<u>(4,563,413)</u>	<u>(3,475,754)</u>
(c) Cash and cash equivalents	1 <sup>ST</sup> JANUARY 2024	31 <sup>ST</sup> DECEMBER 2024
As previously stated	(2,799,686)	(3,967,244)
Add: Cash Reserves	<u>453,779</u>	<u>491,490</u>
	<u>(2,345,907)</u>	<u>(3,475,754)</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, cash at Central Bank of Kenya, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or below, less advances from banks repayable within three months from the dates of the advances.

(a)	Reconciliation of loss before tax to cash used in operations	2025 KES'000	2024 KES'000
	Loss before tax	197,974	(147,618)
	Adjustments for:		
	Depreciation of property and equipment (note 28)	71,238	69,977
	Amortisation of intangible assets (note 29)	22,285	30,300
	Amortisation of leasehold land (note 30)	170	170
	Interest expense on leases	28,912	30,192
	Prior year adjustment	(1,746)	(2,567)
	Gain on disposal of property and equipment	-	(45)
	Impairment (credit)/charge on loans and advances	<u>88,751</u>	<u>66,633</u>
	Loss before working capital changes	<u>407,584</u>	<u>47,042</u>
	Increase in other assets	(66,307)	(15,981)
	(Increase)/decrease in gross loans and receivables	(132,023)	362,626
	Increase in customer deposits	576,044	1,050,568
	Increase in other liabilities	32,987	130,140
	(Increase)/Decrease in treasury bonds	<u>(1,829,847)</u>	<u>(2,605,028)</u>
	Cash (used in)/from operations	<u>(1,011,562)</u>	<u>(1,030,633)</u>
b)	Analysis of the balances of cash and cash equivalents as shown in the statement of financial position and notes		
	Cash on hand (note 21)	263,574	310,075
	Balances with Central Bank of Kenya –other (note 21)	539,675	524,915
	Balances with other banking institutions (note 22)	452,124	430,740
	Balance to Central Bank (note 22 (c))	(5,806,109)	(4,724,216)
	Deposits and balances to other banking institutions (note 22 (b))	<u>(12,677)</u>	<u>(17,268)</u>
		<u>(4,563,413)</u>	<u>(3,475,754)</u>
(d)	Cash and cash equivalents	1 <sup>ST</sup> JANUARY 2024	31 <sup>ST</sup> DECEMBER 2024
	As previously stated	(2,799,686)	(3,967,244)
	Add: Cash Reserves	<u>453,779</u>	<u>491,490</u>
		<u>(2,345,907)</u>	<u>(3,475,754)</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, cash at Central Bank of Kenya, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or below, less advances from banks repayable within three months from the dates of the advances.

## 39. INVESTMENTS IN SUBSIDIARIES

The Consolidated financial statements include the financial statements of Consolidated Bank Limited and its subsidiaries. Consolidated Bank does not have any joint ventures or associates

The operations of the companies below were vested in the Bank in July 2002 and are all incorporated in Kenya.

- i) Jimba Credit Corporation Limited
- ii) Kenya Savings & Mortgages Limited
- iii) Citizen Building Society
- iv) Estate Building Society
- v) Estate Finance Company of Kenya Limited
- vi) Business Finance Company Limited
- vii) Home Savings and Mortgages Limited
- viii) Union Bank of Kenya Limited
- ix) Nationwide Finance Company Limited

Further to the above, the bank incorporated, Consolidated Bancassurance Intermediary Limited, which commenced operations in January 2019.

All the above subsidiaries are wholly owned by the Bank. The subsidiaries except Consolidated Bancassurance Intermediary Limited are dormant and had a nil carrying value as at 31 December 2025 (2024: Nil).

## 40. OTHER SUPPLEMENTARY INFORMATION (Bank)

The bank's business comprises the following reportable units:

- Corporate Banking – This include banking services such as business current accounts, fixed deposits, overdrafts, loans, asset finance and other credit facilities in local and foreign currencies
- Retails & SME (Small medium size enterprises) – incorporating banking current accounts, savings accounts, individual fixed deposits, personal loans, retail and SME lending
- Treasury – operates the bank's fund management and investment activities.

Others comprise rental income and other incidental income from the rental space in the Bank's Head Office building at Consolidated Bank House.

The table below summarizes the breakdown of other supplementary information;

Profit or loss for the year ended 31 December 2025

	Corporate banking KES'000	Retail banking KES'000	Treasury KES'000	Other KES'000	Total KES'000
Net interest income	(76,992)	577,467	800,167	-	1,300,642
Other income	-	-	-	69,608	69,608
Net fee and comm	93,655	388,329	43,760	35,989	561,733
Operating expenses	<u>(325,018)</u>	<u>(1,346,573)</u>	<u>(19,259)</u>	<u>(23,554)</u>	<u>(1,714,404)</u>
Profit/(loss) before tax	(308,355)	(380,778)	828,668	62,440	217,579

## 40. OTHER SUPPLEMENTARY INFORMATION (Continued)

Profit or loss for the year ended 31 December 2024

	Corporate banking KES'000	Retail banking KES'000	Treasury KES'000	Other KES'000	Total KES'000
Net interest income	368,511	140,624	428,966	1,456	939,557
Other income	224,656	187,543	58,606	97,343	568,148
Operating expenses	<u>(870,768)</u>	<u>(722,275)</u>	<u>(18,167)</u>	<u>(31,911)</u>	<u>(1,643,121)</u>
Profit/(loss) before tax	<u>(277,600)</u>	<u>(394,108)</u>	<u>469,406</u>	<u>66,888</u>	<u>(135,416)</u>

Statement of financial position  
as at 31 December 2025

<b>Assets</b>					
Short term funds	-	457,798	9,016,818	-	9,474,616
Loans	5,158,424	3,398,734	-	-	8,557,158
Other assets	-	<u>565,804</u>	-	<u>893,709</u>	<u>1,459,513</u>
<b>Total assets</b>	<u>5,158,424</u>	<u>4,422,336</u>	<u>9,016,818</u>	<u>893,709</u>	<u>19,491,287</u>
<b>Liabilities and equity:</b>					
Customer deposits	1,882,115	10,422,536	-	-	12,304,651
Borrowed funds	-	-	5,806,109	-	5,806,109
Other liabilities	-	585,245	-	-	225,813
Shareholders' funds	-	<u>795,282</u>	-	-	-
<b>Total liabilities and equity</b>	<u>1,882,115</u>	<u>11,803,063</u>	<u>5,806,109</u>	<u>-</u>	<u>19,491,287</u>

Statement of financial position as  
at 31 December 2024

<b>Assets</b>					
Short term funds	-	541,515	7,098,730	-	7,640,245
Loans	4,653,255	3,860,624	-	-	8,513,879
Other assets	-	<u>708,132</u>	-	<u>664,500</u>	<u>1,372,632</u>
<b>Total assets</b>	<u>4,653,255</u>	<u>5,110,271</u>	<u>7,098,730</u>	<u>664,500</u>	<u>17,526,756</u>
<b>Liabilities and equity:</b>					
Customer deposits	2,767,922	8,948,008	-	-	11,715,930
Borrowed funds	-	-	4,741,484	-	4,741,484
Other liabilities	-	553,001	-	-	553,001
Shareholders' funds	-	<u>516,341</u>	-	-	<u>516,341</u>
<b>Total liabilities and equity</b>	<u>2,767,922</u>	<u>10,017,350</u>	<u>4,741,484</u>	<u>-</u>	<u>17,526,756</u>

## 41. CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS (Bank)

### a) Contingent liabilities

In common with other financial institutions, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2025 KES'000	2024 KES'000
Acceptances and letters of credit	17,978	70,870
Forward and spot	270,850	143,250
Guarantees	<u>653,285</u>	<u>601,556</u>
	<u>942,113</u>	<u>815,676</u>

#### *Nature of contingent liabilities:*

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, but reimbursement by the customer is normally immediate.

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

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

Concentrations of contingent liabilities are covered under note 10.7(iii).

#### **Litigations against the bank**

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

### b) Commitments to extend credit

	2025 KES'000	2024 KES'000
Other commitments to lend	<u>671,339</u>	<u>584,905</u>
Undrawn formal stand-by facilities and credit lines	<u>301,567</u>	<u>263,337</u>

Commitments to extend credit are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation to extend credit by giving reasonable notice to the customer.

### c) Capital commitments

	2025 KES'000	2024 KES'000
Authorised but not contracted for	<u>816,000</u>	<u>112,880</u>

Capital commitments relate to; investment in a new CBS, ITSM system, Enterprise External Backup Solution, SIEM implementation ,digital system upgrade, upgrade of servers and replacement of computers, furniture and equipment.

**41. CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS (Continued)**

**d) Operating lease commitments**

Rental income earned during the year was KES 69,608,000 (2024 – KES 74,324,000). At the reporting date, the Bank had contracted with tenants for the following minimum future lease receivables:

<i>The Bank as a lessor:</i>	2025 KES'000	2024 KES'000
Within one year	78,232	52,096
In the second to fifth year inclusive	195,913	168,763
After five years	<u>17,209</u>	<u>13,811</u>
	<u>291,354</u>	<u>234,670</u>

Operating leases relate to the buildings and are negotiated for an average term of 6 years, with the rentals being reviewed every two years and hence classified as operating leases. The leases are cancellable with a penalty when the tenants do not give three months' notice to vacate the premises.

All operating lease contracts contain market review clauses in the event that the lessor exercises its option to renew. The lessees do not have an option to purchase the property at the expiry of the lease period. The operating lease contracts are cancellable.

**e) Foreign exchange contracts**

The Bank enters into derivatives for trading and risk management purposes, as explained in note 7.4.3 in the Summary of significant accounting policies. The Bank may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is within the Bank's investment banking division (treasury) and is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument (being foreign currency, reference rate or index). The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Carrying value assets KES'000	Carrying value liabilities KES'000	Notional amount KES'000
At 31 December 2025			
Derivatives in economic hedge relationships:			
Foreign exchange contracts	<u>2,980</u>	=	<u>270,850</u>
At 31 December 2024			
Foreign exchange contracts	<u>1,576</u>	=	<u>143,250</u>

Forwards and spot contingents are the foreign exchange deals carried out in the interbank markets.

## 42. RELATED PARTY TRANSACTIONS (Group and Bank)

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

Placings are made in the Bank by Directors, their associates and companies associated to Directors. Advances to customers at 31 December 2025 include advances and loans to companies associated with the directors. Contingent liabilities at 31 December 2025 include guarantees and letters of credit for companies associated with the Directors.

As at 31 December 2025 loans and advances to staff amounted to KES 434,996,000 (2024: KES 383,345,000). The loans and advances to related parties are performing and are adequately secured.

	Directors and employees	
	2025	2024
	KES'000	KES'000
<i>Customer deposits:</i>		
At 1 January	50,312	43,956
Placed during the year	1,481,833	1,931,477
Net interest applied	2,800	2,520
Withdrawals	<u>(1,480,216)</u>	<u>(1,927,641)</u>
At 31 December	<u>54,729</u>	<u>50,312</u>

Payments made on behalf of Consolidated Bancassurance intermediary Limited are as follows:

	2025	2024
	KES'000	KES'000
Staff costs	12,015	6,394
Board expenses	205	161
Administrative expenses	<u>5,763</u>	<u>4,593</u>
	<u>17,983</u>	<u>11,148</u>
Investment in subsidiaries		
Consolidated Bancassurance intermediary Limited	<u>5,000</u>	<u>5,000</u>
Due to subsidiaries		
Consolidated Bancassurance intermediary Limited	<u>19,133</u>	<u>20,074</u>

No ECL has been recorded on amounts due from the subsidiary as these have been assessed and are not material.

Key management compensation

The remuneration of Directors and other members of Key management during the year were as follows:

	2025	2025	2024	2024
	KES'000	KES'000	KES'000	KES'000
	Group	Bank	Group	Bank
<i>Short term benefits</i>				
Salaries and other benefits	17,224	17,020	127,274	127,274
Fees for services as Directors	<u>15,842</u>	<u>15,637</u>	<u>14,851</u>	<u>14,690</u>
	<u>33,066</u>	<u>32,657</u>	<u>142,125</u>	<u>141,964</u>

## 42. RELATED PARTY TRANSACTIONS (Continued)

### Staff number

The total number of staff as at the end of the year was as follows:

	2025	2024
Number of staff	302	244

## 43. DISTINCTION BETWEEN CURRENT AND NON-CURRENT

The table below shows the distinction between current and non-current assets and liabilities

As at 31 December 2025	Within 12 months KES '000'	GROUP After 12 months KES '000'	Total KES '000'	Within 12 months KES '000'	COMPANY After 12 months KES '000'	Total KES '000'
<b>Assets</b>						
Cash and balances with Central Bank of Kenya	803,249	-	803,249	803,249	-	803,249
Balances due from banking institutions	452,124	-	452,124	452,124	-	452,124
Financial assets at amortised cost	1,444,344	6,774,899	8,219,243	1,443,894	6,750,000	8,193,894
Loans and advances to customers	2,511,051	6,046,100	8,557,151	2,511,051	6,046,100	8,557,151
Other assets	448,209	-	448,209	452,991	-	452,991
Investment in subsidiary	-	-	-	-	5,000	5,000
Equity instruments at fair value through other comprehensive income	-	8,674	8,674	-	8,674	8,674
Current tax recoverable	3,273	-	3,273	4,155	-	4,155
Property and equipment and Right of Use Assets	-	925,376	925,376	-	924,594	924,594
Intangible assets	-	68,539	68,539	-	68,539	68,539
Prepaid operating lease rentals	-	5,449	5,449	-	5,449	5,449
<b>Total Assets</b>	<b>5,662,250</b>	<b>13,829,037</b>	<b>19,491,287</b>	<b>5,662,464</b>	<b>13,808,356</b>	<b>19,470,820</b>
<b>Liabilities</b>						
Deposits and balances due to banking institutions	12,677	-	12,677	12,677	-	12,677
Balances due to Central Bank of Kenya	5,806,109	-	5,806,109	5,806,109	-	5,806,109
Customer deposits	12,291,974	-	12,291,974	12,291,974	-	12,291,974
Due to subsidiary	-	-	-	19,133	-	19,133
Other liabilities	585,245	-	585,245	585,246	-	585,246
<b>Total liabilities</b>	<b>18,696,005</b>	<b>-</b>	<b>18,696,005</b>	<b>18,715,139</b>	<b>-</b>	<b>18,715,139</b>
<b>Net</b>	<b>(13,033,755)</b>	<b>13,829,037</b>	<b>795,292</b>	<b>(13,052,675)</b>	<b>13,808,356</b>	<b>755,681</b>

## 43. DISTINCTION BETWEEN CURRENT AND NON-CURRENT (CONTINUED)

As at 31 December 2024	Within 12 months KES '000'	GROUP After 12 months KES '000'	Total KES '000'	Within 12 months KES '000'	COMPANY After 12 months KES '000'	Total KES '000'
<b>Assets</b>						
Cash and balances with Central Bank of Kenya	834,990	-	834,990	834,990	-	834,990
Balances due from banking institutions	430,953	-	430,953	430,953	-	430,953
Financial assets at amortised cost	1,639,750	4,734,765	6,374,515	1,639,750	4,724,766	6,364,047
Loans and advances to customers	2,600,127	5,913,752	8,513,879	2,600,127	5,913,752	8,513,879
Other assets	381,797	-	381,797	381,682	-	381,682
Investment in subsidiary	-	5,000	5,000	-	5,000	5,000
Equity instruments at fair value through other comprehensive income	-	8,354	8,354	-	8,354	8,354
Property and equipment and Right of Use Assets	-	893,490	893,490	-	893,299	893,299
Intangible assets	-	78,372	78,372	-	78,372	78,372
Prepaid operating lease rentals	-	<u>5,620</u>	<u>5,620</u>	-	<u>5,620</u>	<u>5,620</u>
<b>Total Assets</b>	<b><u>5,887,403</u></b>	<b><u>11,639,353</u></b>	<b><u>17,526,756</u></b>	<b><u>5,891,820</u></b>	<b><u>11,624,163</u></b>	<b><u>17,515,982</u></b>
<b>Liabilities</b>						
Deposits and balances due to banking institutions	17,268	-	17,268	17,268	-	17,268
Balances due to Central Bank of Kenya	4,724,216	-	4,724,216	4,724,216	-	4,724,216
Customer deposits	11,715,930	-	11,715,930	11,715,930	-	11,715,930
Tax payable	1,688	-	1,688	1,557	-	1,557
Due to subsidiary	-	-	-	-	20,074	20,074
Other liabilities	<u>551,314</u>	-	<u>551,314</u>	<u>551,314</u>	-	<u>551,314</u>
<b>Total liabilities</b>	<b><u>17,010,415</u></b>	<b>-</b>	<b><u>17,010,415</u></b>	<b><u>17,010,285</u></b>	<b>-</b>	<b><u>17,010,285</u></b>
<b>Net</b>	<b><u>(10,123,012)</u></b>	<b><u>11,639,353</u></b>	<b><u>516,340</u></b>	<b><u>(11,118,465)</u></b>	<b><u>11,604,090</u></b>	<b><u>485,624</u></b>

## 44. CURRENCY

These financial statements are prepared in Kenya shillings thousands (KES'000) which is the Bank's functional and presentation currency.

## 45. SUBSEQUENT EVENTS

There were no material events after the reporting date which would require adjustments to, or disclosure in, these financial statements as at the date of the approval of the financial statements.

## 46. COMPARATIVE FIGURES

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

**Appendix 1****Statement of Comparison Actual and Budget:****a) Statement of Financial Position**

	Actual 31-Dec 2025	Budget 31-Dec 2025	Performance Variance KES '000	Variance %	Remarks
<b>ASSETS</b>	<b>KES'000</b>	<b>KES'000</b>	<b>KES '000</b>	<b>%</b>	
Cash and balances with Central Bank of Kenya	803,249	1,109,084	(305,836)	-28%	Due to review of the CRR by CBK and investment of excess cash in the year under review
Balances due from banking institutions	452,124	305,688	146,436	48%	High balances in the Nostro accounts for operations
Financial assets at amortized cost	8,219,243	5,304,655	2,914,588	55%	Higher than budgeted investment in Government securities to take advantage of higher returns.
Loans and advances to customers	8,557,151	9,633,312	(1,076,161)	-11%	Low uptake of loans and advances due to the difficult operating environment most businesses operated in.
Current tax recoverable	3,273	-	-	-	
Other assets	448,209	286,466	161,743	56%	Due to increase in mobile money balances held as at year end
Equity instruments at fair value through other comprehensive income	8,674	8,354	320	4%	Increase in price of equity instruments
Property and equipment and Right of Use Assets	764,664	649,387	115,277	18%	Revaluation of Land and buildings
Intangible assets	229,251	264,251	(35,000)	-13%	On-going work in progress
Prepaid operating lease rentals	5,450	5,450	-	0%	
<b>TOTAL ASSETS</b>	<b><u>19,491,287</u></b>	<b><u>17,566,647</u></b>	<b><u>1,924,640</u></b>	<b>11%</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
<b>LIABILITIES</b>					
Deposits and balances due to banking institutions	12,677	162,313	(149,636)	-92%	Lower borrowing from the inter- bank market due to improved liquidity position
Balances due to Central Bank of Kenya	5,806,109	3,400,000	2,406,109	71%	Higher borrowing to cover the gap in liquidity
Customer deposits	12,291,974	13,362,618	(1,070,644)	-8%	Due to lack of liquidity in the market
Other liabilities	585,246	589,232	(3,986)	-1%	Increase in accruals and creditors in the year under review
<b>TOTAL LIABILITIES</b>	<b><u>18,696,005</u></b>	<b><u>17,514,162</u></b>	<b><u>1,181,843</u></b>	<b>7%</b>	
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	3,719,530	3,719,530	-	0%	
Revaluation surplus	500,750	425,845	85,000	20%	Gain on revaluation of Land and buildings
Accumulated deficit	(4,226,002)	(4,893,894)	667,892	-13%	Profitability compared to budgeted losses
Statutory reserve	793,198	793,198	-	0%	
Fair value reserve	7,806	7,806	-	0%	
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b><u>788,074</u></b>	<b><u>52,485</u></b>	<b><u>735,589</u></b>	<b>1402%</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b><u>19,491,287</u></b>	<b><u>17,566,647</u></b>	<b><u>1,924,640</u></b>	<b>11%</b>	

## Appendix 1

## b) Statement of Comprehensive Income

	Actual	Budget	Performance	Variance	
	31-Dec-25	31-Dec-25	Variance		
	KES'000	KES'000	KES'000	%	
INTEREST INCOME	2,034,765	1,943,235	91,530	5%	The Bank exceeded its target of earning assets
INTEREST EXPENSE	<u>(734,124)</u>	<u>(1,102,291)</u>	<u>368,167</u>	-33%	Due to decreased cost of borrowing as a result of improved liquidity in the year.
NET INTEREST INCOME	1,300,641	840,944	459,697	55%	
Fee and commission income	250,143	309,469	(59,326)	-19%	Due to lower income from credit related lines due to lower demand for credit and migration to RBCP
Foreign exchange trading income	43,760	88,396	(44,636)	-50%	Stable FX market leading to less volatility in FOREX trading
Other operating income	<u>337,439</u>	<u>365,561</u>	<u>(28,122)</u>	-8%	Less recoveries from BDD
OPERATING INCOME	1,931,983	1,604,371	327,612	20%	
Operating expenses	(1,425,413)	(1,600,164)	174,751	-11%	Due to prudent management of costs and savings on staff cost due to vacancies in some senior positions
Credit loss expense on loans and advances	(288,978)	(286,728)	(2,250)	1%	Increased NPLs
Credit loss expense on balances due from banking institutions	<u>(14)</u>	<u>-</u>	<u>(14)</u>		
LOSS BEFORE TAXATION	217,578	(282,521)	500,099	177%	Exceeded the target by 177%
INCOME TAX CHARGE	<u>(19,395)</u>	<u>-</u>	<u>(19,395)</u>		
LOSS FOR THE YEAR	<u>198,194</u>	<u>(282,521)</u>	<u>480,7153</u>	170%	

## APPENDIX 2: ISSUES RAISED BY THE AUDITOR GENERAL DURING PREVIOUS YEAR



Statement of Issue	Position in 2025	Outlook
<p>Material uncertainty related to going concern</p> <p>The Bank continued to register poor performance in its operations. During the year under review, the Bank incurred a loss of Kshs.163,789,000 (2022 - Kshs.421,328,000), resulting into an accumulated loss of Kshs.4,450,772,000 (2023-Kshs. 4,244,187,000) as at 31 December, 2024. Further, as disclosed in Note 9 to the financial statements, the Bank's total capital to risk weighted assets ratio continued to decline to (5.81%) (2023 - (4.46%) against a regulatory minimum capital ratio of 14.5%. The Group's current liabilities balance of Ksh. 17,010,415,000 exceeded current assets balance of Ksh. 16,544,278,000 by Ksh. 466,137,000 and the Bank's continued operations depend on Government support and its creditors</p>	<p>The Bank has made positive progress in the implementation of the 2023 to 2027 strategic plan and the Bank was able to turnaround to profitability overall the Bank recorded improved performance in various parameters including; improved liquidity, growth in Balance sheet, earning assets and growth in revenue. The Bank overall turned around to profitability with performance compared to 2025 improving by 260% from the previous LBT of KES 135 million in 2024 to a PBT of KES 218 Million in 2025.</p> <p>The total regulatory capital to risk weighted assets ratio remained below the statutory minimum though it improved from the previous (2024-5.81%) to (2025: (4.67)%) against a regulatory minimum ratio of 14.5%.</p>	<p>The Board and management will continue with the implementation of the aggressive five-year strategic plan for the period 2023 to 2027. The strategy is anchored on five strategic pillars; business growth, brand positioning, people, asset quality and leveraging on technology to grow and continue with the profit trend into the future.</p> <p>Raising additional capital to finance growth and maintain healthy regulatory ratios is of paramount importance. The Board has developed a capital build-up plan which will enable the Bank to ensure it is in compliance with the regulatory capital ratios.</p>

# CONSOLIDATED BANK OF KENYA LIMITED AND SUBSIDIARY ANNUAL FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 31 DECEMBER 2025



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