I&M Bank LIMITED

ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025

I&M Bank LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Contents **Page**

I&M Bank LIMITED

ABBREVIATIONS

In this document we have used the following abbreviations.

ACL	Allowance for Credit Losses
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
BAC	Board Audit Committee
BCC	Board Credit Committee
BNRC	Board Nominations and Remuneration Committee
BPC	Board Procurement Committee
BRMC	Board Risk Management Committee
BSTC	Board Share Transfers Committee
CAPEX	Capital expenditure
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CGU	Cash Generating Unit
CMA	Capital Markets Authority
CRMC	Credit Risk Management Committee
CS	Company Secretary
CSR	Corporate Social Responsibility
EAD	Exposure at Default
ECL	Expected Credit Losses
ED	Executive Director
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
GDP	Gross Domestic Product
GPO	General Post Office
Group	I&M Bank LIMITED together with its subsidiary undertakings
GED	Group Executive Director
HRC	Human Resources Committee
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFRSs	International Financial Reporting Standards
IMBIL	I&M Bancassurance Intermediary Limited
IMGP	I&M Group PLC
INED	Independent Non-Executive Director
NCI	Non-Controlling Interest
NED	Non-Executive Director
ITSC	IT Steering Committee
KShs	Kenya Shillings
LGD	Loss Given Default
M&A	Mergers and Acquisition
NSE	Nairobi Securities Exchange
OCI	Other Comprehensive Income
OPEX	Operating expense
PBT	Profit before tax
PAT	Profit after tax
PD	Probability of Default
PP&E	Property Plant and Equipment
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SOFP	Statement of Financial Position
YIB	Youjays Insurance Brokers Limited

I&M Bank Limited

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025

BOARD OF DIRECTORS

Daniel Ndonye	(Chairman)
Sarit S Raja Shah	(Group Executive Director)
Suresh B R Shah, MBS	
Sachit S Raja Shah	
M Soundararajan**	
A. Nyambura Koigi	
Nikhil R Hira	
Muchemi Wambugu, MBS	
Alan J Dodd	
Phyllis K Wakiaga	
Kihara Maina	(Interim Chief Executive Officer)
Gul Abbass Khan*	(Resigned on 6 November 2025)

* British
** Indian

COMPANY SECRETARY

Stella W Gacharia
1 Park Avenue
1st Parklands Avenue
PO Box 30238-00100
Nairobi, Kenya

AUDITOR

PricewaterhouseCoopers LLP
Certified Public Accountants
PwC Tower, Waiyaki Way
Chiromo Road, Westland's
PO Box 43963 – 00100
Nairobi, Kenya

REGISTERED OFFICE

1 Park Avenue
1st Parklands Avenue
PO Box 30238-00100
Nairobi, Kenya

CORRESPONDENT BANKS

Bank One Limited, Mauritius
Citibank NA, New York
Citibank NA, London
Commerzbank AG, Germany
HDFC Bank Limited, India
Habib AG Zurich, Switzerland
JP Morgan Frankfurt
JP Morgan, London
Standard Chartered Bank Frankfurt
Standard Chartered Bank Tokyo
Industrial Credit and Investment Corporation of India Bank (ICICI)
JP Morgan New York
Standard Chartered Bank New York
Standard Chartered Bank Hong Kong
Standard Chartered Bank Dubai
Standard Chartered Bank London
Standard Bank of South Africa
Afreximbank

BRANCHES

I&M Bank House 2nd Ngong Avenue PO Box 30238 00100 Nairobi	I&M Bank Tower Kenyatta Avenue PO Box 30238 00100 Nairobi	Sarit Centre Karuna Road Westlands PO Box 30238 00100 Nairobi	Ansh Plaza Biashara Street PO Box 30238 00100 Nairobi
Acacia Centre, Nyerere Avenue PO Box 86357 80100 Mombasa	KCC Building Changamwe Road PO Box 30238 00500 Nairobi	Bon Accord House Oginga Odinga Street PO Box 424 40100 Kisumu	Karen Office Park Langata Road PO Box 30238 00100 Nairobi
Panari Centre Mombasa Road PO Box 30238 00100 Nairobi	1 Park Avenue 1st Parklands Avenue. PO Box 30238 00100 Nairobi	Wilson Airport Pewin House PO Box 30238 00100 Nairobi	Ongata Rongai Maasai Mall PO Box 30238 00100 Nairobi
South C Shopping Centre South C PO Box 30238 00100 Nairobi	Nyali Cinemax Main Nyali Road PO Box 86357 80100 Mombasa	Langata Link Complex Langata South Road PO Box 30238 00100 Nairobi	Kenol Kobil Valley Arcade Gitanga Road PO Box 30238 00100 Nairobi
Imperial Court Uganda Road PO Box 9362 30100 Eldoret	Polo Centre Kenyatta Avenue PO Box 18445 20100 Nakuru	14 Riverside Drive Riverside PO Box 30238 00100 Nairobi	Royal Towers Hospital Road PO Box 4474 40200 Kisii
Airport Centre Mall North Airport Road PO Box 86357 80100 Mombasa	Sabaki Centre Lamu Road PO Box 1125 80200 Malindi	Nyaatha Plaza Kimathi Way PO Box 747 301 Nyeri	80, West Place Kenyatta Highway PO Box 1207 01000 Thika
Village Market Shopping Complex New Wing, 1st Floor, Limuru Road PO Box 30238 00100 Nairobi	Lavington Mall James Gichuru Road PO Box 30238 00100 Nairobi	Mega Centre Mall Makasembo Road PO Box 2278 30200 Kitale	Lunga Lunga Lunga Lunga Square PO Box 30238 00100 Nairobi
Yaya Centre Argwings Kodhek Road PO Box 30238 00100 Nairobi	Gateway Mall Mombasa road PO Box 30238 00100 Nairobi	Ruaraka Branch Kenafric Business Park PO Box 30238 00100 Nairobi	Cross Road Off River Road PO Box 30238 00100 Nairobi
Nanyuki Hussein Building Nyeri Nanyuki Road Nanyuki	Spring Valley Business Park, Ground floor, PO Box 30238 00100 Nairobi	Meru Branch P&K Plaza, Ground floor Moi Avenue Meru	Eldama, Eldama Park PO BOX 30238 00100 Nairobi
CMC Motors Lusaka road PO Box 30238 00100 Nairobi	Ridge Court Parklands PO Box 30238 00100 Nairobi	Mombasa, Haile Selassie Avenue Patel Samaj Building Mombasa P.O. Box 86357 - 80100, Mombasa	Tatu City Ground Floor, Eneos Building off Kiambu Road

BRANCHES (CONTINUED)

Our Mall
Along Mbagathi Road,
Langata
PO Box 30238
00100 Nairobi

Kilifi Branch
Lengai House
Ganze Road, Kilifi
PO Box 339-80108
Watamu

Eastleigh Branch
3rd Floor, BBS Mall,
General Waruinge
PO Box 30238
00100 Nairobi

Gikomba Branch
1st Floor, Nafuu
Building, Kombo
Munyiri Road
PO Box 30238
00100 Nairobi

Watamu Branch
Watamu Mall, Jacaranda
Road,
PO Box 349-80202
Watamu

Diani Branch
Diani Beach Shopping
Centre
PO Box 5600-80401
Diani

Naivasha Branch
Western Building
Moi Avenue, Naivasha
PO Box 1710-20117
Naivasha

GTC
Global Trade Centre,
Chiromo lane,
Westlands,
PO Box 30238
00100 Nairobi

Busia
Hotel Linton's Plaza, Ground
Floor, Kisumu-Busia Road,
Busia.
PO Box 128-50400
Nairobi

Narok Branch
Basic Moran Mall,
Ground Floor, Kaplong-
Narok Mai Mahiu Road,
PO Box 423-20500

Ruiru
The Nord, 1st Floor,
Junction of Thika
Superhighway and
Kamiti Road
PO Box 30238
00100 Nairobi

Embu Branch
Kariithi Flats, Ground
Floor, Meru-Nairobi
Highway
PO Box 512-60100
Embu

Kawangware Branch
Soko Safi Mall, Ground
Floor, Naivasha Road
PO Box 30238
00100 Nairobi

ABC Place Branch
ABC Place, Ground
Floor, Waiyaki Way
PO Box 30238
00100 Nairobi

Kakamega Branch
Ground Floor, Kenyatta
Avenue
PO Box 30238
00100 Nairobi

Bungoma Branch
Shiv Plaza, Ground
Floor, Mumias-Kanduyi
Road
PO Box 30238
00100 Nairobi

Kenol Branch
Kilele Mall, Ground Floor,
Meru-Thika Superhighway
PO Box 30238
00100 Nairobi

Meru, Makutano
Next to Kingsway,
Ground Floor, Meru-
Nairobi Highway
PO Box 30238
00100 Nairobi

Kericho Branch
Chai Plaza, Ground
Floor, Kenyatta Road
PO Box 30238
00100 Nairobi

Mtwapa Branch
Near Mtwapa Mall,
Mombasa Malindi
Highway
PO Box 30238
00100 Nairobi

Mwea Branch
Next to Nice Digital City,
Meru- Nairobi Highway
PO Box 153
10303 Mwea

Kamaki's branch
Shell Petrol Station,
Nairobi Eastern Bypass
PO Box 30238
00100 Nairobi

Kapsabet Branch
Kapsabet Business
Centre
PO Box 1171
30300 Kapsabet

Greenwood Village
Greenwood Drive, Nyali
PO Box 86357
80100 Mombasa

Migori Branch
Safari Complex
Migori- Isebania Road
PO Box 1033
40400 Migori

Homabay branch
Cold Springs Plaza,
PO Box 424
40100 Kisumu

Nyahururu Branch
Sherrifz Hotel
Koinange Street
PO Box 30238
00100 Nairobi

Utawala Village
Piah Plaza,
Eastern Bypass,
PO Box 30238
00100 Nairobi

Wote Branch	Ngong Town branch	Kitengela Branch
Mbau Junction Mall	EdMack Building	Blue Ostrich Nairobi
Machakos- Wote Road	Kahara road	Namanga Road
PO Box 30238	PO Box 30238	PO Box 30238
00100 Nairobi	00100 Nairobi	00100 Nairobi

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December 2025, which disclose the state of affairs of I&M Bank LIMITED ("the Bank" or "the Company") and its Subsidiaries, together referred to as the "Group". The Group comprises I&M Bank LIMITED, I&M Bank (T) Limited, Tanzania and I&M Bancassurance Intermediary Limited.

1. **Principal activities**

The Bank and I & M Bank (T) Limited provide an extensive range of banking, financial and related services permitted under the Banking Act, Kenya and the Banking and Financial Institutions Act, 2006, Tanzania and are regulated by Central Bank of Kenya and Bank of Tanzania respectively. I&M Bancassurance Intermediary Limited provides insurance agency services as defined by the Insurance Act and is regulated by the Insurance Regulatory Authority of Kenya.

2. **Results/business review**

The Group and Company results for the year are as follows:

	GROUP		COMPANY	
	2025	2024 Restated	2025	2024 Restated
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before tax	18,619,532	14,733,648	17,364,069	13,493,489
Income tax expense	(2,906,187)	(2,809,653)	(2,685,180)	(2,531,217)
Net profit for the year	15,713,345	11,923,995	14,678,889	10,962,272

Group Profit before tax closed at KShs 18.6 billion; a 26% increase driven by net operating income which grew by KShs 6.8 billion against an increase in operating expenses by KShs 2.9 billion.

Company Profit before tax closed at Kshs 17.4 billion; a 29% increase. Operating income recorded a 23% growth largely driven by growth in net interest income by 16%.

The principal risks and uncertainties facing the Group and Company as well as the risk management framework are outlined in Notes 4 and 5 of the consolidated and separate financial statements.

3. **Dividend**

The directors recommend payment of a first and final dividend of KShs 208 per share amounting to KShs 6,240,000,000 for the year ended 31 December 2024 (2024 – Kshs 4,800,000,000).

4. **Directors**

The Directors of the Company who served during the year and up to the date of this report are set out on page 2.

5. Statement as to disclosure to the Company's auditor

At the time this report was approved;

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

6. Terms of appointment of the auditor

The auditor, PricewaterhouseCoopers LLP, was appointed during the year and continues in office in accordance with Section 719 of the Kenyan Companies Act, 2015.

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

7. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 17 March 2026.

BY ORDER OF THE BOARD

Secretary

STELLA W. GACHARIA
P. O. Box 101499 - 00101, NAIROBI
CERTIFIED PUBLIC SECRETARY
CPS. No. 3387

1. Governance Framework & Structure

Governance Framework

I&M Bank Limited (Bank, Company or 'I&M') is dedicated to upholding the highest standards of governance, including integrity, transparency and accountability across all levels in the organization. The Bank fosters a strong culture of governance and risk management aligned with the Bank's risk appetite and governance framework. The Bank's policies, practices and procedures are constantly monitored and reviewed to ensure their continued relevance to the business environment enabling the delivery of sustainable value to shareholders while maintaining a strong focus on its broader societal responsibilities.

The Board has applied the principles of sound corporate governance as outlined in the Central Bank of Kenya Guidelines on Corporate Governance and aligns with best practice at the Group level. The Bank is licensed and regulated by the Central Bank of Kenya. The Bank ensures that all Directors and Senior Officers meet the fit and proper criteria as set out in the CBK Prudential Guidelines, and certifications are maintained and updated as required.

Governance structure

The Bank's governance structure delineates roles and authority across the Company, ensuring robust oversight, decision making and management execution. The structure is designed to promote accountability and efficient flow of information from to the board and shareholders.

2. The Board

Composition

The Bank's Articles of Association provide that the Board shall consist of not less than five (5) and not more than twelve (12) directors. During the year under review, the Board comprised 11 directors which included seven (7) Independent Directors, two (2) Non-Executive Directors, and two (2) Executive Directors including the Chief Executive Officer. The Board is chaired by an Independent Director. Non-Executive Directors constituted 80% of the Board well above the requirement in the Central Bank of Kenya Prudential Guidelines that stipulates that non-executive directors should not be less than three-fifths of the directors. This is also in line with the Group's Corporate Governance policy that stipulates that the Board shall at all times have at least one third of its members as Independent Directors. There are no Alternate Directors.

Skills, Experience and Diversity

The Bank is led by a competent Board with diverse skills. Collectively, the Board has vast experience stemming out of the individual Director's varied backgrounds. Through the Board Nomination & Remuneration Committee, the Board regularly reviews the Directors' skills and composition. The Board diversity is reflected in the members' varied academic qualifications and professional skills, race, industry knowledge, gender and age.

Board Skills and Experience	No. of Directors
Audit and Finance Expertise	4
Banking & Financial institutions	5
Strategy development, planning & implementation	7
Technology & Innovation	3
Risk Management & Oversight	4
Corporate Governance	6
Law	2

Separation of Roles and Responsibilities

The Board has a comprehensive Board Charter which is reviewed regularly to ensure it remains updated with changes in the law, the Bank's operating environment and best practice. The Board Charter was last revised in 2025. The Board Charter clearly outlines the separation of roles between the Board and Management. The specific roles and responsibilities to be discharged by the Board, its Committees and directors individually and collectively are clearly outlined in the Board Charter. The Board ensures that the functions of the Chairperson and the Chief Executive Officer (CEO) are not exercised by the same individual.

Whilst the CEO is responsible for providing leadership and direction in the day-to-day operations of the Bank directed toward implementation of a long-term vision and strategy, the Chairperson is tasked with the responsibility of effectively leading the Board, fostering a constructive governance culture and maintaining relevant links between all stakeholders. The Chairperson also ensures effectiveness of the Board, effective communication with shareholders and promotes open discussions at board meetings.

Roles and Responsibilities

The Board's primary responsibility is to act in the best interests of the Bank and its shareholders with a view to enhancing the value of the Bank's assets. The Bank's governance framework enables the Board to effectively discharge its roles and responsibilities of oversight and strategic guidance while ensuring compliance with regulatory requirements and the Bank's risk appetite parameters.

Further, the Board ensures that at the heart of the organisation, there is a culture of honesty, integrity and excellent performance, providing Board oversight over senior management performance.

Tenure

The tenure of independent Directors is set at a maximum of 9 years save for exceptional circumstanc where the tenure of a Director may be extended by the shareholders. Further, the term of office various Directors is organized in a manner that ensures a smooth transition

Board Succession Planning

The Board, through the Board Nomination and Remuneration Committee, reviews succession plar and transitions at the Board and Senior Management level. In considering potential directors, the seeks to not only identify candidates with appropriate skills, knowledge and experience to st Bank effectively but also ensure achievement of diversity in its composition as set out in the Charter. Gender diversity is an area of improvement for the Board and there are concerted e recruit suitably qualified female directors when a vacancy arises on the Board as was demonstr the last recruitment where Ms. Phyllis Wakiaga was appointed to the Board. All directo formal letters of appointment setting out the main terms and conditions of their appointment

In considering succession planning for senior management, the Board revies the outc structured talent reviews that identify potential successors for critical Senior Managemer includes assessing the leadership pipeline for senior roles in the Bank, highlighting and a gaps in readiness or capability and ensuring proactive planning especially for CEO direc

oard of Directors' Profiles

rief profiles of the Board of I&M Bank are set out below:

Daniel Ndonye
Chairman - Independent Director

Profile
Mr. Daniel Ndonye is a chartered accountant by profession, having worked with Deloitte & Touche for over 30 years, 20 of which he was the Managing/Senior Partner. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Secretaries of Kenya. He has a broad range of experience at Board level and sits on the boards of several companies including Kakuzi Plc, APA Insurance and Capital Markets Challenge Fund.

Suresh Bhagwanji Raja Shah, MBS
Non - Executive Director

Profile
Mr. Suresh Raja Shah is a founder member and Chairman Emeritus of the Board. He has vast experience in the banking industry and in business. In December 2002, he was bestowed the Honour of a Moran of the Order of the Burning Spear. He sits on the boards of several companies.

Sarit S. Raja Shah
Executive Group Director

Profile
Mr. Sarit S Raja Shah has been the Executive Director of I&M Bank since 1993 and was appointed as Group Executive Director in August 2018. He holds a master's degree in Internal Audit and Management from City University London. He also serves on the boards of several companies.

Committee memberships:
- Board Nomination & Remuneration Committee.
- Board Risk Committee.
- Board Procurement & Technology Committee.
- Board Credit Committee.

Board of Directors' Profiles (Continued):

Sachit S. Shah
Non - Executive Director

Profile
Mr. Sachit S. Shah holds a Bachelor of Science degree in Banking and Finance from City University London. He is the Director of GA Insurance Limited. He has previously worked at HSBC and Citibank in London. He sits on the Boards of various companies.

Committee memberships:
- Board Risk Committee.
- Board Procurement & Technology Committee.

M. Soundararajan
Independent Director

Profile
Mr. Soundararajan joined the board as an independent director in 2009. His illustrious banking career spans about four decades, initially in India and the United States of America and then in Kenya from 1988. He has held senior executive and leadership positions in Standard Chartered Financial Services as Assistant Director, Corporate Finance; Commercial Bank of Africa (now NCBA) as Director, Corporate Banking; CFC Financial Services (now SBG Securities) as its first Managing Director and CFC Bank as Managing Director before its acquisition by Stanbic Bank in 2008. He served on the board of Central Depository & Settlement Corporation (CDSC) for four years from 2004 to 2008. He is currently an Executive Director of Meghraj Group of Companies in Kenya. Mr. Soundararajan also serves on the Board of I&M Bank Tanzania where he is an Independent Director and the Board Chairman. He also sits on the boards of GA Insurance, GA Life Assurance and GA Insurance-Tanzania. He served on the board of Central Depository & Settlement Corporation (CDSC) for four years from 2004 to 2008. Mr. Soundararajan holds a Master of Arts degree from Madras University, India and a Certificate in International Banking from New York University.

Committee memberships:
- Board Nomination & Remuneration Committee (Chairperson).
- Board Credit Committee.
- Board Audit Committee.
- Board Risk Committee (stepped down in June 2025).

Board of Directors' Profiles (Continued):

Dr. A Nyambura Koigi, MBS
Independent Director

Profile

Dr. Koigi joined the Board in April 2015. She is the former Managing Director of Postbank. Dr. Koigi has worked in various capacities in the financial sector including Banking, Business Development and Information Communication Technology. She has extensive training and experience in Leadership, Project Management, Product Development, ICT and Microfinance having trained at the Boulder School of Microfinance. She has held leadership roles in regional and global savings movements. She holds a Doctorate in Business Administration from the Nelson Mandela Metropolitan University, an MBA and a BA both from the University of Nairobi. She is a fellow of the Institute of Certified Public Secretaries of Kenya and the Kenya Institute of Management. She sits on the boards of several companies.

Committee memberships:
- Board Risk Committee (Chairperson).
- Board Audit Committee.

Nikhil Rustam Hira
Independent Director

Profile

Mr. Hira joined the Board in February 2019. He is a Partner in Kody Africa LLP and the Regional Executive Director of the Eastern Africa Association. He is a former partner of Deloitte East Africa. He holds a BSc Joint Honours in Accountancy and Process Engineering from University of Salford, England. He is a Fellow of the Institute of Chartered Accountants of England and Wales and of the Institute of Certified Public Accountants of Kenya and also registered with similar institutes in Uganda and Tanzania. He headed the tax practice for Deloitte in the East Africa region and was the Technology, Media and Telecom industry leader. He has specialized in taxation since 1987 in various jurisdictions around the world including the UK and East Africa. Mr. Hira sits on several boards including GA Insurance, Car & General (Kenya) Plc and I&M Bank (Rwanda) Limited.

Committee memberships:
- Board Audit Committee (Chairperson).
- Board Credit Committee.
- Board Risk Committee.

Board of Directors' Profiles (Continued):

Muchemi Wambugu, MBS
Independent Director

Profile
Mr. Wambugu joined the Board in February 2019. He is a Management Consultant and founder of Sirius Consult. He holds an Honors degree in Commerce, majoring in Management Information Systems from the University of Manitoba, Canada, and a Masters Certificate in Project Management from the University of California-Berkeley, USA. He is a certified member of the Project Management Institute (PMI) and also an International Coaching Federation certified Executive and Systemic Team Coach.

Committee memberships:
- Board Procurement & Technology Committee (Chairperson).
- Board Risk Committee.

Alan J Dodd
Independent Director

Profile
Mr. Dodd joined the Board in 2021, bringing with him a long and distinguished banking career spanning more than 45 years. He has extensive experience in the financial services sector, having served in various executive capacities across Kenya, Asia, and the Middle East. The first 28 years of his career were with the Standard Chartered Group, most recently in East Africa, where he rose to the position of Executive Director responsible for Corporate and Service Quality. In 2006, he joined NIC Bank Kenya Ltd (now NCBA), where he served as Executive Director overseeing Corporate Banking, Asset Finance (including Leasing), and Bancassurance until the end of 2020.
Mr. Dodd holds a BA (Hons) degree in Economics from University of Portsmouth, UK and is a member of the London Institute of Banking and Finance. He brings on board significant knowledge and experience in the financial sector, governance protocols, risk management disciplines and customer service. Mr. Dodd sits on several boards including GA Insurance and I&M Bank (Rwanda) Limited.

Committee memberships:
- Board Credit Committee (Chairperson).
- Board Audit Committee.
- Board Nomination & Remuneration Committee.
- Board Procurement & Technology Committee.

Board of Directors' Profiles (Continued):

Phyllis Wakiaga
Independent Director

Profile

Ms. Phyllis Wakiaga joined the Board of I&M Bank Kenya Limited in 2024. She is the Managing Partner at Wakiaga & Company Advocates and serves as a Senior Advisor with the Tony Blair Institute for Global Change. Phyllis is the former Chief Executive Officer and Secretary to the Board at Kenya Association of Manufacturers (KAM), where she served for 9 years and led the organization through significant institutional growth, policy influence, and governance strengthening. An Advocate of the High Court of Kenya with over 20 years of experience, she brings deep expertise in corporate leadership, governance, public policy, government relations, sustainability, and private sector development. Over the years, she has served on several boards including Kengen, Kenya Roads Board, BAT Kenya, Mabati Rolling Mills (MRM), the Institute of Economic Affairs and the Africa Board of the International Centre for Research on Women (ICRW), amongst others. She holds a master's degree in international Trade and Investment Law from the University of Nairobi and an Executive Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Ph.D. in Leadership and Governance at the same institution

Committee memberships:

- Board Procurement & Technology Committee.
- Board Nomination & Remuneration Committee.

Kihara Maina
Interim Chief Executive Officer
[7 November 2025 – 31 December 2025]

Profile

Mr. Kihara Maina is a seasoned banker having served in senior leadership roles at various institutions. He joined I&M Group in May 2016 as the Chief Executive Officer and Board member of I&M Bank Kenya. He is the Regional Chief Executive Officer and Board member of I&M Group Plc. Prior to joining I&M Bank, Kihara was the Managing Director of Barclays Bank Tanzania (now Absa Bank Tanzania).

Board of Directors' Profiles (Continued):

Gul Khan
Chief Executive Officer
[1 January 2025 - 6 November 2025]

Profile

Mr. Khan has over 23 years of international financial services experience, mostly with HSBC Bank having worked in Europe, North America, Asia, Middle East and Africa. Mr. Khan is recognized as a leader in both the banking and fintech industries with a proven track record of delivering growth and transformation. Since 2019, Mr. Khan was the Head of Products at Airtel Money Africa, where he played a key role in driving financial inclusion across 14 African markets. Mr. Khan, whose term was due to expire on 31 December 2025, resigned from his position on the Board and as Chief Executive Officer in November 2025.

Committee memberships:
- Board Procurement & Technology Committee.
- Board Nomination & Remuneration Committee.

Board Meetings

The Board meets at least once every quarter and additionally when necessary to consider and deliberate on matters relating to the overall business. In 2025, the Board held 4 scheduled meetings and 1 special meeting. The Board also meets annually for a Board offsite strategy session to deliberate on performance against the strategy and plan for the next year and for board training sessions as part of the ongoing professional development.

The Board has in place an annual work plan that sets out the Board activities for the year. The Chairperson, in conjunction with the Company Secretary works closely with the Chief Executive Officer to develop the annual work plan and to set the agenda for each meeting. The Directors receive the notice, agenda and board papers well in advance of the meetings.

The quorum requirements for Board meetings are guided by the Bank's Articles of Association and are met when members attend, either in person or by video conference. Proceedings of all meetings are recorded by the Company Secretary and the minutes of each meeting signed by the Chairperson of the meeting.

Board Attendance

The following table shows the number of scheduled meetings (excluding special meetings) held during the year and the attendance of individual Directors. All directors met the minimum attendance threshold to attend at least two thirds of meetings as prescribed in the CBK Prudential Guidelines and the Group's Minimum Standards on Corporate Governance. The Board Shares Transfer Committee, which meets on an ad hoc basis, did not meet in 2025 as no matters requiring its consideration arose.

Total No. of scheduled meetings	BOARD	BAC	BCC	BRC	BNRC	BPTC	Total Board meetings attended in 2025
	4	9	8	4	4	4	
Members attendance							
Daniel Ndonye (Chairman)	4	N/A	N/A	N/A	N/A	N/A	100%
Nikhil Hira	4	9	8	4	N/A	N/A	100%
M Soundararajan*	4	9	8	2/4*	4	N/A	100%
Dr Alice N Koigi	4	9	N/A	4	N/A	N/A	100%
Edward M Wambugu	4	N/A	N/A	4	N/A	4	100%
Alan J Dodd	4	9	8	4	4	4	100%
Phyllis Wakiaga	4	N/A	N/A	N/A	4	4	100%
Suresh B R Shah (Chairman Emeritus)	4	N/A	N/A	N/A	N/A	N/A	100%
Sachit S Raja Shah	4	N/A	N/A	4	N/A	4	100%
Sarit S Raja Shah	4	N/A	8	4	3	4	100%
Gul Khan**	4	N/A	7/7	N/A	N/A	3/4*	100%
Kihara Maina***	1	N/A	1/8*	1/4*	N/A	1/4*	N/A

** Mr. Soundararajan was a member of BRC until June 2025.*
***Gul Khan attended all scheduled meetings until his resignation in November 2025.*
**Mr. Kihara Maina attended all scheduled meetings in Q4 2025 following his appointment as interim CEO.*

Board Induction, Orientation and Continuous Professional Development

All new Directors are appropriately introduced to the business of the Bank and the Group. During the induction session, they are provided with a comprehensive induction and information pack containing a presentation on the affairs, strategy, governance structure and conduct of meetings, the director's duties and responsibilities, the Bank's constitutive documents and such other useful documents. In addition, as part of the induction process, incoming Directors have one-on-one sessions with senior management and visit some of the key branches and departments to better understand the operations of the Bank.

All directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the Directors as to their duties, responsibilities and powers.

Directors, through the Group Executive Director and Chief Executive Officer, have access to Senior Management to obtain information on items to be discussed at board meetings or meetings of Board Committees or on any other area they consider appropriate.

Furthermore, the Board and its Committees also have the authority to obtain such outside or other independent professional advice as they consider necessary to carry out their duties.

In addition, the Bank organises for its Board members, up-skilling and continuous development programs to enhance governance practices within the Board itself. The Board's training agenda incorporated emerging regulatory themes including digital financial services, climate-risk management and enhanced AML/CFT expectations.

Tabulated below are the programs held during the year.

Training Description	Date Undertaken	No. Of Hours
Mergers and Acquisitions		
Leading from the Future: Integrating sustainability into Board Governance; and Sustainable Finance and Investment Opportunities.	9 May 2025	5.0
The Future of NOW Cybersecurity 2048: Days of the Future Past		
The Evolving Face of Digital Financial Crime: Strategic Imperatives for Boards and Executive Leadership		
Leadership at the edge: Trust, intelligence and institutional courage in a disruptive world	9 July 2025	7.5
Culture & Ethics		
AI in Financial Services		
Next steps: Risk Management, Audit, Cybersecurity	10 July 2025	5.0
Total training hours during the year		**17.5**

Board Evaluation

The performance of the Board, Board Committees and individual directors is evaluated annually with the process being reviewed and refined periodically. The results of the evaluation are collated confidentially by the Company Secretary and reviewed by the Chairman, the Board Committees and the Board.

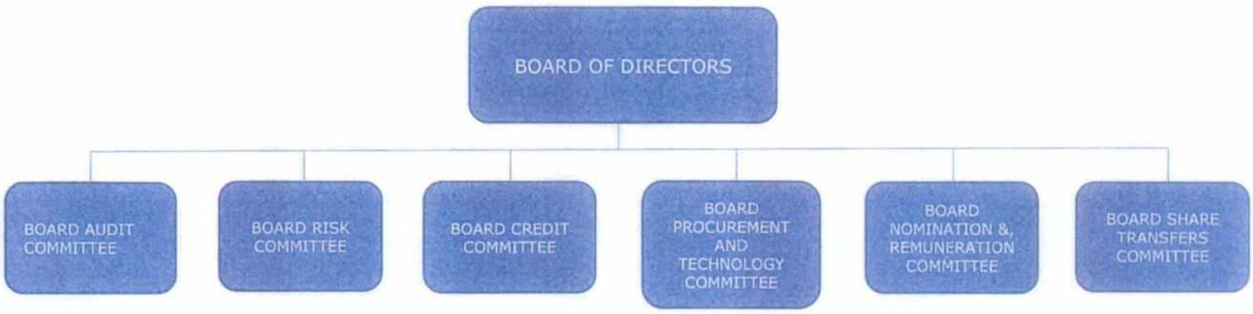
The review and evaluation include an assessment of the functioning of the Board as a collective body, Board Committees, as well as the performance of the Chairperson, individual directors peer-to-peer assessment, and Company Secretary. The evaluation also includes a self-assessment by independent directors on their ongoing independence based on given criteria. The Board conducted an annual assessment of the independence of each independent director in accordance with CBK/PG/02 and confirmed that all independent directors continue to meet the independence criteria.

The feedback from the board evaluation is used to identify areas of Board improvement and performance enhancement. These are tracked throughout the year to closure through the Nomination & Remuneration Committee.

3. I&M Bank Board Committees

To enhance efficiency and allow a deeper focus on specific areas of expertise, the Board has established six Board Committees with delegated authority in their respective areas as shown below: The Board Shares Transfer Committee is an ad hoc committee that only meets on a need basis. The Board remains ultimately accountable for the decisions made by the Board Committees. As such, the Committees provide reports to the Board on their deliberations in each quarter that the Committee meets. Each Committee is governed by Terms of Reference setting out its mandate as approved by the Board. The Board Committee Terms of Reference are reviewed annually. This ensures they remain aligned with the organization's strategic objectives, reflect current regulatory requirements, and incorporate best governance practices, thereby supporting effective oversight and accountability by the Board.

Board Committees



Board Committees: Tabulated below are Board Committees, their composition and membership, functions and the frequency of meetings:

	Board Audit Committee	**Board Risk Committee**	**Board Credit Committee**	**Board Procurement Committee**	**Board Nomination & Remuneration Committee**	**Board Share Transfers Committee (ad hoc)**
Structure	▪ 4 Independent Directors including the Chairman .	▪ 4 Independent Directors including the Chairperson ▪ 1 Non-Executive Director (NED) ▪ Group Executive Director ▪ CEO	▪ 3 Independent Directors including the Chairperson ▪ Group Executive Director ▪ CEO	▪ 3 Independent Directors including the Chairperson ▪ 1 NED ▪ Group Executive Director ▪ CEO ▪ GCFO ▪ COO	▪ 3 Independent Directors including the Chairperson ▪ Group Executive Director	▪ 2 NED including the Chairperson ▪ Group Executive Director ▪ CEO
Secretary	▪ Company Secretary	▪ Company Secretary	▪ Company Secretary	▪ Company Secretary	▪ Company Secretary	▪ Company Secretary
Composition	▪ Nikhil Hira, Chair ▪ Nyambura Koigi ▪ M Soundararajan ▪ Alan Dodd	▪ Dr. Nyambura Koigi, Chair ▪ Muchemi Wambugu ▪ Nikhil Hira ▪ Sachit S Shah ▪ Sarit S Raja Shah ▪ Kihara Maina (Wef 07.11.2025) ▪ M Soundararajan (resigned 13.06.2025) ▪ Gul Khan (resigned 06.11.2025)	▪ Alan Dodd, Chair ▪ M Soundararajan, ▪ Nikhil Hira ▪ Sarit S Raja Shah ▪ Kihara Maina (wef 07.11.2025) ▪ Gul Khan (resigned 06.11.2025)	▪ Muchemi Wambugu, Chair ▪ Phyllis Wakiaga ▪ Alan Dodd ▪ Sarit S Raja Shah ▪ Sachit S Shah ▪ David Ngata ▪ Jamie Loden ▪ Kihara Maina (wef 07.11.2025) ▪ Gul Khan (resigned 06.11.2025)	▪ M Soundararajan, Chair ▪ Phyllis Wakiaga ▪ Alan Dodd ▪ Sarit S Raja Shah ▪ Kihara Maina (wef 07.11.2025) ▪ Gul Khan (resigned 06.11.2025)	▪ SBR Shah, Chair ▪ Sarit S Raja Shah ▪ Sachit S Shah ▪ Kihara Maina (wef 07.11.2025) ▪ Gul Khan (resigned 06.11.2025)
Regular Invitees	▪ Chief Audit Executive ▪ Group Chief Audit Executive ▪ Group Executive Director ▪ Chief Executive Officer ▪ Chief Operations Officer ▪ Senior Director-Group Business Development.	▪ Chief Operations Officer ▪ Group Chief Risk Officer ▪ Group Chief Information Officer ▪ Head of Compliance ▪ Group Chief Information Security Officer ▪ Group Chief Audit Executive	▪ Senior Director-Group Business Development ▪ Group Director Credit ▪ Group Director Corporate Advisory & Sustainability ▪ Deputy General Manager/Assistant General Manager Credit	▪ Senior Manager Procurement ▪ Group Chief Information Officer ▪ Group Director Digital Business ▪ General Manager, Projects	▪ Chief Executive Officer ▪ Chief Operations Officer ▪ Group Chief People & Culture Officer	▪ A member of Senior Management at the discretion of the Committee

	Board Audit Committee	Board Risk Committee	Board Credit Committee	Board Procurement Committee	Board Nomination & Remuneration Committee	Board Share Transfers Committee (ad hoc)
	▪ Group Chief Finance Officer.	▪ Chief Audit Executive	▪ Deputy General Manager, Debt Recovery Unit			
Frequency Of Meetings	Quarterly	Quarterly	Bi-Quarterly	Quarterly	Thrice a year	On need basis
Main Functions	▪ Ensure establishment of an adequate, efficient and effective internal audit function. ▪ Review structure and adequacy of internal controls. ▪ Review and co-ordinate between External Auditors and Internal Audit Department. ▪ Review and receive CBK Inspection Report and ensure implementation of recommendations therein.	▪ Ensure that the Risk management framework and the processes as approved are implemented. ▪ Oversight of the Bank's overall risk and compliance management framework ▪ Review the Bank's risk appetite and monitor the enterprise risk framework ▪ Review, monitor and deliberate on the appropriate risk mitigation approach. ▪ Ensure business continuity planning is formulated, tested and reviewed periodically. ▪ Review of policies, procedures and exposure limits.	▪ Review lending policy. ▪ Consider loan applications beyond discretionary limits granted to CRMC. ▪ Review lending by CRMC. ▪ Direct, monitor, review all aspects that will impact upon present and future Credit risk management at the Bank. ▪ Ensure compliance with Banking Act and CBK Prudential Guidelines. ▪ Conduct independent loan reviews as and when appropriate.	▪ Review and approve the Procurement Policy. ▪ Review and consider significant procurement proposals / consultancy assignments above the delegated authority limit of the Management and the Management Procurement Committee (MPC) ▪ Vet agreements/ procurement proposals from related parties.	▪ Assessment of Board requirements for non-executive directors. ▪ Review induction programs for new Directors and development programs to build individual skills and improve Board effectiveness. ▪ Board & Senior Management succession planning. ▪ Performance evaluation of the Board, its Committees and Individual Directors ▪ Set remuneration policies & strategic objectives of Board, GED, CEO, COO & Group Chief Culture & People Officer.	▪ Ensure that any new shareholders meet the Board's criteria of good standing. ▪ Approve/reject applications for the transfer of shares and approve registration of such transfers. ▪ Give guidance and approve any share allotment arising out of a bonus/rights issue. ▪ Sign the Share Certificates, under Company Seal, to be issued to any shareholder..

	Board Audit Committee	Board Risk Committee	Board Credit Committee	Board Procurement Committee	Board Nomination & Remuneration Committee	Board Share Transfers Committee
Main Functions	▪ Ensure establishment of an adequate, efficient and effective internal audit function. ▪ Review structure and adequacy of internal	▪ Review of proposed strategic initiatives. ▪ Creating awareness about Risk Management Process in the Bank. ▪ Review the ICAAP document annually ▪ Ensure that the Risk management strategies are designed to manage social, environmental risks and promote good sustainability practices across all Bank's activities. ▪ Oversight of ICT and Cybersecurity risk ▪ Oversight of market and liquidity risk management through ALCO reporting		▪ Review and ratify unbudgeted capital expenditure above Management's delegated authority limits. ▪ Oversight of technology projects, with regular reviews of project progress, risk management, and alignment with strategic objectives		

Management Committees

A summary of the composition, responsibilities and key activities achieved by the Board Committees is outlined below:

	Executive Committee (EXCO)	Management Committee (MANCO)	Assets & Liabilities Committee (ALCO)	Credit Risk Management Committee (CRMC)	Business Review Meetings	Risk & Compliance Committee (RiskCO)
Chairman	CEO	CEO	CEO	Group Executive Director (GED)	CEO	CEO
Members	▪ GED, CEO ▪ Senior Director Group Business Development ▪ COO ▪ Group CFO ▪ Group CRO ▪ Director Global Markets ▪ Group Head, Strategy ▪ Group Director, Credit ▪ Group Head, Marketing ▪ Director Corporate Banking ▪ Director Personal & Business Banking ▪ Group Director Corporate Advisory & Sustainability ▪ Group Director Digital Business ▪ Group Head, Products **Invitees** ▪ Deputy General Manager Internal Audit ▪ Senior Manager Corporate Advisory (Secretary)	▪ CEO, COO ▪ Senior Director, Group Business Development ▪ All Directors/Chiefs heads of department ▪ Deputy General Managers (Internal Audit, Premium, Personal Banking) ▪ Senior Manager, Corporate Advisory (Secretary) ▪ GED (as invitee when necessary)	▪ GED, CEO, COO ▪ Senior Director, Group Business Development ▪ All Directors/ ▪ Chiefs of department ▪ Group Head, Assets & Liabilities ▪ Assistant General Manager Middle Office (Secretary)	▪ GED, CEO ▪ Senior Director, Group Business Development ▪ All Directors/ ▪ Chiefs of department ▪ Deputy General Manager - Debt Recovery ▪ Deputy General Manager Credit (Secretary)	▪ Segment Heads ▪ Product Heads ▪ Operations & Support	▪ CEO ▪ Senior Director, Group Business Development ▪ COO ▪ Group CRO ▪ Group CFO ▪ Group CIO ▪ Group CISO ▪ Group Chief People & Culture Officer ▪ Director Global Markets ▪ Head, Operational Risk ▪ Head, Legal ▪ Compliance **Invitees** ▪ Group Internal Audit ▪ Kenya Internal Audit
Frequency of meetings	Monthly	Quarterly	Monthly	Fortnightly	Monthly	Monthly

	Executive Committee (EXCO)	**Management Committee (MANCO)**	**Assets & Liabilities Committee (ALCO)**	**Credit Risk Management Committee (CRMC)**	**Business Review Meetings**	**Risk & Compliance Committee (RiskCO)**
Main functions	▪ The Executive Committee is to drive and oversee effective and efficient business performance, in line with the agreed Corporate Objectives and Budget. ▪ The EXCO will focus on business performance related issues and largely incorporate the business development team.	▪ The Management Committee is to review the Bank's non-financial corporate objectives, progress of special projects and identification of risks or opportunities. ▪ The Management Committee will focus on the business support function and provide a platform for reviewing of new products, initiatives and ideas and developments in the banking industry. ▪ Regularly assess impact of changes in regulations/legislation .	▪ Treasury Market Risk and Middle Office Management. ▪ Asset and Liability Management. ▪ Interest Rate Risk Management. ▪ Treasury Credit Risk Management or Counter Party and Settlements Risk management. ▪ Funding Risk Management. ▪ Liquidity Risk Management. ▪ Capital Risk management and the Internal Capital assessment process (ICAAP). ▪ Product Pricing. ▪ Currency Risk management.	▪ Implement Credit Policy and Credit Risk Management Policy. ▪ Reviews Credit Proposals in line with Policy and CBK Guidelines. ▪ Review non performing accounts. ▪ Consider and approve new asset-based products. ▪ Control and follow-up on credit-related matters. ▪ Regularly report to Board Credit Committee.	▪ Guide and oversee development of the business strategy. ▪ Guide/oversee performance as against strategy for the various segments ▪ On a quarterly basis, evaluate progress on achievement of strategic milestones, against the set strategic targets, and in case of significant variances, consider need or otherwise to review overall strategy. ▪ Review and discuss all significant Strategic Initiatives, before roll out. ▪ Evaluate progress on strategic and corporate objectives. ▪ Prior to the annual budgeting exercise, consider and agree broad budget parameters in line with the set strategic targets.	▪ Ensure a culture of the enterprise risk and integrate risk management into the organization's goals. ▪ Communicate internally matters relating to risk governance and oversight. ▪ Review and approve the risk management infrastructure. ▪ Review and evaluate the Bank's policies and procedures with respect to risk assessment and risk management. ▪ Guide and support development of the Enterprise Risk Management framework. ▪ Monitor the Bank's risk profile and potential exposure to various risk types. ▪ Present to the BRC a report summarizing the committee's review of the Bank's risk assessment.

Management Committees (Continued)

	Human Resources Committee	**Space Committee**	**Management Procurement Committee (MPC)**	**IT Steering Committee**
Chairman	CEO	CEO	GED	CEO
Members	▪ GED, CEO ▪ Senior Director, Group Business Development ▪ COO ▪ Group Chief People & Culture Officer ▪ Assistant General Manager HR (Secretary)	▪ GED, CEO ▪ Senior Director, Group Business Development ▪ COO ▪ GCFO ▪ GCIO ▪ Director, Retail & Business Banking ▪ Group Chief People & Culture Officer ▪ Deputy General Manager, Operations ▪ Assistant General Manager, Procurement ▪ Assistant General Manager Premises (Secretary)	▪ GED ▪ CEO ▪ Group CFO ▪ Assistant General Manager Premises (Secretary)	▪ CEO ▪ COO ▪ Group CIO ▪ Group CISO ▪ Group CFO ▪ Group CRO ▪ Group Director Digital Business ▪ Director Retail & Business Banking ▪ Director Corporate & Institutional Banking ▪ Head, Projects ▪ Chief Technology Officer ▪ Head, Strategy ▪ Head, Procurement ▪ Head, Applications ▪ Head-ICT Governance (Secretary)
Frequency of meetings	Once every 2 months	Ad hoc	Ad hoc	Six times per annum
Main functions	▪ Review HR Strategy and ensure implementation to comply with all HR related standards, laws and regulations. ▪ Periodically review the effectiveness and alignment of the Bank's Human resources. policies to business needs. ▪ Review and recommend the appointment of and compensation	▪ To determine the space requirements for the Bank and monitor implementation through the premises department. ▪ Plan for the resources to support the Bank's growth.	▪ MPC will assist the BPC in fulfilling its responsibilities by reviewing and approving procurement proposals for the Bank within its limits as defined in the Delegated Authority limits and guidelines as revised from time to time	▪ To improve alignment between ICT and Business Strategy in ICT Strategies, Investments, ICT Projects, ICT Risk Management, Service Management & Data Governance ▪ Evaluating and monitoring the governance of ICT Product Pricing. ▪ Oversee the implementation of the Digital Strategy and the ICT Strategy

	Human Resources Committee	Space Committee	Management Procurement Committee (MPC)	IT Steering Committee
	(including incentive bonus, benefits) for the staff team. ▪ Review the competencies of existing Senior Management resources and ensure that competent pipeline is available for succession to critical positions. ▪ Oversee staff alignment with agreed I&M Group priorities. ▪ Review and monitor the grievance resolution and discipline handling process of the Bank. ▪ Update Board on HR matters.			▪ Holistic review of the ICT capacity, systems architecture & external service providers ▪ Monitor the progress and performance of ICT projects ▪ Review and recommend to the Board Risk Committee appropriate ICT policies, standards, and guidelines.

Board Committees (Continued)

A summary of the composition, responsibilities and key activities achieved by the Board Committees is outlined below:

(i) **Board Audit Committee (BAC)**

Mr. Nikhil Hira (Chairperson)

Responsibilities: The key responsibilities of the BAC are to assist the Board in fulfilling its statutory and fiduciary responsibilities, by providing objective and independent oversight of the Bank's external reporting of financial information and the internal control environment and to recommend appropriate remedial action where required.

2025 Activities: BAC held nine scheduled meetings and one special meeting in the year including two meetings with the external auditors and internal auditors without Management. The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, the CBK Prudential Guidelines and as per the Committee's annual work plan. This included review of the audited financial statements for FY 2024 and quarterly unaudited accounts for consideration and recommendation to the Board for approval, review of internal audit reports, oversight on implementation of the internal audit plan, review of the external audit management letter and approval of external audit fees. The Committee also reviewed its annual Committee evaluation results, Terms of Reference, and work plan for 2026.

(ii) Board Risk Committee (BRC)

A. Nyambura Koigi (Chairperson)

Responsibilities: The key responsibilities of the BRC are to discharge its duties relating to risk management and controls, assurance and reporting. This includes ensuring quality, integrity and reliability of the Bank's enterprise risk management framework.

2025 Activities: BRC held four scheduled meetings in the year. The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, the CBK Prudential Guidelines and as per the Committee's annual work plan. The Committee received and reviewed quarterly reports from Risk, Compliance, ICT and Cybersecurity, reviewed disaster recovery and business continuity management reports, fraud risk reports, ESG reports, data protection updates, CBK inspection report status updates, ICAAP, AML risk assessment and key updates from ALCO, Risk Committee and IT Steering Committees. The Committee recommended various policies to the Board for approval. The Committee also reviewed its annual Committee evaluation results, Terms of Reference, and work plan for 2026.

(iii) Board Credit Committee (BCC)

Mr. Alan Dodd (Chairperson)

Responsibilities: The key responsibilities of the BCC are to assist the Board in reviewing and overseeing the overall lending of the Bank. This includes ensuring sound lending in line with established lending limits.

2025 Activities: BCC held eight scheduled meetings and two special meetings in the year. The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, the CBK Prudential Guidelines and as per the Committee's annual work plan. This included reviewing credit proposals, non-performing accounts and accounts under close monitoring, performance of loans and advances and IFRS9 compliance. The Committee also reviewed its annual Committee evaluation results, Terms of Reference, and work plan for 2026.

(iv) **Board Nomination & Remuneration Committee (BNRC)**

Mr. M. Soundararajan (Chairperson)

Responsibilities: The BNRC is responsible for all aspects of the Bank's appointment and remuneration of Board Directors. The Committee also regularly reviews the composition of the Board and assesses the mix of skills and experience to facilitate effectiveness of the Board. The director's remuneration structure consists of annual retainer fees and board sitting fees and these are reviewed regularly and subject to industry benchmarking.

2025 Activities: BNRC held four scheduled meetings in the year. The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, the CBK Prudential Guidelines and as per the Committee's annual work plan. This included a review of board composition and succession for Board, reports on culture, performance review, remuneration and reward, whistleblowing reports and HR oversight. The Committee also reviewed its annual Committee evaluation results, Terms of Reference, and work plan for 2026.

(v) **Board Procurement Committee (BPTC)**

Mr. Muchemi Wambugu (Chairperson)

Responsibilities: The BPTC assists the Board in fulfilling its responsibilities by reviewing and approving procurement proposals above the delegated approval limits established for Management as guided by the Bank's projects and products governance framework. The mandate of the Committee was expanded in September 2025 to include oversight over technology, AI and data aspects in the Bank and renamed to Board Procurement Committee to Board Procurement & Technology Committee.

2025 Activities: BPTC held four scheduled meetings and one special meeting in the year. This included a review of Management's delegated mandate, related party transactions, significant procurement proposals and oversight of significant projects, and technology automation and digital initiatives. The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, and as per the Committee's annual work plan.

4. Risk Management, Internal Controls & Compliance

The Bank has established an integrated and enterprise risk management framework in place to identify, assess, manage, and report risks as well as risk adjusted returns on a consistent and reliable basis. The Bank faces various diverse and complex types of risks related to its business as a banking institution. The Risk Management Department manages these risks through a continuous and on-going process of effective management of risks.

Risks are evaluated in an unbiased way. The Bank consciously takes the appropriate level of risks and manages these risks effectively to capitalize on related opportunities. Risk taking is core to I&M's innovation capacity and ultimately its entrepreneurial success.

I&M's approach to Risk Management is characterized through a strong risk oversight at Board level and a robust risk management culture at all levels across all functions. Such an approach supports and facilitates I&M's decision-making process. This not only ensures that the risk reward trade-off is optimized but also that risks assumed are within the overall Risk Appetite and Risk Tolerance levels as laid down by the Board in the various Policy Documents.

The Bank has recognized ESG (Environment, Social, Governance) as a key focus area with the growing emphasis on climate change. In line with CBK's Guidance on Climate Related Risk Management (2023), the Bank enhanced its ESG risk assessment tools to ensure formulation and implementation of an ESG framework that is focused on this risk in line with international best practice.

I&M's Risk Management Process is guided by the following principles:

- Its Risk Appetite & Risk Tolerance Levels
- An Independent Audit, Compliance & Quality Assurance Department
- Zero Tolerance for violations
- A Policy of "No Surprises"
- Protection of Reputation
- Enhanced Stakeholder Satisfaction

The Bank is committed to follow best practices in its Risk Management and uses the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework as a reference and adopts compatible processes and terminology. The Board confirms that it has reviewed the Bank's system of internal controls and is satisfied that the controls in place are adequate, effective, and compliant with the Central Bank of Kenya Prudential Guidelines, and that they provide reasonable assurance regarding the integrity of financial reporting, safeguarding of assets, and effective risk management.

5. Compliance

The Board ensures that laws, rules and regulations, codes, and standards applicable to the Bank are identified, documented and observed. The Bank's independent Compliance function continuously monitors the Bank's compliance with applicable laws, rules and regulations, codes and standards and provides assurance in this respect to the Board on a quarterly basis.

All policies and procedures are tailored to ensure that the Bank's processes are fully compliant with all relevant laws and regulations. Additionally, the Board receives a report at each of its scheduled meetings on changes to the legislation and regulatory framework and evaluates its impact in addition to ensuring that the Bank puts in place the appropriate processes to ensure compliance from the effective date.

The Board affirms that the Compliance function operates independently of all business units, with unrestricted access to the Board Risk Committee, thereby ensuring objective oversight and full adherence to the Central Bank of Kenya Prudential Guidelines on Compliance management.

6. Risk based Internal Audit & Assurance

While the Board is responsible for the overall risk management and internal control systems, oversight of the Bank's risk management process has been delegated to the Board Audit and Board Risk Committees. This is undertaken through an independent Internal Audit function established within the Bank.

The Board and Management set out the mandate for Internal Audit, defining its purpose, authority, and responsibilities. The Board ensures that the Head of Internal Audit department is not responsible for any other function in the entity and reports directly to the Board Audit Committee.

The Internal Audit function provides an independent assurance to the Board and Management that:

- The internal control system in place is performing effectively and is adequate to mitigate risks consistent with the risk appetite of the Bank; and
- The organisation goals are met and governance processes are effective and efficient.

7. External Auditors

The Board has put in place mechanisms to ensure that external auditors:

- Maintain a high standard of auditing.
- Have complete independence.
- Have no pecuniary relationship with the auditee entity or a related party.
- Bring to the attention of management and supervisor any matters that require urgent action.

8. Ethics & Social Responsibility

Code of Ethics

The Bank has in place a Code of Conduct that binds all its Directors and staff to ensure that business is carried out in an ethical, fair and transparent manner, in keeping with the local regulations and international best practices.

The Code of Conduct encompasses, inter alia, matters touching upon safety and health, environment, compliance with laws and regulations, confidentiality of customer information, financial integrity and relationships with external parties. This Code of Conduct is reviewed periodically, and amendments are incorporated if necessary.

Conflicts of Interest

The Board has in place a policy to provide guidance on what constitutes a conflict of interest. The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business. Each director is obligated to, as far as practically possible, minimize the possibility of any conflict of interest with the Bank or the Group by restricting involvement in other businesses that would be likely to lead to a conflict of interest. Where conflicts of interest do arise, Directors excuse themselves from the relevant discussions and do not exercise their right to vote in respect of such matters. The Conflicts of Interest policy is also extended on a similar basis to all senior management and employee who can influence decision making processes.

Insider Trading & Related Party Transactions

The Bank has adopted the Group-wide Insider Trading Policy that prohibits Directors, staff of all Group entities; and contractors who have or may have access to material non-public information regarding the Company from:

- Market Manipulations – artificially inflating or deflating the price of a security or otherwise influencing the behaviour of the market for personal gain;

Insider Trading & Related Party Transactions (Continued)

- False Trading and Market Rigging – dissemination of favourable or unfavourable information likely to induce the subscription, sale or purchase of shares by other people, or raise, lower or maintain the market price of shares;
- Fraudulently inducing trading in securities;
- Front Running – entering into a securities trade to capitalise on advance, non-public knowledge of a large ("block") pending transaction that will influence the price of the underlying security;
- Obtaining gain by fraud; and,
- Communicating unpublished price-sensitive information to other people.

The policy also prohibits anyone having Inside Information relating to the Group from buying or selling the entity's securities, except within certain stipulated open periods.

Insiders handling price sensitive information are subjected to preclearance restrictions which requires them to declare their intention to purchase or sell Company's securities before entering into a transaction.

The Group's Board Audit and Risk Management Committee (BARMC) has oversight on insider trading and is made aware of insider trades as well as breach/(es) of the Insider Trading Policy through quarterly returns.

Through the Group, the Bank has also adopted a related party policy that outlines how to deal with related parties in a transparent manner and at arm's length on related party transactions. Related parties, whether body corporate or natural persons, fall into two main groups:

- those that are related to the Group because of ownership interest; and
- those that are related otherwise, such as directors and senior officers who may also have some ownership interest in the Group.

In relation to related party transactions, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them. The policy provides guidance on dealing related parties in a transparent manner and on an arm's length basis. All related party dealings/transactions are disclosed under Note 39.

Whistleblowing Policy

The Bank has in put in place a Whistle blowing policy and appropriate mechanisms to demonstrate its commitment to the highest standards of openness, probity, and accountability. The scope of the policy includes the Group and all its subsidiaries, Directors, staff, contractors, agents, vendors, sponsors, customers and shareholders of the Group as well as the general public. The policy is aligned with CBK's requirement for protections for whistleblowers, including anonymity, non-retaliation and secure reporting channels. The policy is hosted on the Bank's website and outlines the mechanisms that stakeholders can employ to voice concerns in a responsible and effective manner. The policy is designed to encourage and facilitate raising concerns at a high level and to disclose information which the individual believes shows malpractice or impropriety. The policy aims to:

- Encourage stakeholders such as employees to feel confident in raising their apprehensions and to question any act that may raise concerns about practice that may bring disrepute to the Group and or cause financial or other loss to the Bank and/or Group and or any malicious act that may adversely affect a staff member;
- Provide avenues to raise those concerns and receive feedback on any action taken;
- Provide reassurance that individuals will be protected from possible reprisals or victimisation if they have reasonable belief that they have made any disclosure in good faith;
- Minimise the Bank and Group's exposure to the damage that can occur when employees circumvent internal mechanisms; and,
- Let stakeholders know the Bank and the Group is serious about adherence to the Code of Conduct and the various policies in place.

The Whistleblowing reports are regularly reviewed and discussed by the Board Nomination and Remuneration Committee and the Board Risk Committee.

9. Sustainability & Corporate Social Responsibility (CSR)

The Bank is very conscious of its responsibility towards the Community and those around it. It is in this endeavour that the Bank, through I&M Foundation, has put in place guidelines that support the discharge of its Corporate Social Responsibility mandate. The Bank has continued to deepen its relationship with various stakeholders while providing opportunities to its employees to participate in various I&M Foundation CSR activities.

I&M Bank's Sustainability and CSR activities through the I&M Foundation are aimed at making sustainable difference under four key social pillars listed below. Additional details on the activities undertaken during the year have been provided:

- Environmental conservation;
- Education and skills development;
- Economic empowerment; and,
- Enabling giving.

Additional details on the activities undertaken during the year have been provided in the Group's 2025 Annual Integrated Report.

10. Stakeholder Management

I&M recognizes and appreciates that engagement with, and active cooperation of its stakeholders, is essential for the Bank and Group's strong business performance on a sustainable basis, as well as to achieve and maintain public trust and confidence. The Bank is guided by the Group's stakeholder engagement policy which is founded on the principles of transparency, active listening, and equitable treatment that favours a consultative and collaborative engagement with all stakeholders.

Stakeholder engagement is decentralized within I&M. All I&M employees are accountable for managing relationships and meeting expectations of internal and external stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance that they receive from their I&M point of contact, there are several opportunities that allow for anonymity (if desired) as well as independence to ensure that concerns raised by stakeholders are heard. These include our client call centre that is the first point of call for all clients' requests and the section "Contact us" on the Bank's corporate website. Concerns raised by stakeholders are monitored regularly for compliance by the Bank's Risk and Compliance Teams and any escalation would be made to the Board Risk Committee where necessary.

The Board affirms the Bank's commitment to upholding consumer protection principles by ensuring fair and equitable treatment of all customers, maintaining transparent and timely communication on products and services, and implementing robust mechanisms for the prompt and effective handling of customer complaints in line with the Central Bank of Kenya's regulatory expectations.

11. Risk management

(a) Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation.

An independent Risk Manager assures the Board Risk Committee of the implementation of the said policies.

Risk Management (Continued)

The following are key measures that the Group undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions
-
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of Business Continuity and Disaster Recovery Plans
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.
- Establishment of ethical practices at business and individual employee's level.
- Implementation of Risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

(a) Compliance and regulatory risk

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

(b) Environmental and social risks

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

The Group is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental

laws. The Group also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Kenya Government).

An environmental and social management system is being put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

(c) Climate-related risks

The Group is acutely aware of the substantial impacts climate change can have on both the financial and non-financial aspects of our operations, strategic decisions, and planning. In response, we are purposefully aligning our efforts with both national and international climate goals, such as the Paris Agreement and Nationally Determined Contributions (NDC), across the regions where we operate.

Risk Management (Continued)

With sustainability as a central focus, we are committed to implementing recommendations from the IFRS S2 on climate related risk management, while also staying responsive to evolving standards and frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD).

Our governance of climate-related risks and opportunities is seamlessly integrated within the Group's enterprise risk management framework. This integration allows us to manage climate risks not only as standalone issues but also in their intersections with conventional risks. Through these efforts, we have developed comprehensive strategic objectives that incorporate climate risk considerations into decision-making processes across all business operations.

The Board of Directors plays a pivotal role in overseeing the implementation of our climate risk project for 2023/2024, underscoring our firm commitment to integrating climate-related risks and opportunities into the Group's business strategies. This commitment is evidenced by both Board oversight and management responsibility, ensuring proactive measures are in place to mitigate and adapt to the impacts of climate change across our value chain. Constant monitoring and performance assessment against climate-related targets further demonstrate our dedication to this cause.

(d) Environmental, Social and Governance (ESG) Principles

The Group is committed to a profound understanding and active management of Environmental, Social, and Governance (ESG) risks and opportunities. This commitment stems from its recognition of the significant impact that nature, climate change, social inequalities, and environmental degradation have on its operations and the broader community. We see these factors not only as potential threats to business resilience but also as challenges to its capability to support and invest in vulnerable sectors. This has led the Group to underscore the critical importance of sustainable business practices, emphasizing environmental stewardship, social responsibility, and ethical governance as core elements of its operational and strategic blueprint.

The integration of ESG and climate considerations into the enterprise risk management framework marks a significant step in reinforcing our dedication to cultivating a risk-aware culture. This is achieved through several key initiatives:

- Establishing a robust governance structure to oversee ESG risks and opportunities, ensuring accountability across our four lines of defence model.
- Formulating and refining guidelines to adeptly identify, assess, measure, and monitor ESG risks within the Group.
- Defining essential ESG risk metrics, alongside Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs), to ensure comprehensive risk monitoring and value enhancement.
- Enhancing the existing ESG risk assessment processes across our value chain, ensuring a deep integration of ESG considerations.
- Promoting an ESG-aware culture throughout the Group through targeted training and awareness initiatives.

Our strategic approach to mapping out and addressing ESG risks and opportunities is designed to support sustainable business practices fundamentally. This approach is aligned with our ambitious goal to positively impact 10 million lives from 2024 to 2026. At the heart of this goal is our commitment to providing financial products and services that bolster green investments, specifically focusing on renewable energy, energy efficiency, e-mobility, and agriculture, among other sectors.

Moreover, we are actively expanding our range of lending products, specifically tailored to address the needs of socially and demographically diverse groups, thereby enhancing financial inclusion for underserved communities.

A tangible manifestation of this commitment is the strategic expansion of I&M Bank Kenya's branch network, designed to improve accessibility to our banking services.

Risk Management (Continued)

(e) Environmental, Social and Governance (ESG) Principles (continued)

As we scale our operations, our focus is broadening to include the optimization of sustainable operations through careful resource management, the adoption of sustainable procurement practices, and the empowerment of communities via the I&M Foundation and CSR initiatives across our subsidiaries. To ensure positive environmental and social outcomes, we are investing in ongoing training programs to boost our staff's ability to effectively manage both emerging and existing ESG and climate-related risks and opportunities.

We adopt a collaborative approach to ESG and climate risk management, recognizing our collective responsibility towards social inclusivity and environmental sensitivity in every facet of our business operations.

This collaborative stance is geared towards fostering information sharing, ensuring balanced and uniform reporting, and delivering tangible outcomes that contribute to sustainable development. Central to our strategy is the adherence to international standards and guidelines, including the UN Global Compact, IFC performance standards, ILO labour conventions, and established sustainability and climate risk reporting guidelines, such as the IFRS SI & S2. Moreover, our ESG and climate risk management objectives are in line with the Nationally Determined Contributions (NDCs) specific to our operational markets, the Paris Agreement, and other relevant national and international policy frameworks.

Sustainable Finance Practices
The Group recognises sustainable lending practices as a cornerstone of our day-to-day operations. This recognition is evidenced by the integration of an Environmental and Social (E&S) risk management system into the credit appraisal process. Such integration ensures that E&S risks are systematically evaluated alongside other risks before any credit facility disbursement, heightening customer awareness of our E&S standards. This heightened awareness has led to improved E&S performance in our operations, aligning with regulations and strengthening our relationships with customers. We are committed to assisting our customers in addressing non-conformities and promoting the adoption of best industry practices.

The incorporation of E&S risk and opportunity management has spurred business growth, allowing us to develop customized products and services centred on positive social and environmental outcomes. Our sustainable finance initiatives include providing facilities to support the installation of Effluent Treatment Plants for water treatment and recycling, as well as facilitating solar-related energy infrastructure to ensure energy efficiency. This symbiotic relationship has fostered mutual business growth and enhanced environmental and social practices, contributing to the protection of natural resources, the utilisation of renewable energy sources, and the reduction of our overall environmental footprint and operational costs.

I&M Bank Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and of the Bank as at the end of the financial year and its financial performance for the year then ended. The Directors are responsible for ensuring that the Group and Bank keeps proper accounting records that show and explain the transactions of the Group and the Bank; disclose, with reasonable accuracy, the financial position of the Group and Bank; and enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

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

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

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

Approval of the consolidated and separate financial statements

Approved and authorised for issue by the Board of Directors on March 2026 and signed on its behalf by

SARIT S RAJA SHAH

Director

DANIEL NDONYE

Director

Director NIKHIL R HIRA

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of I&M Bank Limited (the "Bank" or the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 205, which comprise the consolidated statement of financial position at 31 December 2025 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows of the Group for the year then ended, together with the Company statement of financial position at 31 December 2025 and the Company statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Estimation of expected credit losses on loans and advances at amortised cost Loans and advances to customers comprise a significant portion of the Group's and the Bank's total assets. As explained in notes 3 (f) and 4 (a) of the financial statements, determining expected credit losses on loans and advances is complex, judgmental, and involves significant estimation uncertainty. Changes to the assumptions and estimates used by management could generate significant variations in the Group's and the Bank's financial results and materially impact the valuation of the portfolio of loans and advances.	We obtained the Group's methodology for determining ECL, including changes in the year, and evaluated this against the requirements of IFRS 9 '*Financial Instruments*'. We tested how the banking entities in the Group extract 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model. In addition, we assessed the qualitative information applied by the Group in determining the appropriate staging.

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
The calculation of the expected credit losses involves complex mathematical models that are prone to data integrity or configuration errors, or mathematical formulaic errors. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of *Significant Increase in Credit Risk ("SICR")* and *Default* requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. • the appropriateness of forward-looking information used in the models; • the mathematical logic, appropriateness and accuracy of the expected credit losses models used by the entities in the Group.	We obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD), including the cure rates and post write-off recovery rates for unsecured facilities. We reviewed the approach used to estimate LGD at each point during the life of the exposure including time to realisation and the recovery rate calculations. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports. We tested, on a sample basis, the reasonableness of EAD for both on and off-balance sheet exposures. We corroborated the assumptions used for determination of forward-looking information (FLI) in the models using publicly available information. For the loans whose PDs are derived from external ratings, we discussed with management and reviewed the appropriateness of their assessment and mapping to external ratings. We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.
Impairment assessment of goodwill As disclosed in note 24 of the financial statements, the Group has goodwill of KShs 794.96 million (2024: KShs 804.6 million) arising from business acquisitions in prior years. Management performs an impairment assessment of goodwill on an annual basis as explained in the accounting policies note 3 (k) of the financial statements. The impairment assessment is based on a comparison of the carrying amount of the cash generating units (CGUs) to their respective recoverable amounts. The determination of the recoverable amount, which is the higher of value-in-use and fair value less costs to dispose, requires management judgement in both identifying and valuing the relevant cash generating units (CGUs). Recoverable amounts are based on management's estimate of key inputs and assumptions such as forecast cash flows, discount rates applied (weighted average cost of capital) and terminal growth rates of the CGUs.	We evaluated and validated the composition of management's cash flow forecasts, and the underlying assumptions based on the historical performance of the CGUs, industry specific reports and the macro-economic outlook. We assessed the reliability of cash flow forecasts through a review of actual past performance and comparison to previous forecasts. We assessed the appropriateness of the impairment models and the reasonableness of the assumptions by benchmarking the key market-related assumptions in the models, such as discount rates and long-term growth rates against external data. We tested the mathematical accuracy and performed sensitivity analysis of the inputs and assumptions to the models.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK LIMITED (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Variations in management estimates and judgements could result in material differences in the outcomes of the assessment.	We assessed the adequacy and appropriateness of the related disclosures in note 38 of the financial statements.

Other information

The other information comprises Corporate information, Report of the Directors, Statement of corporate governance, Statement of directors' responsibilities and Directors' renumeration report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK LIMITED (CONTINUED)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK LIMITED (CONTINUED)

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the Directors' report on pages 6 and 7 is consistent with the financial statements.

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

23rd **March 2026**

UNIQUE CODE: 39049260323

I&M Bank Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024 Restated
		KShs'000	KShs'000
Interest income	7	55,479,549	57,765,743
Interest expense	8	(18,918,258)	(26,378,420)
Net interest income		**36,561,291**	**31,387,323**
Fee and commission income	9	5,142,386	4,443,533
Fee and commission expense	9	(376,664)	(503,699)
Net fee and commission income	9	**4,765,722**	**3,939,834**
Net trading income	10	3,676,393	2,432,344
Other operating income	11	1,215,211	737,592
Total net income		**46,218,617**	**38,497,093**
Fair value gain/ (loss) on loan notes at FVTPL	19	207,359	(621,510)
Allowance for expected credit losses	19	(8,752,517)	(7,047,492)
Net operating income		**37,673,459**	**30,828,091**
Staff costs	12	(8,091,920)	(6,466,280)
Premises and equipment costs	12	(551,065)	(497,735)
Other expenses	12	(8,364,761)	(6,963,977)
Depreciation and amortisation	12	(2,046,181)	(2,166,451)
Operating expenses		**(19,053,927)**	**(16,094,443)**
Profit before tax		**18,619,532**	**14,733,648**
Income tax expense	13	(2,906,187)	(2,809,653)
Net profit for the year		**15,713,345**	**11,923,995**
Profit attributable to:			
Equity holders of the company		15,297,752	11,735,177
Non-controlling interest	22	415,593	188,818
		15,713,345	**11,923,995**
Earnings per share for profit attributable to the ordinary equity holders of the company (basic and diluted) (Shs)		**523.78**	**397.47**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 KShs'000	2024 Restated KShs'000
Net profit for the year		15,713,345	11,923,995
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of FVOCI financial assets - Equity instruments	20	-	(275,229)
Deferred income tax on fair value of FVOCI financial assets - Equity instruments	25	-	82,569
Items that may be reclassified to profit or loss:			
Net change in fair value of FVOCI financial assets-Debt instruments	20	4,605,955	3,430,498
Deferred income tax on fair value of FVOCI financial assets - Debt instruments	25	(1,283,912)	(1,026,532)
Net change in fair value of AFS financial assets	20	-	-
Change in cash flow hedge reserve	42	(181,340)	(119,147)
Deferred income tax on cash flow hedge reserve		54,402	35,744
Exchange differences on translation of foreign operations		(74,513)	(1,178,804)
Total other comprehensive income for the year		**3,120,592**	**949,099**
Total comprehensive income for the year		**18,833,937**	**12,873,094**
Comprehensive income attributable to:			
Owners of the company		18,453,414	12,906,538
Non-controlling interest	22	380,523	(33,444)
		18,833,937	**12,873,094**
Earnings per share for profit attributable to the ordinary equity holders of the company (basic and diluted) (Shs)	14	**509.93**	**405.67**

I&M Bank Limited

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 KShs'000	2024 Restated KShs'000
Interest income	7	48,961,104	52,102,253
Interest expense	8	(17,029,107)	(24,596,773)
Net interest income		**31,931,997**	**27,505,480**
Fee and commission income	9	4,217,719	3,630,097
Fee and commission expense	9	(365,532)	(500,181)
Net fee and commission income	9	**3,852,187**	**3,129,916**
Net trading income	10	3,219,663	1,981,461
Other operating income	11	497,417	363,326
Dividend income	11	300,000	200,000
Total net income		**39,801,264**	**33,180,183**
Fair value gain/ (loss) on loan notes at FVTPL	19	207,359	(621,510)
Allowance for expected credit losses	19	(7,069,648)	(5,766,648)
Net operating income		**32,938,975**	**26,792,025**
Staff costs	12	(6,971,347)	(5,443,702)
Premises and equipment costs	12	(497,770)	(426,891)
Other expenses	12	(6,307,142)	(5,525,150)
Depreciation and amortisation	12	(1,798,647)	(1,902,793)
Operating expenses		**(15,574,906)**	**(13,298,536)**
Profit before income tax		**17,364,069**	**13,493,489**
Income tax expense	13	(2,685,180)	(2,531,217)
Profit for the year		**14,678,889**	**10,962,272**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in fair value of FVOCI financial assets - Equity instruments	20	-	(275,229)
Deferred income tax on fair value of FVOCI financial assets - Equity instruments	25	-	82,569
Items that may be reclassified to profit or loss:			
Change in fair value of FVOCI financial assets	20	4,584,147	3,421,773
Deferred income tax on fair value of FVOCI financial assets	25	(1,283,912)	(1,026,532)
Change in cash flow hedge reserve		(181,340)	(119,147)
Deferred income tax on cash flow hedge reserve		54,402	35,744
Total other comprehensive income for the year		**3,173,297**	**2,119,178**
Total comprehensive income for the year		**17,852,186**	**13,081,450**
Basic earnings per share - (KShs)	14	**489.30**	**379.91**

I&M Bank Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	2025	2024 Restated
		KShs '000	KShs '000
ASSETS			
Cash and balances with Central Banks	16	21,498,578	24,011,805
Items in the course of collection	17	378,928	669,433
Financial assets at fair value through profit or loss (FVTPL)	20	-	90,078
Financial assets measured at fair value through other comprehensive income (FVOCI)	20	126,296,763	61,481,188
Financial assets at amortised cost	20	42,994,227	71,889,366
Derivative financial instruments	32	146,672	341,795
Loans and advances to banks	18	38,684,596	29,055,596
Loans and advances to customers	19	245,674,847	239,697,121
Assets held for sale	21	-	507,314
Due from related parties	26	1,520,609	1,588,011
Income tax receivable	13	1,162,230	131,300
Other assets	27	6,269,801	4,801,256
Investment properties	21	509,492	-
Property and equipment	23	1,730,222	1,815,188
Right-of-use assets	23	2,242,312	2,207,402
Intangible assets	24	3,059,136	3,329,179
Deferred income tax	25	10,176,360	10,605,331
TOTAL ASSETS		**502,344,773**	**452,221,363**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Derivative financial instruments	32	348,085	1,263,289
Deposits from banks	28	20,572,031	27,451,723
Items in the course of collection	17	-	2,237
Deposits from customers	29	380,658,195	333,043,966
Due to related parties	26	1,394,787	2,533,081
Income tax payable	13	7,969	1,133,802
Other liabilities	30	5,255,530	4,662,484
Borrowings	31	7,500,059	10,485,431
Lease liabilities	33	2,419,356	2,160,149
		418,156,012	**382,736,162**
Shareholders' equity			
Share capital	34	3,000,000	3,000,000
Share premium	34	5,531,267	5,531,267
Retained earnings		60,024,563	51,451,836
Cash flow hedge reserve	34	(210,341)	(83,403)
Statutory credit risk reserve	34	10,856,075	10,547,305
Fair value reserve	34	870,560	(2,451,483)
Currency translation reserve	34	73,644	113,087
Equity attributable to owners of the company		**80,145,768**	**68,108,609**
Non- controlling interest	22	4,042,993	1,376,592
Total shareholders' equity		**84,188,761**	**69,485,201**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**502,344,773**	**452,221,363**

The financial statements set out on pages 45 to 205 were approved and authorised for issue by the Board of Directors on 17 **March 2026** and were signed on its behalf by:

SARIT V RAJA SHAH

Director ____________

DANIEL NDONYE

Director ____________

Director ____________

NIKHIL R HIRA

Secretary ____________

STELLA W. GACHARIA
P.O. Box 101499 - 00101, NAIROBI
CERTIFIED PUBLIC SECRETARY
CPS No. 3387

I&M Bank Limited

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2025

	Note	2025	2024 Restated
		KShs '000	KShs '000
ASSETS			
Cash and balances with Central Bank of Kenya	16	16,199,185	19,396,678
Items in the course of collection	17	376,440	669,433
Financial assets measured at fair value through other comprehensive income (FVOCI)	20	126,076,095	61,278,791
Financial assets at amortised cost	20	35,172,168	63,003,934
Derivative financial instruments	32	146,672	341,795
Loans and advances to banks	18	32,892,301	25,474,262
Loans and advances to customers	19	217,988,489	216,494,174
Due from related parties	26	5,878,768	4,147,774
Income tax receivable	13	941,564	-
Other assets	27	5,086,752	4,083,612
Assets held for sale	21	-	507,314
Investment in subsidiaries	22	3,882,712	3,882,712
Investment properties	21	509,492	-
Property and equipment	23	1,396,171	1,470,680
Right-of-use assets	23	1,739,414	1,811,692
Intangible assets	24	1,978,999	2,307,121
Deferred income tax	25	9,426,049	9,910,140
TOTAL ASSETS		**459,691,271**	**414,780,112**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Derivative financial instruments	32	348,085	1,263,289
Deposits from banks	28	17,474,928	24,377,799
Deposits from customers	29	348,660,947	303,765,965
Current income tax	13	-	1,118,973
Due to related parties	26	1,527,611	2,674,020
Other liabilities	30	4,279,384	3,708,931
Borrowings	31	6,652,064	10,310,689
Lease liabilities	33	1,909,525	1,773,905
		380,852,544	**348,993,571**
Shareholders' equity			
Share capital	34	3,000,000	3,000,000
Share premium	34	5,531,267	5,531,267
Retained earnings		58,775,834	49,468,376
Cash flow hedge reserve	34	(210,341)	(83,403)
Statutory credit risk reserve	34	10,884,877	10,313,446
Fair value reserve	34	857,090	(2,443,145)
		78,838,727	**65,786,541**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**459,691,271**	**414,780,112**

The financial statements set out on pages 45 to 205 were approved and authorised for issue by the Board of Directors on 17 **March 2026** and were signed on its behalf by:

SARIT S RAJA SHAH

Director ______

DANIEL NDONYE

Director ______

Director ______

NIKHIL R HIRA

Secretary ______

STELLA W. GACHARIA
P. O. Box 101499 - 00101, NAIROBI
CERTIFIED PUBLIC SECRETARY
CPS. No. 3387

I&M Bank Limited

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

2025:	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Cash flow hedge reserve KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Translation reserve KShs'000	Total KShs'000	Non controlling interest KShs'000	Total KShs'000
At 1 January 2025:										
As previously reported	3,000,000	5,531,267	51,886,893	(83,403)	10,547,305	(2,451,483)	113,087	68,543,666	1,376,592	69,920,258
Prior adjustment (Note 43)	-	-	(435,057)	-	-	-	-	(435,057)	-	(435,057)
As restated	3,000,000	5,531,267	51,451,836	(83,403)	10,547,305	(2,451,483)	113,087	68,108,609	1,376,592	69,485,201
Profit for the year										
Net profit after tax	-	-	15,297,752	-	-	-	-	15,297,752	415,593	15,713,345
	-	-	15,297,752	-	-	-	-	15,297,752	415,593	15,713,345
Other comprehensive income										
Translation reserve	-	-	-	-	-	-	(39,443)	(39,443)	(35,070)	(74,513)
Cash flow hedge	-	-	-	(181,340)	-	-	-	(181,340)	-	(181,340)
Deferred income tax - cash flow hedge	-	-	-	54,402	-	-	-	54,402	-	54,402
Fair value reserve	-	-	-	-	-	4,605,955	-	4,605,955	-	4,605,955
Deferred income tax - fair value reserve	-	-	-	-	-	(1,283,912)	-	(1,283,912)	-	(1,283,912)
Statutory credit risk reserve	-	-	(308,770)	-	308,770	-	-	-	-	-
Total other comprehensive income	-	-	(308,770)	(126,938)	308,770	3,322,043	(39,443)	3,155,662	(35,070)	3,120,592
Total comprehensive income	-	-	14,988,982	(126,938)	308,770	3,322,043	(39,443)	18,453,414	380,523	18,833,937
Transactions with owners, recorded directly in equity										
Transactions with owners, recorded directly in equity										
Dividend - 2024	-	-	(4,800,000)	-	-	-	-	(4,800,000)	-	(4,800,000)
Transaction with non-controlling interest	-	-	(1,616,255)	-	-	-	-	(1,616,255)	2,285,878	669,623
Total transactions with owners for the year	-	-	(6,416,255)	-	-	-	-	(6,416,255)	2,285,878	(4,130,377)
Balance as at 31 December 2025	3,000,000	5,531,267	60,024,563	(210,341)	10,856,075	870,560	73,644	80,145,768	4,042,993	84,188,761

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

2024:Restated	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Cash flow hedge reserve KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Translation reserve KShs'000	Total KShs'000	Non controlling interest KShs'000	Total KShs'000
At 1 January 2024	**3,000,000**	**5,531,267**	**44,109,715**	**-**	**10,204,249**	**(4,662,969)**	**1,069,809**	**59,252,071**	**1,410,036**	**60,662,107**
Net profit after tax (restated)	-	-	11,735,177		-	-	-	11,735,177	188,818	11,923,995
Other comprehensive income										
Translation reserve	-	-	-		-	-	(956,722)	(956,722)	(222,082)	(1,178,804)
Cash flow hedge	-	-	-	(119,147)	-	-	-	(119,147)	-	(119,147)
Deferred income tax - Cash flow hedge	-	-	-	35,744	-	-	-	35,744	-	35,744
Fair value reserve	-	-	-	-	-	3,155,449	-	3,155,449	(180)	3,155,269
Deferred income tax - fair value reserve	-	-	-	-	-	(943,963)	-	(943,963)	-	(943,963)
Statutory credit risk reserve	-	-	(343,056)	-	343,056	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**(343,056)**	**(83,403)**	**343,056**	**2,211,486**	**(956,722)**	**1,171,361**	**(222,262)**	**949,099**
Total comprehensive income	**-**	**-**	**11,392,121**	**(83,403)**	**343,056**	**2,211,486**	**(956,722)**	**12,906,538**	**(33,444)**	**12,873,094**
Transactions with owners, recorded directly in equity										
Dividend - 2023	-	-	(4,050,000)		-	-	-	(4,050,000)	-	(4,050,000)
Total transactions with owners for the year	**-**	**-**	**(4,050,000)**	**-**	**-**	**-**	**-**	**(4,050,000)**	**-**	**(4,050,000)**
Balance as at 31 December 2024 - Restated	**3,000,000**	**5,531,267**	**51,451,836**	**(83,403)**	**10,547,305**	**(2,451,483)**	**113,087**	**68,108,609**	**1,376,592**	**69,485,201**

I&M Bank Limited

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

2025:	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Cash flow hedge reserve KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Total KShs'000
At 1 January 2025:							
As previously reported	**3,000,000**	**5,531,267**	**49,903,433**	**(83,403)**	**10,313,446**	**(2,443,145)**	**66,221,598**
Prior adjustment (Note 43)	-	-	(435,057)	-	-	-	**(435,057)**
As restated	**3,000,000**	**5,531,267**	**49,468,376**	**(83,403)**	**10,313,446**	**(2,443,145)**	**65,786,541**
Comprehensive income for the year							
Net profit after tax	-	-	14,678,889	-	-	-	14,678,889
	-	**-**	**14,678,889**	**-**	**-**	**-**	**14,678,889**
Other comprehensive income							
Statutory credit risk reserve	-	-	(571,431)	-	571,431	-	-
Cash flow hedge	-	-	-	(181,340)	-	-	**(181,340)**
Deferred tax - Cash flow hedge	-	-	-	54,402	-	-	**54,402**
Fair value reserve	-	-	-		-	4,584,147	**4,584,147**
Deferred tax - fair value reserve	-	-	-	-	-	(1,283,912)	**(1,283,912)**
Total other comprehensive income	**-**	**-**	**(571,431)**	**(126,938)**	**571,431**	**3,300,235**	**3,173,297**
Total comprehensive income	**-**	**-**	**14,107,458**	**(126,938)**	**571,431**	**3,300,235**	**17,852,186**
Transactions with owners recorded directly in equity							
Final dividend - 2024	-	-	(4,800,000)	-	-	-	(4,800,000)
Total transactions with owners for the year	**-**	**-**	**(4,800,000)**	**-**	**-**	**-**	**(4,800,000)**
Balance as at 31 December 2025	**3,000,000**	**5,531,267**	**58,775,834**	**(210,341)**	**10,884,877**	**857,090**	**78,838,727**

I&M Bank Limited

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

2024:	Share capital KShs'000	Share premium KShs'000	Retained earnings KShs'000	Cash flow hedge reserve KShs'000	Statutory credit risk reserve KShs'000	Fair value reserve KShs'000	Total KShs'000
At 1 January 2024:	**3,000,000**	**5,531,267**	**43,528,200**	**-**	**9,341,350**	**(4,645,726)**	**56,755,091**
Net profit after tax (restated)	-	-	10,962,272	-	-	-	10,962,272
Other comprehensive income							
Statutory credit risk reserve	-	-	(972,096)	-	972,096	-	-
Cash flow hedge	-	-	-	(119,147)	-	-	**(119,147)**
Deferred tax - cash flow hedge	-	-	-	35,744	-	-	**35,744**
Fair value reserve	-	-	-	-	-	3,146,544	**3,146,544**
Deferred tax - fair value reserve	-	-	-	-	-	(943,963)	**(943,963)**
Total other comprehensive income	**-**	**-**	**(972,096)**	**(83,403)**	**972,096**	**2,202,581**	**2,119,178**
Total comprehensive income	**-**	**-**	**9,990,176**	**(83,403)**	**972,096**	**2,202,581**	**13,081,450**
Transactions with owners recorded directly in equity							
Final dividend - 2023	-	-	(4,050,000)	-	-	-	(4,050,000)
Total transactions with owners for the year	**-**	**-**	**(4,050,000)**	**-**	**-**	**-**	**(4,050,000)**
Balance as at 31 December 2024 - Restated	**3,000,000**	**5,531,267**	**49,468,376**	**(83,403)**	**10,313,446**	**(2,443,145)**	**65,786,541**

I&M Bank Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 KShs'000	2024 Restated KShs'000
Net cash flows from operating activities	35	**15,704,731**	**(3,938,407)**
Cash flows from investing activities			
Purchase of property and equipment (excluding right of use assets)	23	(749,158)	(812,857)
Purchase of intangible assets	24	(571,517)	(732,149)
Proceeds from disposal of property and equipment		193,083	(25,579)
Net cash flows from investing activities		**(1,127,592)**	**(1,570,585)**
Cash flows from financing activities			
Payment of lease liabilities	33	(645,757)	(766,120)
Payment on principal borrowings	31	(2,829,405)	(2,828)
Dividend paid	34	(4,800,000)	(4,050,000)
Issue of shares - I&M Bank LIMITED		669,623	-
Net cash flows from financing activities		**(7,605,539)**	**(4,818,948)**
Net (decrease)/increase in cash and cash equivalents		**6,971,600**	**(10,327,940)**
Cash and cash equivalents at start of the year		**51,472,277**	**68,808,984**
Effect of exchange rate fluctuations on cash and cash equivalent held		423,895	(7,008,767)
Cash and cash equivalents at end of the year	35	**58,867,772**	**51,472,277**

I&M Bank Limited

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 KShs'000	2024 Restated KShs'000
Net cash flows from operating activities	35	14,097,595	(8,012,983)
Cash flows from investing activities			
Purchase of property and equipment (excluding right of use assets)	23	(672,466)	(573,914)
Purchase of intangible assets	24	(445,942)	(628,553)
Proceeds from disposal of property and equipment		237,979	20,577
Dividends received	11	300,000	200,000
Net cash flows from investing activities		**(580,429)**	**(981,890)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	33	(269,470)	(227,156)
Payment of principal portion of borrowings	31	(3,528,150)	-
Dividend paid	34	(4,800,000)	(4,050,000)
Net cash flows from financing activities		**(8,597,620)**	**(4,277,156)**
Net increase in cash and cash equivalents		**4,919,546**	**(13,272,029)**
Cash and cash equivalents at start of the year		**43,278,053**	**63,060,127**
Effect of exchange rate fluctuations on cash and cash equivalent held		(424,003)	(6,510,045)
Cash and cash equivalents at end of the year	35	**47,773,596**	**43,278,053**

1. REPORTING ENTITY

I&M Bank Limited (the "Bank" or "Company"), a financial institution licensed under the Kenyan Banking Act (Chapter 488), provides corporate and retail banking services in various parts of the country. The Bank is incorporated in Kenya under the Kenyan Companies Act and has subsidiaries in Kenya and Tanzania. The consolidated financial statements of the Bank as at and for the year ended 31 December 2025 comprise the Bank and its subsidiaries (together referred to as the "Group"). The address of its registered office is as follows:

1 Park Avenue
1st Parklands Avenue
PO Box 30238-00100
Nairobi, Kenya

The Bank has a 49.51% (2024: 78.51%) shareholding in I&M Bank (T) Limited and 100% (2024: 100%) shareholding in I&M Bancassurance Intermediary Limited (IMBIL) (incorporated on 23 July 2014).

2. BASIS OF PREPARATION

(a) Statement of compliance

The Group's consolidated and separate financial statements for the year 2024 have been prepared in accordance with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act 2015. Details of the material accounting policies are included in Note 3. The financial statements have been prepared based on accounting policies applicable to a going concern.

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

(b) Basis of measurement

These consolidated and separate financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) which are measured at fair value.

(c) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya shillings, which is the group's presentation currency. All financial information presented in KShs has been rounded to the nearest thousand (KShs'000) except where otherwise stated.

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 5.

(e) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year.

The following are the new standards and amendments effective during the year ended 31st December 2025, including consequential amendments to other standards with the date of initial application being 1st January 2025.

New standards or amendments	Effective for annual period beginning or after
— Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	1 January 2025

The Group did not early adopt new or amended standards in the year ended 31st December 2025. None of the standards had a material effect on the financial statements of the Group and Company.

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31st December 2025

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31st December 2025, and have not been applied in preparing these financial statements.

The Group does not plan to early adopt these standards. These are summarised below:

New standards or amendments	Effective for annual period beginning or after
— Annual Improvements to IFRS Accounting Standards – Amendments to: • IFRS 1 First-time Adoption of International Financial Reporting Standards. • IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; • IFRS 9 Financial Instruments. • IFRS 10 Consolidated Financial Statements; and • IAS 7 Statement of Cash flows	1 January 2026
— Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	1 January 2026

2. BASIS OF PREPARATION (Continued)

(e) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31st December 2025 – continued

New standards or amendments	Effective for annual period beginning or after
— Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	1 January 2027
— Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
— IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
— IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*	To be determined

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements;

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing and discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cashflows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's and Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs.

None of the other standards are expected to have a material effect on the financial statements of the Group and Company.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below:

(a) Basis of consolidation

(i) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany transactions are eliminated during consolidation.

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation.

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Foreign currency transactions are translated into the presentation currency of Group entities using the exchange rates prevailing at the dates of the transactions. 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 in the profit or loss in the year in which they arise.

Foreign currency non-monetary items measured at fair value are translated into presentation currency using the rate of exchange at the date the fair value was determined. Foreign currency gains and losses on non-monetary items are recognized in the statement of profit or loss or statement of comprehensive income consistent with the gain or loss on the non-monetary item.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(c) Foreign operations

The results and financial position of the subsidiaries have been translated into the presentation currency as follows:

(i) Assets and liabilities at each reporting period are translated at the closing rate at the reporting date;
(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Income recognition

(i) Net interest income

Effective interest rate and amortised cost

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

— the gross carrying amount of the financial asset; or
— the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees at points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount.

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Income recognition (continued)

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(f)(iii).

Presentation

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income (OCI) include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(ii) Net fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income (including account servicing fees, investment management fees, sales commission, placement fees and syndication fees) are recognised over time as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are recognised at a point in time as the service is performed.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Net trading income and net income on financial assets at fair value through profit or loss

Net trading income and net income on financial assets at fair value through profit or loss comprises gains less losses related to trading assets and liabilities, and all fair value changes, interest, dividends and foreign exchange differences.

(iv) Other operating income

Other operating income comprises rental income and gain on disposal of property and equipment. Rental income is recognised in the profit or loss on a straight-line basis over the term of the lease.

(v) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of operating income.

(e) Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit and does not give rise to equal taxable and deductible temporary differences.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments

(i) Initial recognition and initial measurement of financial assets

The Group recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. A Financial asset (except for certain trade receivables) is measured at initial recognition at its fair value plus, for financial assets not subsequently measured 'at fair value through profit or loss' transaction costs that are directly attributable to the acquisition of the financial asset. The Group's trade receivables that do not have a significant financing component (determined in accordance with IFRS 15- Revenue from Contracts with Customers) are not initially measured at fair value, rather they are initially measured at their transaction price. The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification and measurement of financial assets

After initial recognition, the Group's financial assets are measured at:

1. amortised cost
2. fair value through other comprehensive income (FVOCI) or
3. fair value through profit or loss (FVTPL).

ii) Classification and measurement of financial assets – continued

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss, the Group's financial assets are classified on the basis of both:

a. the Group's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

(i) Amortised cost

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss the Group's financial assets are measured at amortised cost only if both of the following conditions are met:

c. the financial asset of the Group is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
d. the contractual terms of the Group's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the Group's financial asset satisfies both of these conditions, the Group measures the financial asset at amortised cost unless it is designated as at fair value through profit or loss (FVTPL) on initial recognition. Any of the Group's Financial assets that do not meet the conditions stated above, are required to be subsequently measured at fair value through profit or loss except for investments in equity instruments not held for trading that are elected at initial recognition to be measured at fair value through other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and measurement of financial assets – continued

(i) Amortised cost (Continued)

Financial assets of the Group that meet the condition in (b) above but do not meet the condition in (a) above, may meet the criteria to be measured at fair value through other comprehensive income.

Because both conditions (the business model test and the contractual cash flows characteristics test) must be met for amortised cost measurement, the order in which the tests are performed is irrelevant for the Group. The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL); equity investments designated as at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost. Management determines the appropriate classification of its investment at initial recognition.

The classification of financial instruments can be seen in the table below:

Category	Classification	Financial statement caption	Class
Financial assets	Fair value through profit or loss	Financial assets at fair value through profit or loss	Debt securities
			Derivative assets
	Amortised cost	Loans and advances to banks	
		Due from group companies	
		Loans and advances to customers	
		Other assets	
		Cash and balances with Central Bank of Kenya	
	Fair value through other comprehensive income	Financial assets at fair value through other comprehensive income	Investment securities designated at FVOCI Equities
Financial liabilities	Financial liabilities at amortised cost	Deposits from banks	
		Deposits from customers	
		Borrowings	
		Due to group companies	
		Other liabilities	
	Fair value through profit or loss	Financial liabilities at fair value through profit or loss	
Off-balance sheet financial instruments	Loan commitments		
	Guarantees, acceptances, letters of credit and other financial liabilities		
The Group recognises ECL based on unbiased forward-looking information. ECL is recognised on all financial assets measured at amortised cost, lease receivables, debt instruments measured at fair value through other comprehensive income, loan commitments not measured at fair value and financial guarantee contracts not measured at fair value.			

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and measurement of financial assets – continued

(i) Amortised cost (Continued)

Business model assessment for amortised cost measurement

For amortised cost measurement, the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows.

Financial assets of the Group that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling assets).

In determining whether cash flows are going to be realised by collecting the Group's financial assets' contractual cash flows, the Group considers the frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, sales in themselves do not determine the business model of the Group and therefore cannot be considered in isolation. Instead, information about the Group's past sales and expectations about future sales provide evidence related to how the Group's stated objective for managing the financial assets is achieved and, specifically, how cash flows are realised. The Group considers information about past sales within the context of the reasons for those sales and the conditions that existed at that time as compared to current conditions.

(ii) Fair value through other comprehensive income (FVOCI)

Except for financial assets of the Group that are designated at initial recognition as at fair value through profit or loss the Group's financial assets are measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

a. the Group's financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. the contractual terms of the Group's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets of the Group that do not meet the condition in (b) above, are required to be subsequently measured at fair value through profit or loss or in the case of certain investments in equity instruments may be elected at initial recognition to be measured at fair value through other comprehensive income. Financial asset of the Group that meets the condition in (b) above but does not meet the condition in (a) above, may meet the criteria to be measured at amortised cost.

3. **MATERIAL ACCOUNTING POLICIES (Continued)**

(f) Financial instruments (continued)

(ii) Classification and measurement of financial assets – continued

(ii) Fair value through other comprehensive income (FVOCI) (Continued)

Designation of equity instruments as at FVOCI

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3-Business Combinations applies. The Group's financial asset is held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The election by the Group to designate an investment in an equity instrument at FVOCI is made on an instrument-by-instrument (i.e., share-by-share) basis. If the election is made, only dividend income that does not clearly represent a recovery of part of the cost of the investment is recognised in profit or loss, with all other gains and losses (including those relating to foreign exchange) recognised in other comprehensive income. These gains and losses remain permanently in equity and are not subsequently reclassified to profit or loss, even on derecognition. However, the Group may transfer the cumulative gain or loss within equity as a reserve movement.

Business model assessment for FVOCI measurement

Fair value through other comprehensive income measurement financial assets must be held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. There are various objectives that may be consistent with this type of business model.

For example, the objective of the Group's business model may be to manage everyday liquidity needs, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities that those assets are funding. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to the Group's business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it. However, there is no threshold for the frequency or value of sales that must occur in this business model because both collecting contractual cash flows and selling the Group's financial assets are integral to achieving its objective.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and measurement of financial assets – continued

(iii) Fair value through profit or loss (FVTPL)

The Group classifies assets that do not qualify for amortised cost measurement or measurement at FVOCI to be measured subsequently to initial recognition at FVTPL (except if it is an investment in an equity instrument designated at FVOCI).

Gains and losses that arise between the end of the last annual reporting period and the date an instrument is derecognised do not constitute a separate 'profit/loss on disposal'. Such gains and losses will have arisen prior to disposal, while the item is still being measured at FVTPL, and should be recognised in profit or loss when they occur.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification – continued

Business model assessment – continued

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortised cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification – continued

Debt instruments measured at amortised cost - continued

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in non-interest income in the Consolidated Statement of profit or loss and other comprehensive income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the statement of profit or loss and other comprehensive income.

Premiums, discounts and related transaction costs are amortized over the expected life of the instrument as interest income in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the statement of profit or loss and other comprehensive income. The accumulated allowance recognised in OCI is recycled to the statement of profit or loss and other comprehensive income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL.

Debt instruments are measured at FVTPL if assets:

(i) Are held for trading purposes;
(ii) Are held as part of a portfolio managed on a fair value basis; or
(iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in the statement of profit or loss and other comprehensive income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the statement of profit or loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification – continued

Debt instruments designated at FVTPL.

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognized in Non-interest income in the statement of profit or loss.

Equity instruments

The Group has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, to FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the statement of profit or loss and other comprehensive income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in the statement of profit or loss and other comprehensive income.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group internal policy does not allow reclassification of financial assets after initial recognition.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Derivatives

The Group uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group's net interest income, net trading income, and derivative assets and liabilities. The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification – continued

Derivatives - continued

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

The fair value of forward exchange contracts is the amount of the mark to market adjustment at the reporting date.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

(iii) Impairment of financial assets

The Group recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

— financial assets (amortised cost and FVOCI) including debt instruments, loans and advances and trade receivables from Bancassurance.
— financial guarantee contracts issued; and
— loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

— debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
— other financial instruments (other than lease receivables) on which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since their initial recognition i.e. stage 1 (see Note 5(a)).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. Trade receivables are considered fully impaired if they are over 365 days past due.

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(iii) Impairment of financial assets – continued

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and or shows qualitative factors such as change in industry behaviours eg breach in covenants, restructuring and decline in trading activities.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In determining whether debt securities have a low credit risk, the Group assess both quantitative and qualitative factors, including

- sovereign credit rating
- proven track record of continued debt servicing,
- continued access to funding from local and international debt markets, including bilateral and multilateral institutions,
- demonstrated economic resilience through GDP growth, inflation, currency depreciation, stable fiscal revenue streams and stable central bank foreign reserves, and
- active trading in the secondary market if such securities are listed.

The Group has however carried ECL assessment on investment securities and booked charge in the income statement.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Significant Increase in Credit Risk (SICR)

At each reporting date, the Group performs both qualitative and quantitative assessments whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR is largely determined by the macroeconomic outlook, management judgement, and delinquency and monitoring. The Group considers that a significant increase in credit risk occurs when assets are more than 30 days past due and or shows qualitative factors such as change in industry behaviours eg breach in covenants, restructuring and decline in trading activities and to be in default if more than 90 days past due.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(iii) Impairment of financial assets – continued

Examples of situations include a significant departure from the primary source of repayment, changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and legislative changes impacting certain portfolios.

With regards to delinquency and monitoring, there is a rebuttable presumption that delinquency backstops when contractual payments are more than 30 days past due.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date (stage 1 and 2):* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting dat*e (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Group expects to recover. See also Note 5(a).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(f)(iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(iii) Impairment of financial assets – continued

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Government securities (debt instruments)

In making an assessment of whether an investment in sovereign debt (government bills and bonds, balances due from central banks) is credit-impaired, the Group considers the following factors;

(i) The country's ability to access own local capital markets for new debt issuance;
(ii) The respective government ability to maintain sovereignty on its currency; and
(iii) The intentions and capacity, reflected in public statements, of governments and agencies to honour these commitments.

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in other comprehensive income.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iv) De-recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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 (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3(f)(iii).

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

The terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

(g) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Fair value measurement (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements: (Refer to Note 6)

— Quoted market prices – Level 1 Fair values are classified as Level 1 if they have been determined using unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date. The quoted prices are required to represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

— Valuation technique using observable inputs – Level 2 Inputs classified as Level 2 are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), but do not constitute quoted prices that are included within Level 1. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

— Valuation technique using significant unobservable inputs – Level 3 Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (that is, they are unobservable inputs). An input is deemed to be significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations as well through employing other analytical techniques.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(h) Hedge accounting

Group uses derivatives in hedging strategies to manage exposure to interest rate risks. Where hedge accounting can be applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and strategy for undertaking the hedge transaction. The documentation identifies the specific asset, liability or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed. Assessment is done both at the inception of the hedge and on an ongoing basis to assess whether the hedging instruments are 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items.

Cashflow hedges

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in OCI and reclassified to profit or loss as the associated hedged forecast transaction occurs, while the ineffective portion is recognized in profit or loss. When hedge accounting is discontinued, the cumulative amounts previously recognized in OCI are reclassified to profit or loss during the periods when the variability in the cash flows of the hedged item affects profit or loss. Unrealized gains and losses on derivatives are reclassified immediately to profit or loss when the hedged item is sold or terminated early, or when the forecast transaction is no longer expected to occur.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(j) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

Depreciation is charged on a straight -line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

— Leasehold improvements	8 – 10 years or over the period of Lease if shorter than 8 years
— Computer equipment and computer software	3 – 4 years
— Furniture, fittings and fixtures	8 years
— Motor vehicles	4- 5 years

Depreciation is recognised in profit or loss. The assets residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in other income in the statement of profit or loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(k) Intangible assets

(i) Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measured at cost less accumulated amortisation and accumulated impairment loss. The costs are amortised on a straight-line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the acquired company's identifiable assets, liabilities and contingent liabilities as at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. At the reporting date, the Group assesses the goodwill carried in the books for impairment. The task involves comparing the carrying value of a cash generating unit (CGU) including cashflows discounted at a rate of interest that reflects the inherent risks of the CGU to which the goodwill relates to.

(l) Leases

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

Group acting as a lessee.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(l) Leases (continued)

Group acting as a lessee – continued

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred income tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(m) Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Employee benefits

(i) Defined contribution plan

The majority of the Group's employees are eligible for retirement benefits under a defined contribution plan.

The assets of the defined contribution scheme are held in a separate trustee administered guaranteed scheme managed by an insurance company. Retirement plans are funded by contributions from the employees and the respective entities. The Group's contributions are recognised in profit or loss in the year to which they relate.

The Group also contributes to various national social security funds in the countries it operates. Contributions are determined by local statute and the Group's contributions are charged to the income statement in the year to which they relate.

(ii) Leave accrual.

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the statement of profit or loss and other comprehensive income.

(o) Share capital and share issue costs.

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

(p) Earnings per share

Earnings per share are calculated based on the profit attributable to owners of the company divided by the number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year.

(q) Dividends

Dividends paid by Group/Company are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

(r) Contingent liabilities

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities are made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged in statement of profit or loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(t) Fiduciary activities

The Group commonly acts as Trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefits plans and institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(u) Non-current assets held for sale

Non-current assets are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal, are measured at the lower of their carrying amount and fair value less cost to sell. For non-financial assets, fair value takes into account the highest and best use either on a standalone basis or in combination with other assets or other assets and liabilities.

Any impairment loss on a disposal is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Bank's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

(v) Offsetting

In accordance with IAS 32 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(w) Comparative information

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

4. FINANCIAL RISK MANAGEMENT

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk.

Financial risk

The most important types of risk to which the Group is exposed are credit risk, market risk and operational risk. Market risk includes liquidity risk, currency risk and interest rate risk.

(a) Credit risk

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

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

Credit-related commitment risks

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

The Board of Directors of the individual Group entities have delegated responsibility of the management of credit risk to their respective Board Credit Committees. Further, each entity has its own and separate Credit Risk Management Committee that reports to its Board Credit Committee. The Group's credit exposure at the reporting date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the statement of financial position.

The risk that the counter-parties to trading instruments might default on their obligation is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments over their remaining life.

To manage the level of credit risk, the Group deals with counter parties of good credit standing wherever possible and when appropriate, obtains collateral.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

The Group also monitors concentrations of credit risk that arise by industry or sector and type of customer in relation to Group loans and advances to customers by carrying a balanced portfolio. The Group concentration is on manufacturing, wholesale and retail and real estate and all are within internal policy limits on single sector concentration.

To determine impairment of loans and advances, the Group assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

Exposure to credit risk

The Group has no significant exposure to any individual customer or counter-party.

To determine impairment of loans and advances, the Group assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

(i) Credit quality analysis – Loans and advances to customers

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

See accounting policy on note 3(f)(iii) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

Group

2025: ***Risk classification***	**12 month ECL (Stage 1) KShs'000**	**Lifetime ECL Not Credit Impaired (Stage 2) KShs'000**	**Lifetime ECL Credit Impaired (Stage 3) KShs'000**	**Total 31 December KShs'000**
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	218,144,405	-	-	218,144,405
Watch (Stage 2)	-	10,192,554	-	10,192,554
Non-performing loans (Stage 3)	-	-	30,268,376	30,268,376
Gross carrying amount	**218,144,405**	**10,192,554**	**30,268,376**	**258,605,335**
Loss allowance	(2,290,814)	(1,488,922)	(9,775,144)	(13,554,880)
Carrying amount	**215,853,591**	**8,703,632**	**20,493,232**	**245,050,455**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis – Loans and advances to customers – continued

Group - continued

2024: *Risk classification*	12 month ECL (Stage 1) KShs'000	Lifetime ECL Not Credit Impaired (Stage 2) KShs'000	Lifetime ECL Credit Impaired (Stage 3) KShs'000	Total 31 December KShs'000
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	207,489,982	-	-	207,489,982
Watch (Stage 2)	-	10,782,936	-	10,782,936
Non-performing loans (Stage 3)	-	-	32,950,621	32,950,621
Gross carrying amount	**207,489,982**	**10,782,936**	**32,950,621**	**251,223,539**
Loss allowance	(1,795,389)	(1,666,887)	(8,470,940)	(11,933,216)
Carrying amount	**205,694,593**	**9,116,049**	**24,479,681**	**239,290,323**

Company

2025: *Risk classification*	12 month ECL (Stage 1) KShs'000	Lifetime ECL Not Credit Impaired (Stage 2) KShs'000	Lifetime ECL Credit Impaired (Stage 3) KShs'000	Total 31 December KShs'000
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	192,415,050	-	-	192,415,050
Watch (Stage 2)	-	7,753,217	-	7,753,217
Non-performing loans (Stage 3)	-	-	29,084,716	29,084,716
Gross carrying amount	**192,415,050**	**7,753,217**	**29,084,716**	**229,252,983**
Loss allowance	(2,031,304)	(658,460)	(9,199,122)	(11,888,886)
Carrying amount	**190,383,746**	**7,094,757**	**19,885,594**	**217,364,097**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis – Loans and advances to customers – continued

2024: *Risk classification*	**12 month ECL (Stage 1) KShs'000**	**Lifetime ECL Not Credit Impaired (Stage 2) KShs'000**	**Lifetime ECL Credit Impaired (Stage 3) KShs'000**	**Total 31 December KShs'000**
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	189,021,634	-	-	189,021,634
Watch (Stage 2)	-	7,389,398	-	7,389,398
Non-performing loans (Stage 3)	-	-	30,944,300	30,944,300
Gross carrying amount	**189,021,634**	**7,389,398**	**30,944,300**	**227,355,332**
Loss allowance	(1,718,783)	(1,610,786)	(7,938,387)	(11,267,956)
Carrying amount	**187,302,851**	**5,778,612**	**23,005,913**	**216,087,376**

The following shows the grading of loans and advances to customers in line with local prudential guidelines

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis – loans and advances to customers at amortised cost – continued

Group:	**2025**	**2024**
Loans and advances at amortized cost	**KShs'000**	**KShs'000**
Identified impairment:		
Grade 3: Substandard	7,570,245	9,381,477
Grade 4: Doubtful	16,068,220	18,481,232
Grade 5: Loss	6,629,911	5,087,912
	30,268,376	**32,950,621**
Specific allowances for impairment	(9,775,144)	(8,470,940)
Carrying amount	**20,493,232**	**24,479,681**
Unidentified impairment:		
Grade 1: Normal	218,144,405	207,489,982
Grade 2: Watch	10,192,554	10,782,936
	228,336,959	**218,272,918**
Portfolio allowances for impairment	(3,779,736)	(3,462,276)
Carrying amount	**224,557,223**	**214,810,642**
Carrying amount	**245,050,455**	**239,290,323**
Loans and advances at fair value through profit or loss	624,392	406,798
Total carrying amount	**245,674,847**	**239,697,121**
Provisions as per IFRS 9	13,554,880	11,933,216
Statutory loan loss reserve	10,856,075	10,547,305
Regulatory provisions	**24,410,955**	**22,480,521**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis – loans and advances to customers at amortised cost – continued

Company:	**2025**	**2024**
Loans and advances to customers	**KShs '000**	**KShs '000**
Identified impairment:		
Grade 3: Substandard	6,770,584	8,588,367
Grade 4: Doubtful	15,884,999	17,746,377
Grade 5: Loss	6,429,133	4,609,556
	29,084,716	**30,944,300**
Specific allowance for impairment	(9,199,122)	(7,938,387)
Carrying amount	**19,885,594**	**23,005,913**
Unidentified impairment:		
Grade 1: Normal	192,415,050	189,021,634
Grade 2: Watch	7,753,217	7,389,398
	200,168,267	**196,411,032**
Portfolio impairment provision	(2,689,764)	(3,329,569)
Carrying amount	**197,478,503**	**193,081,463**
Total carrying amount	**217,364,097**	**216,087,376**
Loans and advances at fair value through profit or loss	624,392	406,798
	217,988,489	**216,494,174**
Provisions as per IFRS 9	11,888,886	11,267,956
Statutory loan loss reserve	10,884,877	10,313,446
Regulatory provisions	**22,773,763**	**21,581,402**

Group:	**Gross**	**Net**
Identified impairment:	**KShs'000**	**KShs'000**
31 December 2025		
Grade 3: Substandard	7,570,245	6,543,422
Grade 4: Doubtful	16,068,220	9,524,117
Grade 5: Loss	6,629,911	4,425,693
	30,268,376	**20,493,232**
31 December 2024		
Grade 3: Substandard	9,381,477	9,738,257
Grade 4: Doubtful	18,481,232	12,017,355
Grade 5: Loss	5,087,912	2,724,069
	32,950,621	**24,479,681**
Unidentified impairment:		
31 December 2025		
Grade 1: Normal	218,144,405	215,853,591
Grade 2: Watch	10,192,554	8,703,632
	228,336,959	**224,557,223**
31 December 2024		
Grade 1: Normal	207,489,982	205,694,593
Grade 2: Watch	10,782,936	9,116,049
	218,272,918	**214,810,642**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis – loans and advances to customers – continued

Company: *Identified impairment:*	**Gross KShs'000**	**Net KShs'000**
31 December 2025		
Grade 3: Substandard	6,770,584	6,001,129
Grade 4: Doubtful	15,884,999	9,473,492
Grade 5: Loss	6,429,133	4,410,973
	29,084,716	**19,885,594**
31 December 2024		
Grade 3: Substandard	8,588,367	9,079,645
Grade 4: Doubtful	17,746,377	11,334,871
Grade 5: Loss	4,609,556	2,591,397
	30,944,300	**23,005,913**
Unidentified impairment:		
31 December 2025		
Grade 1: Normal	192,415,050	190,383,746
Grade 2: Watch	7,753,217	7,094,757
	200,168,267	**197,478,503**
31 December 2024		
Grade 1: Normal	189,021,634	187,302,851
Grade 2: Watch	7,389,398	5,778,612
	196,411,032	**193,081,463**

Loans and advances to customers	**2025**	**2024**
Group	**KShs'000**	**KShs'000**
Fair value of collateral held – against impaired loans	**20,517,610**	**24,479,681**
Company		
Fair value of collateral held - against impaired loans	**19,885,594**	**23,005,913**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(i) Credit quality analysis – loans and advances to customers – continued

Probability of defaults (PDs) applicable during the year as shown below

I&M Kenya				
	2025		2024	
SECTOR	NORMAL	WATCH	NORMAL	WATCH
Agriculture	0.91%	40.74%	1.12%	34.87%
Manufacturing	0.50%	22.69%	0.69%	19.41%
Building and construction	1.67%	36.50%	1.96%	35.09%
Mining & quarrying	0.74%	34.83%	0.47%	15.68%
Energy & water	1.60%	33.44%	1.39%	29.35%
Wholesale trade & retail trade	1.18%	41.50%	1.08%	33.39%
Tourism, restaurants and hotels	0.92%	39.60%	1.27%	34.43%
Transport & communication	0.80%	38.12%	0.94%	31.78%
Real estate	1.05%	29.31%	1.73%	30.12%
Financial services	0.61%	21.28%	0.99%	21.74%
Personal and household	1.64%	47.79%	1.03%	30.73%

I&M Tanzania				
	2025		2024	
SECTOR	NORMAL	WATCH	NORMAL	WATCH
Agriculture	0.96%	0.50%	0.33%	25.21%
Manufacturing	3.42%	6.88%	1.58%	21.96%
Building and construction	3.11%	5.22%	2.38%	9.51%
Mining & quarrying	11.34%	0.50%	15.92%	42.03%
Energy & water	0.50%	0.50%	0.05%	0.05%
Wholesale trade & retail trade	1.92%	3.30%	1.45%	29.25%
Tourism, restaurants and hotels	0.21%	0.50%	0.05%	0.05%
Transport & communication	3.40%	5.96%	0.81%	14.62%
Real estate	3.91%	6.96%	1.48%	10.60%
Financial services	0.50%	0.50%	1.19%	23.89%
Personal and household	0.50%	0.50%	2.80%	9.95%
Education	4%	1%	0.85%	12.91%

Impaired loans and securities

Impaired loans and securities are loans for which the Group determines that it is probable that it will be unable to collect all or part principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (Substandard) to 5 (Loss) in the Group's internal credit risk and grading system.

Loans experiencing significant increase in credit risk

These are loans where contractual interest or principal payments are past due but the Group 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 Group. These loans are stage 2 (Watch) in the Group's internal credit risk and grading system.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(ii) Credit quality analysis – trade receivables

The Group's exposure to trade receivables credit risk (through its operations in Bancassurance subsidiary) is influenced mainly by the individual characteristics of each customer. The Group uses an allowance matrix, using the simplified approach, to measure the lifetime ECLs of trade receivables for customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

2025:	**Weighted average loss rate %**	**Gross KShs'000**	**Impairment KShs'000**	**Net KShs'000**	**Credit impaired**
Current	7	7,886	547	7,339	No
Past due:					
30-90 days	10	15,257	1,455	13,802	No
91-180 days	54	11,940	6,393	5,547	Yes
180-360 days	80	29,014	23,070	5,944	Yes
Over 360 days	100	43,431	43,431	-	Yes
		107,528	**74,896**	**32,632**	

2024:	**Weighted average loss rate %**	**Gross KShs'000**	**Impairment KShs'000**	**Net KShs'000**	**Cred impaire**
Current	8	16,103	1,236	14,867	N
Past due:					
30-90 days	9	16,746	1,482	15,264	N
91-180 days	58	20,566	11,943	8,623	Ye
180-360 days	72	35,008	25,037	9,971	Ye
Over 360 days	100	13,976	13,976	-	Ye
		102,399	**53,674**	**48,725**	

Impairment loss movement on trade receivables

	2025 KShs'000	**2024 KShs'000**
At 1 January	53,674	40,424
Charge for the year	21,222	13,250
At 31 December	**74,896**	**53,674**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(ii) Credit quality analysis – trade receivables – continued

Loss rates are based on actual credit loss experience over the past three years. All trade receivables that are past due over 360 days are considered uncollectible and fully impaired. All financial assets that are contractually 90 days in arrears are automatically classified as impaired under IFRS 9. The Group therefore is of the view that due to the short term nature of these instruments, the impact of economic conditions is immaterial. Consequently, the impact of forward looking information has not been taken on these financial statements.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes; financial statements, credit agency information, industry information and in some cases references from other credible sources. Credit limits are established for each customer and reviewed frequently. Any credit exceeding those limits require approval from the risk management committee.

In addition, the Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of six months for customers. A significant part of the Group's customers has been transacting with the entities.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(iii) Credit quality analysis – other assets

The Group has estimated that the ECL for the following financial assets has minimal credit risk as at 31st December 2025. Consequently, the ECL has not been carried in the books of accounts.

	Group			Company
	2025	2024	2025	2024
	KShs'000	KShs'000	KShs'000	KShs'000
Balances with central banks (Note 16)	16,220,143	19,577,858	11,625,673	15,399,932
Items in the course of collection (Note 17)	378,928	669,433	376,440	669,433
Loans and advances to banks (Note 18)	38,684,596	29,055,596	32,892,301	25,474,262
Financial assets at fair value through profit or loss (FVTPL)	-	90,078	-	-
Due from related parties (Note 26)	1,520,609	1,588,011	5,878,768	4,147,774
	56,804,276	**50,980,976**	**50,773,182**	**45,691,401**

(iv) Collateral and other security enhancements

The Group holds collaterals 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 borrowings activity. Collateral usually is not held against investment securities, and no such collateral was held at 31st December 2025 or 2024.

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**	**2024**
Group	**KShs'000**	**KShs'000**
Fair value of collateral held – against impaired loans	**20,517,610**	**24,479,681**
Company		
Fair value of collateral held - against impaired loans	**19,885,594**	**23,005,913**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(iv) Collateral other security enhancements – continued

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, business holding approved collateral must ensure that they are legally perfected. Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The principal collateral types held by the Group for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Group maximum credit risk exposure

2025

	Exposure Kshs 000	Physical collateral Kshs 000	Cash collateral Kshs 000	Other Kshs 000	Net exposure Kshs 000
Cash and balances with central banks	16,220,143	-	-	-	**16,220,143**
Items in the course of collection	378,928	-	-	-	**378,928**
Financial assets at fair value through other comprehensive income	126,296,763	-	-	-	**126,296,763**
Financial assets at amortised cost	42,994,227	-	-	-	**42,994,227**
Financial assets at fair value through profit or loss	-	-	-	-	**-**
Loans and advances to banks	38,684,596	-	-	-	**38,684,596**
Other assets	6,269,801	-	-	-	**6,269,801**
Loans and advances to customers	245,674,847	99,436,943	16,327,525	77,039,053	**52,871,326**
Credit exposures relating to off-balance sheet items	142,514,378	17,804,030	33,732,252	36,142,829	**54,835,267**
Due from group companies	1,520,609	-	-	-	**1,520,609**
	620,554,292	**117,240,973**	**50,059,777**	**113,181,882**	**340,071,660**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(iv) Collateral other security enhancements – continued

Group maximum credit risk exposure (continued)

2024	Exposure Kshs 000	Physical collateral Kshs 000	Cash collateral Kshs 000	Other Kshs 000	Net exposure Kshs 000
Cash and balances with central banks	19,577,858	-	-	-	**19,577,858**
Items in the course of collection	669,433	-	-	-	**669,433**
Financial assets at fair value through other comprehensive income	61,481,188	-	-	-	**61,481,188**
Financial assets at amortised cost	71,889,366	-	-	-	**71,889,366**
Financial assets at fair value through profit or loss	90,078	-	-	-	**90,078**
Loans and advances to banks	29,055,596	-	-	-	**29,055,596**
Other assets	4,801,256	-	-	-	**4,801,256**
Loans and advances to customers	239,290,323	76,101,455	43,255,369	87,085,679	**32,847,820**
Credit exposures relating to off-balance sheet items	113,002,254	31,187,450	19,403,235	40,652,532	**21,759,037**
Due from group companies	1,588,011	-	-	-	**1,588,011**
	541,445,363	**107,288,905**	**62,658,604**	**127,738,211**	**243,759,643**

Company maximum credit risk exposure

2025	Exposure Kshs 000	Physical collateral Kshs 000	Cash collateral Kshs 000	Other Kshs 000	Net exposure Kshs 000
Cash and balances with Central Bank of Kenya	11,625,673	-	-	-	**11,625,673**
Items in the course of collection	376,440	-	-	-	**376,440**
Financial assets at fair value through other comprehensive income	126,076,095	-	-	-	**126,076,095**
Financial assets at amortised cost	35,172,168	-	-	-	**35,172,168**
Financial assets at fair value through profit or loss	-	-	-	-	-
Loans and advances to banks	32,892,301	-	-	-	**32,892,301**
Other assets	5,086,752	-	-	-	**5,086,752**
Loans and advances to customers	229,252,983	89,707,267	13,648,464	69,610,124	**56,287,128**
Credit exposures relating to off-balance sheet items	133,699,231	16,941,266	33,602,342	32,227,453	**50,928,170**
Due from group companies	5,878,768	-	-	-	**5,878,768**
	580,060,411	**106,648,533**	**47,250,806**	**101,837,577**	**324,323,495**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(iv) Collateral other security enhancements – continued

Company maximum credit risk exposure (continued)

2024

	Exposure Kshs 000	**Physical collateral Kshs 000**	**Cash collateral Kshs 000**	**Other Kshs 000**	**Net exposure Kshs 000**
Cash and balances with Central Bank of Kenya	15,399,932	-	-	-	**15,399,932**
Items in the course of collection	669,433	-	-	-	**669,433**
Financial assets at fair value through other comprehensive income	61,278,791	-	-	-	**61,278,791**
Financial assets at amortised cost	63,003,934	-	-	-	**63,003,934**
Financial assets at fair value through profit or loss	-	-	-	-	**-**
Loans and advances to banks	25,474,262	-	-	-	**25,474,262**
Other assets	4,083,612	-	-	-	**4,083,612**
Loans and advances to customers	227,355,332	64,482,027	40,181,338	80,251,618	**42,440,349**
Credit exposures relating to off-balance sheet items	106,283,584	30,143,917	18,783,884	37,515,851	**19,839,932**
Due from group companies	4,147,774	-	-	-	**4,147,774**
	507,696,654	**94,625,944**	**58,965,222**	**117,767,469**	**236,338,019**

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(a) Credit risk (continued)

(v) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(f)(iii).

Significant increase in credit risk

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

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due and or when there are qualitative indicators such as decline in trading activities and change in industry behaviour. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

— a quantitative test based on movement in PD;
— a backstop of 30 days past due is applied; and
— quantitative indicators
— qualitative factors such as change in industry behaviours eg breach in covenants, restructuring and decline in trading activities.

Credit risk grading

Other than for loans and advances to banks and investment securities where the Group relies on internal credit rating models, the Group relies substantially on macroeconomic variables and historic data in the market it operates in for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented

— by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures.
— External data such as credit bureau scoring information on individual borrowers.
— Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Credit risk grading – continued

The following are additional considerations for each type of portfolio held by the Group:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances. The Group collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

The Group has applied a simpler methodology (lifetime ECL) for its other exposures including lease receivables and trade receivables.

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(a) **Credit risk (continued)**

(v) Amounts arising from ECL – continued

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(f)(v).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

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

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time (at least 12 months) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Modified financial assets – continued

During the year, the Group has offered various forms of assistance to customers. The assistance included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Refer to Key Judgements and Estimates in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification). The table below shows the outstanding balance as at 31 December 2025 of all loans that have been modified (both substantial and non-substantial modifications):

	2025		2024	
	Group KShs'000	Company KShs'000	Group KShs'000	Company KShs'000
Assistance package category				
Loan deferral package				
Corporate & Institutional Banking	1,075,829	1,075,829	251,271	251,271
Business Banking	444,602	444,602	252,659	252,659
Premium Banking	45,800	45,800	53,026	53,026
Personal Banking	17,163	17,163	10,016	10,016
Interest only				
Corporate & Institutional Banking	220,270	220,270	1,187,123	1,187,123
Business Banking	122,981	122,981	34,582	34,582
Premium Banking	147,233	147,233	-	-
Personal Banking	49,552	49,552	-	-
Term extensions				
Corporate & Institutional Banking	1,585,045	1,483,678	1,951,681	12,849
Business Banking	130,152	130,152	62,546	62,546
Premium Banking	34,343	34,343	-	-
Personal Banking	6,159	6,159	-	-
Total				
Corporate & Institutional Banking	**2,881,144**	**2,779,777**	**3,390,075**	**1,451,243**
Business Banking	**697,735**	**697,735**	**349,787**	**349,787**
Premium Banking	**227,376**	**227,376**	**53,026**	**53,026**
Personal Banking	**72,874**	**72,874**	**10,016**	**10,016**
	3,879,129	**3,777,762**	**3,802,904**	**1,864,072**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Modified financial assets – continued

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

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

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

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

Incorporation of forward-looking information

For banking subsidiaries, the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the respective countries` Board Credit Committee (BCC) and consideration of a variety of external actual and forecast information, the banking subsidiaries formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the banking subsidiaries carry out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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

In each country, the Banking Industry non-performing loans (NPL%) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL%) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default.

Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 50% (base case), 20% (upside case) and 30% (downside case) was applied for Kenya.

The macro-economic model is based on a statistical modelling approach that employs a beta regression technique. The dependent variable in the regression is the bank's historical yearly NPL rates at a sector-level, and the independent variables are the country's historical macro-economic variables data. The macro-economic data series consists of both the historical data series as well as the forecasted macro-economic variables within a period of 10 years. Expected relationships between the macro-economic variables and the NPL experience are defined, and only macro-economic variables meeting these defined relationships are selected for the additional statistical tests which are carried out.

4. FINANCIAL RISK MANAGEMENT (Continued)
(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

In selecting the macro-economic variables to be used, various tests are carried out to ensure the variables selected have the strongest link to the credit experience of the bank. Some of the statistical tests employed in the variable selection include:

- Correlation Test
- Time Series Test
- Multi-Collinearity Test
- Univariate Beta Regression p-value test
- Lasso Regression
- Boruta Feature Selection and
- Recursive Feature Elimination

Selection of the macro-economic variables to be used is an iterative process, and one of the first tests is selecting variables that pass the stationarity test. A stationary variable is one whose statistical properties such as mean, variance, autocorrelation, etc. are all constant over time. The model also assesses the correlation between the bank's historical sector-level NPLs and each observed macroeconomic variable (the variables that passed the time series test). The model identifies a selection of macroeconomic variables based on correlation with historic NPL rates. Variables which are highly correlated with the historical NPLs, and also meet the expected economic relationship are included in the subsequent tests.

Multicollinearity tests (where two or more predictor variables are highly correlated) are also carried out, and highly correlated variables are dropped out. This ensures that the model includes only variables that contribute unique information The model subsequently applies univariate Beta regression p-value testing on the variables which pass the above tests. Variables with P-values of less than 5% are used, since this indicates that the macro-economic variable has a significant impact on the NPL experience. Several statistical iterations, including Lasso Regression and Boruta Feature Selection, are applied to inform the final macro-economic variables that are applied. Once the final macro-economic variables for each sector are selected, adjustment factors are calculated, and these adjustment factors are applied to the PDs.

Agriculture **Selected Macro-economic Variables**	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Government_domestic_debt_per_capita Savings Total_government_debt_USD	100%	96.0%	104.2%

Building & Construction **Selected Macro-economic Variables**	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Total_revenue Savings Exports_of_goods_and_services Exports_of_goods_and_services_per_capita	100%	98.4%	101.6%

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

For I&M Bank Kenya, the economic scenarios used as at 31 December 2025 included the following ranges of key indicators based on sectors;

Financial Services			
Selected Macro-economic Variables	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Net_exports_of_goods_services_per_capita Lending_rate Goods_and_services_exports	100%	92.64%	107.93%

Mining & Quarrying			
Selected Macro-economic Variables	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Lending_rate_ave Lending_rate_eop Exports_of_goods_and_services_per_capita	100%	96.82%	103.28%

Transport & Communication			
Selected Macro-economic Variables	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Real_GDP_per_capita Foreign_reserves_ex_gold Consumer_price_index_inflation_eop	100%	99.35%	100.66%

Wholesale & Retail			
Selected Macro-economic Variables	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Government_domestic_debt_per_capita_LCU Real_GDP_per_capita_LCU_chg	100%	99.37%	100.64%

Energy & water			
Selected Macro-economic Variables	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Lending_rate_ave M1_LCU_chg_yoy Lending_rate_eop Exports_of_goods_and_services_LCU	100%	84.69%	117.68%

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

Manufacturing **Selected Macro-economic Variables**	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Lending_rate_eop Real_GDP_per_capita_LCU_chg Nominal_Effective_Exchange_Rate	100%	98.34%	101.68%

Real estate **Selected Macro-economic Variables**	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Lending_rate_eop Savings_LCU_chg Import_price_index_chg Total_government_debt_USD_chg	100%	95.55%	104.59%

Tourism **Selected Macro-economic Variables**	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Goods_and_services_exports_USD_chg_yoy Total_revenue_LCU_chg_yoy Total_revenue_USD_chg_yoy	100%	95.85%	104.32%

Personal **Selected Macro-economic Variables**	**Average Base Scenario Adjustment Factor**	**Average Upside Scenario Adjustment Factor**	**Average Downside Scenario Adjustment Factor**
Consumer_price_index_inflation Real_GDP_per_capita_LCU_chg_yoy Consumer_price_index_inflation_eop_chg_yoy M3_USD_chg_yoy	100%	99.35%	100.66%

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

The economic scenarios used as at 31 December 2024 for I&M Bank Kenya included the following ranges of key indicators based on sectors;

Agriculture Selected Macro-economic Variables	Average Base Scenario Adjustment Factor	Average Upside Scenario Adjustment Factor	Average Downside Scenario Adjustment Factor
Total expenditure (Local currency) Short-term external debt per capita (USD) Public external debt stock (USD)	100%	93.7%	106.7%

Building & Construction Selected Macro-economic Variables	Average Base Scenario Adjustment Factor	Average Upside Scenario Adjustment Factor	Average Downside Scenario Adjustment Factor
Total revenue (Local currency) Total revenue (USD)	100%	98.0%	101.1%

Financial Services Selected Macro-economic Variables	Average Base Scenario Adjustment Factor	Average Upside Scenario Adjustment Factor	Average Downside Scenario Adjustment Factor
Public external debt stock per capita (USD) Net exports per capita (Local currency) Real GDP growth	100%	98.50%	101.50%

Mining & Quarrying Selected Macro-economic Variables	Average Base Scenario Adjustment Factor	Average Upside Scenario Adjustment Factor	Average Downside Scenario Adjustment Factor
Export price index Total revenue (USD) Short-term external debt per capita (USD) Nominal GDP per capita (USD) Public external debt stock (USD)	100%	96.30%	108.80%

Transport & Communication Selected Macro-economic Variables	Average Base Scenario Adjustment Factor	Average Upside Scenario Adjustment Factor	Average Downside Scenario Adjustment Factor
Consumer Price Index inflation Money supply (Local currency) Import price index Nominal effective exchange rate	100%	99.00%	101.00%

Wholesale & Retail Selected Macro-economic Variables	Average Base Scenario Adjustment Factor	Average Upside Scenario Adjustment Factor	Average Downside Scenario Adjustment Factor
Nominal GDP per capita (local currency) Long term external debt stock per capita (USD)	100%	91.50%	109.30%

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

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

For I&M Bank (T) Limited, the economic scenarios used as at 31 December 2025 included the following ranges of key indicators based on sectors;

TANZANIA 2025

Macro-Economic Variable	Coefficient/ Sensitivity	Base %	Upside %	Downside %
Weighting		**50**	**20**	**30**
Agriculture				
Short-term debt	2.8879	5	3	8
Constant rate	-2.4339			
Trade				
Imports of goods and services	-6.40657	-3.203	-1.922	-4.164
Consumption real growth	46.8542	23.427	14.056	35.279
Domestic demand per capita	-21.2379			
Constant rate				
Mining and Quarrying				
Exchange Rate	22.94062	11.47	6.882	17.205
Government final consumption per capita	-41.9211	-20.961	-12.577	-31.337
Constant rate	0.080128			
Transport and Communication				
Consumption real growth	66.43588	33.218	19.931	49.851
Exchange rate	23.5081	11.754	7.052	17.631
Constant rate	-5.5264			
Financial Services				
Exchange rate	21.48208	10.741	6.445	16.112
Services exports	-9.1752	-4.588	-2.753	-6.878
Exports of goods and services	8.4395	4.22	2.532	6.33
Constant rate	-2.42129			
Tourism, Tourism and Hotels				
Exchange rate	29.56743	14.784	8.87	22.15
Imports of goods and services per capita	3.570228	1.785	1.071	2.678
Constant rate	-2.32501			
Building and Construction				
Exchange rate	56.98501	28.493	17.096	42.74
Domestic demand per capita	32.34203	16.171	9.703	24.257
Nominal GDP per capita	-26.3334	-13.167	-5.267	-26.667
Constant rate	-1.62186			

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

Macro-Economic Variable	Coefficient/ Sensitivity	Base %	Upside %	Downside %
Weighting		**50**	**20**	30
Real Estate and Housing Loans				
Exchange rate	22.46516	11.233	6.74	16.85
Import price index	7.766131	3.883	2.33	5.849
Exports of goods and services per capita	1.512977	0.756	0.454	1.134
Constant rate	-0.30572			
Manufacturing				
Exchange rates	8.089081	4.045	2.427	6.068
Foreign reserves	-3.06467	-1.532	-0.92	-2.299
Exports of goods and services	-1.40518	-0.703	-0.422	-1.055
Constant rate	-1.94167			
Personal				
Exchange rate	9.590184	4.795	2.878	7.193
Exports of goods and services per capita	-2.68698	-1.343	-0.806	-2.015
Interest payments	2.005518	1.003	0.602	1.505
Constant rate	-1.60014			

For I&M Bank (T) Limited, the economic scenarios used as at 31 December 2024 included the following ranges of key indicators based on sectors;

TANZANIA 2024

Macro-Economic Variable	Coefficient/ Sensitivity	Base %	Upside %	Downside %
Weighting		**70.83%**	**12.50%**	**16.67%**
Agriculture				
Repo rate	35.1494	5.30%	4.18%	6.42%
Constant rate	-1.7051			
Hotel and Restaurant				
Repo rate	30.047	5.30%	7.06%	3.54%
Savings rate	-90.713	8.12%	7.79%	9.88%
Constant rate	4.833			
Trade				
Repo rate	11.6651	5.30%	6.42%	4.18%
Savings rate	-30.7552	8.11%	7.79%	8.44%
Constant rate	-0.7475			

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Incorporation of forward-looking information – continued

Macro-Economic Variable	Coefficient/ Sensitivity	Base %	Upside %	Downside %
Weighting		**70.83%**	**12.50%**	**16.67%**
Services				
91 Day T-bills	-42.616	5.60%	4.14%	7.07%
Savings rate	-174.346	8.12%	7.79%	8.44%
Constant rate	12.597			
Personal loan				
91 Day T-bills	14.379	5.60%	7.07%	4.14%
364 Day T-bills	11.517	10.12%	11.76%	8.47%
Constant rate	-4.768			
Building and Construction				
364 Day T-bills	18.345	9.98%	11.63%	8.33%
Foreign exchange rates	9.6169	-4.04%	-1.53%	-6.54%
Constant rate	-1.8363			
Real Estate				
Central bank rate	10.4955	6.00%	6.23%	5.77%
Inflation rate	27.9332	3.02%	3.07%	2.97%
Constant rate	-3.8675			
Manufacturing				
Interbank rate	(23.682	7.28%	6.91%	7.66%
Currency exchange rates	7.985	0.87%	1.10%	0.64%
Public debt to GDP	109.818	36.13%	36.19%	36.06%
Constant rate	-42.583			

Some sectors did not have an intuitive relationship with macro-economic factors and had weak correlations. These include: Housing, Transport & Communication, Mining & Quarrying, Other Services, Tourism, Agriculture, Education and Hotels & Restaurants. For these sectors, an average adjustment of sectors with intuitive relationship with macroeconomic factors and credit conversion above 40% was used to adjust Historical PDs.

Other Sectors had no historical default rates and historical PDs were noted as 0%. This included Education, Agriculture (Stage 2) and tourism, restaurant and hotels (Stage 2). In view of this, management judgements were applied by taking a minimum PD of 0.05% for purposes of ECL calculation.

Measurement of ECL

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

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Measurement of ECL – continued

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

Where it is available, market data may also be used to derive the PD for loans and advances to LGD as the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

- segment type;
- credit risk grading; and
- geographic location of the borrower.

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

ECL - Sensitivity analysis

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

ECL Sensitivity analysis – continued

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31st December 2025 and 31 December 2024:

	2025		2024	
Group	**ECL KShs'000**	**Impact KShs'000**	**ECL KShs'000**	**Impact KShs'000**
100% upside scenario	3,187,883	(79,712)	3,591,854	(23,410)
100% base scenario	3,261,465	(7,337)	3,611,088	(4,177)
100% downside scenario	3,339,232	72,843	3,631,632	16,367

	2025		2024	
Company	**ECL KShs'000**	**Impact KShs'000**	**ECL KShs'000**	**Impact KShs'000**
100% upside scenario	2,876,302	(78,457)	3,549,037	(29,480)
100% base scenario	2,947,545	(7,214)	3,575,690	(2,827)
100% downside scenario	3,026,519	71,760	3,602,728	24,211

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(f)(iii).

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(a) **Credit risk (continued)**

(v) Amounts arising from ECL – continued

Loans and advances to customers at amortised cost

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2025	**1,795,389**	**1,666,887**	**8,470,940**	**11,933,216**	**207,489,982**	**10,782,936**	**32,950,621**	**251,223,539**
Transfer from 12 months ECL (Stage 1)	(95,976)	50,494	45,482	-	(10,998,862)	5,396,975	5,601,887	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	181,444	(328,338)	146,894	-	4,182,860	(5,490,210)	1,307,350	-
Transfer from Lifetime ECL credit impaired (Stage 3)	187,195	30,970	(218,165)	-	532,763	807,861	(1,340,624)	-
Net remeasurement of loss allowance	(459,114)	(22,907)	6,820,862	**6,338,841**	-	-	-	-
Repayment and other movements	-	-	-	-	(6,657,315)	(1,172,001)	2,358,821	**(5,470,495)**
New financial assets originated or purchased	800,720	154,848	362,775	**1,318,343**	43,917,651	2,269,383	421,431	**46,608,465**
Financial assets derecognised	(116,745)	(54,984)	(413,460)	**(585,189)**	(20,011,522)	(2,345,217)	(3,857,908)	**(26,214,647)**
Write off	-	-	(5,420,250)	**(5,420,250)**	-	-	(7,139,398)	**(7,139,398)**
Translation difference	(2,099)	(8,048)	(19,934)	**(30,081)**	(311,152)	(57,173)	(33,804)	**(402,129)**
Balance at 31 December 2025	**2,290,814**	**1,488,922**	**9,775,144**	**13,554,880**	**218,144,405**	**10,192,554**	**30,268,376**	**258,605,335**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Loans and advances to customers at amortised cost – continued

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2024	**1,056,288**	**1,258,540**	**8,891,524**	**11,206,352**	**216,681,479**	**21,341,922**	**32,556,984**	**270,580,385**
Transfer from 12 months ECL (Stage 1)	(56,390)	31,291	25,099	-	(11,462,729)	7,826,525	3,636,204	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	256,187	(767,654)	511,467	-	9,941,685	(14,198,882)	4,257,197	-
Transfer from Lifetime ECL credit impaired (Stage 3)	131,110	77,770	(208,880)	-	1,322,287	512,285	(1,834,572)	-
Net remeasurement of loss allowance	68,872	983,830	1,717,177	**2,769,879**	-	-	-	-
Repayment and other movements	-	-	-	-	(12,589,580)	(4,714,020)	(1,179,040)	**(18,482,640)**
New financial assets originated or purchased	369,635	96,415	507,439	**973,489**	17,917,260	634,524	566,804	**19,118,588**
Financial assets derecognised	(24,538)	(5,345)	(84,889)	**(114,772)**	(11,110,436)	(127,055)	(352,125)	**(11,589,616)**
Write off	-	-	(2,598,791)	**(2,598,791)**	-	-	(3,903,013)	**(3,903,013)**
Translation difference	(5,775)	(7,960)	(289,206)	**(302,941)**	(3,209,984)	(492,363)	(797,818)	**(4,500,165)**
Balance at 31 December 2024	**1,795,389**	**1,666,887**	**8,470,940**	**11,933,216**	**207,489,982**	**10,782,936**	**32,950,621**	**251,223,539**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Loans and advances to customers at amortised cost – continued

Company	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2025	**1,718,783**	**1,610,786**	**7,938,387**	**11,267,956**	**189,021,634**	**7,389,398**	**30,944,300**	**227,355,332**
Transfer from 12 months ECL (Stage 1)	(94,455)	49,028	45,427	-	(9,651,029)	4,273,296	5,377,733	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	161,453	(308,347)	146,894	-	2,720,515	(4,027,864)	1,307,349	-
Transfer from Lifetime ECL credit impaired (Stage 3)	51,140	30,969	(82,109)	-	323,369	800,378	(1,123,747)	-
Net remeasurement of loss allowance	(393,099)	(853,478)	5,530,547	**4,283,970**	-	-	-	-
Repayment and other movements	-	-	-	-	(4,788,431)	(643,376)	703,032	**(4,728,775)**
New financial assets originated or purchased	639,679	149,318	362,775	**1,151,772**	24,829,341	621,546	421,430	**25,872,317**
Financial assets derecognised	(52,197)	(19,816)	(45,386)	**(117,399)**	(10,040,349)	(660,161)	(2,128,820)	**(12,829,330)**
Write off	-	-	(4,697,413)	**(4,697,413)**	-	-	(6,416,561)	**(6,416,561)**
Balance at 31 December 2025	**2,031,304**	**658,460**	**9,199,122**	**11,888,886**	**192,415,050**	**7,753,217**	**29,084,716**	**229,252,983**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Loans and advances to customers at amortised cost – continued

Company	**Provisions (ECL allowance)**				**Exposure (Gross balance)**			
	12 month ECL (Stage 1) KShs'000	**Lifetime ECL not credit impaired (Stage 2) KShs'000**	**Lifetime ECL credit impaired (Stage 3) KShs'000**	**Total KShs'000**	**12 month ECL (Stage 1) KShs'000**	**Lifetime ECL not credit impaired (Stage 2) KShs'000**	**Lifetime ECL credit impaired (Stage 3) KShs'000**	**Total KShs'000**
Balance at 1 January 2024	**972,722**	**1,232,168**	**6,579,304**	**8,784,194**	**194,884,712**	**17,998,638**	**27,139,560**	**240,022,910**
Transfer from 12 months ECL (Stage 1)	(51,089)	26,814	24,275	-	(9,315,002)	5,895,499	3,419,503	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	250,828	(749,608)	498,780	-	8,941,654	(12,871,989)	3,930,335	-
Transfer from Lifetime ECL credit impaired (Stage 3)	50,119	77,770	(127,889)	-	273,451	512,285	(785,736)	-
Net remeasurement of loss allowance	151,025	932,572	2,362,719	**3,446,316**	-	-	-	-
Repayment and other movements	-	-	-	-	(12,585,836)	(4,652,539)	151,532	**(17,086,843)**
New financial assets originated or purchased	369,635	96,415	507,439	**973,489**	17,917,260	634,524	566,804	**19,118,588**
Financial assets derecognised	(24,457)	(5,345)	(84,891)	**(114,693)**	(11,094,605)	(127,020)	(352,124)	**(11,573,749)**
Write off	-	-	(1,821,350)	**(1,821,350)**	-	-	(3,125,574)	**(3,125,574)**
Balance at 31 December 2024	**1,718,783**	**1,610,786**	**7,938,387**	**11,267,956**	**189,021,634**	**7,389,398**	**30,944,300**	**227,355,332**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Loan commitments and financial guarantee contracts

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2025	**240,219**	**15,839**	**181,616**	437,674	**111,627,254**	**1,101,489**	**273,511**	**113,002,254**
Transfer from 12 months ECL (Stage 1)	(934)	934	-	-	(288,399)	278,399	10,000	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	2,604	(2,604)	-	-	252,874	(252,874)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	6,625	3,000	(9,625)	-	6,625	3,000	(9,625)	-
Net remeasurement of loss allowance	5,659	2,550	(3,431)	**4,778**	-	-	-	-
Repayment and other movements	-	-	-	-	20,552,211	309,530	(14,177)	**20,847,564**
New financial assets originated or purchased	60,653	4,386	-	**65,039**	15,674,422	200,129	850	**15,875,401**
Financial assets derecognised	(51,955)	(13,148)	(5,497)	**(70,600)**	(6,248,060)	(843,239)	(6,346)	**(7,097,645)**
Translation difference	(134)	-	-	**(134)**	(113,196)	-	-	**(113,196)**
Balance at 31 December 2025	**262,737**	**10,957**	**163,063**	**436,757**	**141,463,731**	**796,434**	**254,213**	**142,514,378**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Loan commitments and financial guarantee contracts – continued

Group	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2024	**229,859**	**20,675**	**45,288**	**295,822**	**118,585,939**	**2,204,170**	**424,478**	**121,214,587**
Transfer from 12 months ECL (Stage 1)	(123)	67	56	-	(542,280)	534,764	7,516	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	5,809	(5,809)	-	-	832,167	(839,017)	6,850	-
Transfer from Lifetime ECL credit impaired (Stage 3)	284	-	(284)	-	500	-	(500)	-
Net remeasurement of loss allowance	(12,059)	1,792	135,986	**125,719**	-	-	-	-
Repayment and other movements	-	-	-	-	(3,263,856)	(628,367)	(129,020)	**(4,021,243)**
New financial assets originated or purchased	33,614	929	570	**35,113**	6,875,103	48,964	570	**6,924,637**
Financial assets derecognised	(16,447)	(961)	-	**(17,408)**	(9,917,947)	(209,623)	(36,383)	**(10,163,953)**
Translation difference	(718)	(854)	-	**(1,572)**	(942,372)	(9,402)	-	**(951,774)**
Balance at 31 December 2024	**240,219**	**15,839**	**181,616**	**437,674**	**111,627,254**	**1,101,489**	**273,511**	**113,002,254**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

(v) Amounts arising from ECL – continued

Loan commitments and financial guarantee contracts – continued

Company	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2025	**233,117**	**15,831**	**181,616**	**430,564**	**104,908,585**	**1,101,488**	**273,511**	**106,283,584**
Transfer from 12 months ECL (Stage 1)	(934)	934	-	-	(288,399)	278,399	10,000	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	2,604	(2,604)	-	-	252,874	(252,874)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	6,625	3,000	(9,625)	-	6,625	3,000	(9,625)	-
Net remeasurement of loss allowance	13,436	2,550	(3,431)	**12,555**	-	-	-	-
Repayment and other movements	-	-	-	-	23,436,340	309,530	(14,177)	**23,731,693**
New financial assets originated or purchased	51,154	4,386	-	**55,540**	10,580,620	200,129	850	**10,781,599**
Financial assets derecognised	(51,955)	(13,148)	(5,498)	**(70,601)**	(6,248,060)	(843,239)	(6,346)	**(7,097,645)**
Balance at 31 December 2025	**254,047**	**10,949**	**163,062**	**428,058**	**132,648,585**	**796,433**	**254,213**	**133,699,231**

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(a) **Credit risk (continued)**

(v) Amounts arising from ECL – continued

Loan commitments and financial guarantee contracts – continued

Company	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000	12 month ECL (Stage 1) KShs'000	Lifetime ECL not credit impaired (Stage 2) KShs'000	Lifetime ECL credit impaired (Stage 3) KShs'000	Total KShs'000
Balance at 1 January 2024	**228,452**	**9,049**	**45,288**	**282,789**	**112,186,947**	**2,140,329**	**424,478**	**114,751,754**
Transfer from 12 months ECL (Stage 1)	(123)	67	56	-	(542,280)	534,764	7,516	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	5,809	(5,809)	-	-	832,167	(839,017)	6,850	-
Transfer from Lifetime ECL credit impaired (Stage 3)	284	-	(284)	-	500	-	(500)	-
Net remeasurement of loss allowance	(18,472)	12,556	135,986	**130,070**	-	-	-	-
Repayment and other movements	-	-	-	-	(4,525,905)	(573,929)	(129,020)	**(5,228,854)**
New financial assets originated or purchased	33,614	929	570	**35,113**	6,875,103	48,964	570	**6,924,637**
Financial assets derecognised	(16,447)	(961)	-	**(17,408)**	(9,917,947)	(209,623)	(36,383)	**(10,163,953)**
Balance at 31 December 2024	**233,117**	**15,831**	**181,616**	**430,564**	**104,908,585**	**1,101,488**	**273,511**	**106,283,584**

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The definition of liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for customer lending, trading activities and investments.

The Group'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. 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 Asset and Liabilities Committee. The Asset and Liabilities Committee (ALCO) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the central banks. The Group had an undrawn intraday liquidity facility of KShs 10.6 billion (2024: KShs 6.8 billion) with central banks. The Group has also arranged for long term funding as disclosed under Note 31.

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows:

	Kenya		**Tanzania**	
	2025	**2024**	**2025**	**2024**
At 31 December	55%	47%	31%	35%
Average for the period	53%	44%	29%	31%
Highest for the period	56%	50%	31%	38%
Lowest for the period	47%	37%	24%	25%

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at 31st December 2025 and 2024. The amounts are gross and undiscounted.

Deposits from customers represent transactional accounts, savings accounts, call and fixed deposit balances, which past experience has shown to be stable and usually rolled forward or renewed upon maturity.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Group 31 December 2025	Contractual cash flows Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000	Carrying Value KShs'000
Financial assets							
Cash and balances with central banks	21,497,288	1,290	-	-	-	**21,498,578**	**21,498,578**
Items in the course of collection	-	378,927	-	-	-	**378,927**	**378,928**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	1,493,460	13,812,574	21,192,894	127,918,049	**164,416,977**	**126,296,763**
Financial assets at amortised cost	1,148,135	5,032,493	8,963,026	21,903,918	21,516,104	**58,563,676**	**42,994,227**
Loans and advances to banks	14,414,113	22,268,022	1,709,540	-	-	**38,391,675**	**38,684,596**
Loans and advances to customers	189,058	1,637,019	159,136,389	121,270,687	38,996,780	**321,229,933**	**245,674,847**
Financial derivative assets - nominal value	7,383,594	-	-	-		**7,383,594**	**7,383,594**
Due from related parties	-	1,520,609	-	-	-	**1,520,609**	**1,520,609**
	44,632,188	**32,331,820**	**183,621,529**	**164,367,499**	**188,430,933**	**613,383,969**	**484,432,142**
Financial liabilities							
Deposits from banks	2,401,579	18,170,452	-	-	-	**20,572,031**	**20,572,031**
Deposits from customers	158,409,601	162,749,517	56,584,189	3,568,764	307,658	**381,619,729**	**380,658,195**
Due to related parties	2,221,812	1,696,776	1,346,393	-	-	**5,264,981**	**1,394,787**
Other liabilities	1,337,755	6,055,473	519,441	-	-	**7,912,669**	**5,255,530**
Long term debt	-	-	24,579	995,422	-	**1,020,001**	**2,419,356**
Subordinated debt	-	202,064	1,612,500	4,837,500	-	**6,652,064**	**7,500,059**
Contractual off-balance sheet financial liabilities	256,753,494	-	-	-	-	**256,753,494**	**256,753,494**
Financial derivative liabilities - nominal value	7,731,607	-	-	-	-	**7,731,607**	**7,731,607**
Lease liabilities	66,687	194,457	484,814	2,172,192	205,545	**3,123,696**	**2,419,356**
At 31 December 2025	**428,922,535**	**189,068,739**	**60,571,916**	**11,573,878**	**513,203**	**690,650,272**	**684,704,415**
Liquidity gap as at 31 December 2025	**(384,290,347)**	**(156,736,919)**	**123,049,613**	**152,793,621**	**187,917,730**	**(77,266,303)**	**(200,272,273)**

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Group 31 December 2024	Contractual cash flows						Carrying Value
	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000	KShs'000
Financial assets							
Cash and balances with central banks	24,010,511	1,294	-	-	-	**24,011,805**	**24,011,805**
Items in the course of collections	669,433	-	-	-	-	**669,433**	**669,433**
Financial assets at fair value through profit or loss (FVTPL)	-	90,078	-	-	-	**90,078**	**90,078**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	2,585,073	11,710,181	18,439,095	33,228,295	**65,962,644**	**61,481,188**
Financial assets at amortised cost	1,167,810	26,089,729	16,681,939	10,112,895	14,108,190	**68,160,563**	**71,889,366**
Loans and advances to banks	4,860,374	19,624,631	4,506,426	-	-	**28,991,431**	**29,055,596**
Loans and advances to customers	10,683,297	43,461,508	45,555,442	93,945,851	45,644,225	**239,290,323**	**239,697,121**
Financial derivative assets - nominal value	65,427,081	-		-	-	**65,427,081**	**65,427,081**
Due from related parties	-	4,298,530	-	-	-	**4,298,530**	**1,588,011**
	106,818,506	**96,150,843**	**78,453,988**	**122,497,841**	**92,980,710**	**496,901,888**	**493,909,679**
Financial liabilities							
Deposits from banks	1,069,818	26,381,905	-	-	-	**27,451,723**	**27,451,723**
Deposits from customers	130,096,042	138,244,082	64,914,783	4,178,432	-	**337,433,339**	**333,043,966**
Due to related parties	-	2,533,081	-	-	-	**2,533,081**	**2,533,081**
Other liabilities	2,576,916	4,690,956	394,072	-	-	**7,661,944**	**4,662,484**
Long term debt	-	-	1,456	209,298	-	**210,754**	**174,742**
Subordinated debt	-	3,917,170	-	7,961,493	-	**11,878,663**	**10,485,431**
Contractual off-balance sheet financial liabilities	178,429,335	-	-	-	-	**178,429,335**	**178,429,335**
Financial derivative liabilities - nominal value	65,057,216	-		-	-	**65,057,216**	**65,057,216**
Leases	12,027	123	17,433	2,088,601	745,419	**2,863,604**	**2,160,149**
At 31 December 2024	**377,241,354**	**175,767,317**	**65,327,744**	**14,437,824**	**745,419**	**633,519,659**	**623,998,127**
Liquidity gap as at 31 December 2024	**(270,422,848)**	**(79,616,474)**	**13,126,244**	**108,060,017**	**92,235,291**	**(136,617,771)**	**(130,088,448)**

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Company 31 December 2025	Contractual cash flows						Carrying Value
	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	KShs'000	KShs'000
Financial assets							
Cash and balances with central banks	16,197,895	1,290	-	-	-	**16,199,185**	**16,199,185**
Items in the course of collection	-	376,440	-	-	-	**376,440**	**376,440**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	1,493,460	13,812,574	21,192,894	127,918,049	**164,416,977**	**126,076,095**
Financial assets at amortised cost	-	4,145,560	6,798,060	20,905,190	18,115,598	**49,964,408**	**35,172,168**
Loans and advances to banks	11,308,352	19,889,619	1,694,330	-	-	**32,892,301**	**32,892,301**
Loans and advances to customers	-	-	153,192,765	116,163,584	27,899,150	**297,255,499**	**217,988,489**
Financial derivative assets - nominal value	7,383,594	-	-	-		**7,383,594**	**7,383,594**
Due from related parties	-	5,878,768	-	-	-	**5,878,768**	**5,878,768**
	34,889,841	**31,785,137**	**175,497,729**	**158,261,668**	**173,932,797**	**574,367,172**	**441,967,040**
Financial liabilities							
Deposits from banks	2,401,579	15,073,349	-	-	-	**17,474,928**	**17,474,928**
Deposits from customers	144,576,919	162,300,509	41,780,108	3,411	-	**348,660,947**	**348,660,947**
Due to group companies	1,527,611	-	-	-	-	**1,527,611**	**1,527,611**
Other liabilities	973,236	5,563,758	-	-	-	**6,536,994**	**4,279,384**
Subordinated debt	-	202,064	1,612,500	4,837,500	-	**6,652,064**	**6,652,064**
Contractual off-balance sheet financial liabilities	247,938,347	-	-	-	-	**247,938,347**	**247,938,347**
Financial derivative liabilities - nominal value	7,731,607	-		-	-	**7,731,607**	**7,731,607**
Lease liabilities	46,074	139,463	421,382	1,792,639	23,270	**2,422,828**	**1,909,525**
At 31 December 2025	**405,195,373**	**183,279,143**	**43,813,990**	**6,633,550**	**23,270**	**638,945,326**	**636,174,413**
Liquidity gap as at 31 December 2025	**(370,305,532)**	**(151,494,006)**	**131,683,739**	**151,628,118**	**173,909,527**	**(64,578,154)**	**(194,207,373)**

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Company 31 December 2024	Contractual cash flows						Carrying Value
	Within 1 month KShs'000	**Due within 1-3 months KShs'000**	**Due between 3-12 months KShs'000**	**Due between 1-5 years KShs'000**	**Due after 5 years KShs'000**	**KShs'000**	**KShs'000**
Financial assets							
Cash and balances with central banks	19,395,384	1,294	-	-	-	**19,396,678**	**19,396,678**
Items in the course of collection	669,433	-	-	-	-	**669,433**	**669,433**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	2,585,073	11,710,181	18,439,095	28,544,442	**61,278,791**	**61,278,791**
Financial assets at amortised cost	-	25,187,597	14,479,873	9,097,052	14,239,412	**63,003,934**	**63,003,934**
Loans and advances to banks	4,860,374	19,624,631	989,257	-	-	**25,474,262**	**25,474,262**
Loans and advances to customers	4,034,573	41,316,069	40,254,340	87,092,059	44,484,187	**217,181,228**	**216,494,174**
Financial derivative assets - nominal value	65,427,081	-	-	-	-	**65,427,081**	**65,427,081**
Due from related parties	-	4,147,774	-	-	-	**4,147,774**	**4,147,774**
Total financial assets	**94,386,845**	**92,862,438**	**67,433,651**	**114,628,206**	**87,268,041**	**456,579,181**	**455,892,127**
Financial liabilities							
Deposits from banks	1,069,818	23,307,981	-	-	-	**24,377,799**	**24,377,799**
Deposits from customers	121,343,807	132,179,552	53,138,311	632,142	-	**307,293,812**	**303,765,965**
Due to related parties	2,674,020	-	-	-	-	**2,674,020**	**2,674,020**
Other liabilities	1,953,664	1,755,267	-	-	-	**3,708,931**	**3,708,931**
Subordinated debt	-	3,917,170	-	7,961,493	-	**11,878,663**	**10,310,689**
Contractual off-balance sheet financial liabilities	171,710,665	-	-	-	-	**171,710,665**	**171,710,665**
Financial derivative liabilities - nominal value	65,057,216	-		-	-	**65,057,216**	**65,057,216**
Leases	41	123	372	2,022,438	306,522	**2,329,496**	**1,773,905**
At 31 December 2024	**363,809,231**	**161,160,093**	**53,138,683**	**10,616,073**	**306,522**	**589,030,602**	**585,153,095**
Liquidity gap as at 31 December 2024	**(269,422,386)**	**(68,297,655)**	**14,294,968**	**104,012,133**	**86,961,519**	**(132,451,421)**	**(129,260,968)**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments.

All trading instruments are subject to market risk, the risk that the future changes in market conditions may make an instrument less valuable or more onerous. The Group manages its use of trading instruments in response to changing market conditions.

The Board of Directors of the individual Group entities have delegated responsibility for management of Market Risk to their respective Board Risk Committees. Exposure to market risk is formally managed within Risk Limits and Policy Guidelines issued by the Board, on recommendation of the Board Risk Committee. ALCO, a Management Committee is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The Group is primarily exposed to Interest Rate and Foreign Exchange Risk. The policy guidelines and procedures in place are adequate to effectively manage these risks.

Exposure to interest rate risk

This is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Group's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk – continued

Group 31 December 2025	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	21,498,578	**21,498,578**
Items in the course of collection	-	-	-	-	-	378,928	**378,928**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	1,493,461	13,812,532	19,756,626	91,180,984	53,160	**126,296,763**
Financial assets at amortised cost	-	4,722,288	7,358,040	16,653,988	14,259,911	-	**42,994,227**
Loans and advances to banks	13,686,758	23,288,298	1,694,330	15,210	-	-	**38,684,596**
Loans and advances to customers	2,642,772	217,966,935	7,142,990	10,772,263	7,149,887	-	**245,674,847**
Due from related parties	-	-	-	-	-	1,520,609	**1,520,609**
Other assets	-	-	-	-	-	6,269,801	**6,269,801**
31 December 2025	**16,329,530**	**247,470,982**	**30,007,892**	**47,198,087**	**112,590,782**	**29,721,076**	**483,318,349**
LIABILITIES							
Deposits from banks	2,401,579	18,170,452	-	-	-	-	**20,572,031**
Deposits from customers	145,700,453	162,744,412	56,170,466	3,136,410	250,129	12,656,325	**380,658,195**
Due to related parties	-	-	-	-	-	1,394,787	**1,394,787**
Other liabilities	-	143,631	519,441	-	-	7,011,814	**7,674,886**
Long term debt	-	-	105,005	742,990	-	-	**847,995**
Subordinated debt	-	6,652,064	-	-	-	-	**6,652,064**
31 December **2025**	**148,102,032**	**187,710,559**	**56,794,912**	**3,879,400**	**250,129**	**21,062,926**	**417,799,958**
Interest rate gap	**(131,772,502)**	**59,760,423**	**(26,787,020)**	**43,318,687**	**112,340,653**	**8,658,150**	**65,518,391**

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) **Market risk (continued)**

Exposure to interest rate risk – continued

Group 31 December 2024	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	24,011,805	**24,011,805**
Items in the course of collection	-	-	-	-	-	669,433	**669,433**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	90,078	-	-	**90,078**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	2,670,130	11,710,181	14,997,420	32,049,386	54,071	**61,481,188**
Financial assets at amortised cost	1,216,534	26,179,807	16,681,940	13,702,895	14,108,190	-	**71,889,366**
Loans and advances to banks	4,924,539	22,991,044	989,257	150,756	-	-	**29,055,596**
Loans and advances to customers	6,648,724	216,302,808	6,271,910	8,165,351	2,308,328	-	**239,697,121**
Due from related parties	-	-	-	-	-	1,588,011	**1,588,011**
Other assets	-	-	-	-	-	4,801,256	**4,801,256**
At 31 December 2024	**12,789,797**	**268,143,789**	**35,653,288**	**37,106,500**	**48,465,904**	**31,124,576**	**433,283,854**
LIABILITIES							
Deposits from banks	1,069,818	26,381,905	-	-	-	-	**27,451,723**
Deposits from customers	122,622,252	136,672,350	63,100,639	3,671,733	-	6,976,992	**333,043,966**
Due to related parties	-	-	-	-	-	2,533,081	**2,533,081**
Other liabilities	-	623,311	394,072	-	-	5,805,250	**6,822,633**
Long term debt	-	-	1,396	173,346	-	-	**174,742**
Subordinated debt	-	10,310,689	-	-	-	-	**10,310,689**
At 31 December 2024	**123,692,070**	**173,988,255**	**63,496,107**	**3,845,079**	**-**	**15,317,560**	**380,339,071**
Interest rate gap	**(110,902,273)**	**94,155,534**	**(27,842,819)**	**33,261,421**	**48,465,904**	**15,807,016**	**52,944,783**

Customer deposits up to three months represent transactional accounts, savings accounts and call deposit account balances, which past experience has shown to be stable and of a long term nature.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk – continued

The Group's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Company 31 December 2025	**Effective interest rate**	**Within 1 month KShs'000**	**Due within 1-3 months KShs'000**	**Due between 3-12 months KShs'000**	**Due between 1-5 years KShs'000**	**Due after 5 years KShs'000**	**Non-interest bearing KShs'000**	**Total KShs'000**
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	16,199,185	**16,199,185**
Items in the course of collection	-	-	-	-	-	-	376,440	**376,440**
Financial assets at fair value through profit or loss (FVTPL)	12.4%	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	12.1%	-	1,493,461	13,812,532	19,589,118	91,180,984	-	**126,076,095**
Financial assets at amortised cost	11.0%	-	4,145,561	6,639,417	14,513,361	9,873,829	-	**35,172,168**
Loans and advances to banks	4.7%	11,308,354	19,889,617	1,694,330	-	-	-	**32,892,301**
Loans and advances to customers	11.7%	-	213,264,885	663,319	1,000,822	3,059,463	-	**217,988,489**
Due from related parties	-	-	-	-	-	-	5,878,768	**5,878,768**
Other assets	-	-	-	-	-	-	6,416,473	**6,416,473**
31 December 2025		**11,308,354**	**238,793,524**	**22,809,598**	**35,103,301**	**104,114,276**	**28,870,866**	**440,999,919**
LIABILITIES								
Deposits from banks	9.5%	2,401,579	15,073,349	-	-	-	-	**17,474,928**
Deposits from customers	5.3%	144,576,919	162,300,509	41,780,108	3,411	-	-	**348,660,947**
Due to related parties	-	-	-	-	-	-	1,527,611	**1,527,611**
Other liabilities	-	-	-	-	-	-	6,188,909	**6,188,909**
Subordinated debt	8.2%	-	6,652,064	-	-	-	-	**6,652,064**
31 December 2025		**146,978,498**	**184,025,922**	**41,780,108**	**3,411**	**-**	**7,716,520**	**380,504,459**
Interest rate gap		**(135,670,144)**	**54,767,602**	**(18,970,510)**	**35,099,890**	**104,114,276**	**21,154,346**	**60,495,460**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk – continued

Company 31 December 2024	Effective interest rate	Within 1 month KShs'000	Due within 1-3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	19,396,678	**19,396,678**
Items in the course of collection	-	-	-	-	-	-	669,433	**669,433**
Financial assets measured at fair value through other comprehensive income (FVOCI)	12.1%	-	2,951,470	11,710,181	14,442,296	32,174,844	-	**61,278,791**
Financial assets at amortised cost	11.0%	-	25,187,597	14,479,873	12,687,053	10,649,411	-	**63,003,934**
Loans and advances to banks	4.7%	4,860,374	19,624,631	989,257	-	-	-	**25,474,262**
Loans and advances to customers	11.7%	-	214,157,369	970,808	1,311,559	54,438	-	**216,494,174**
Due from related parties	-	-	-	-	-	-	4,147,774	**4,147,774**
Other assets	-	-	-	-	-	-	4,083,612	**4,083,612**
At 31 December 2024		**4,860,374**	**261,921,067**	**28,150,119**	**28,440,908**	**42,878,693**	**28,297,497**	**394,548,658**
LIABILITIES								
Deposits from banks	9.5%	1,069,818	23,307,981	-	-	-	-	**24,377,799**
Deposits from customers	5.3%	120,880,432	130,676,769	51,653,279	555,485	-	-	**303,765,965**
Due to related parties	-	-	-	-	-	-	2,674,020	**2,674,020**
Other liabilities	-	-	-	-	-	-	7,061,812	**7,061,812**
Subordinated debt	8.2%	-	10,310,689	-	-	-	-	**10,310,689**
At 31 December 2024		**121,950,250**	**164,295,439**	**51,653,279**	**555,485**	**-**	**9,735,832**	**348,190,285**
Interest rate gap		**(117,089,876)**	**97,625,628**	**(23,503,160)**	**27,885,423**	**42,878,693**	**18,561,665**	**46,358,373**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk – continued

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long term nature.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Sensitivity analysis

A change of 200 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Group

31 December 2025 **200 basis points**	**Profit or loss** **Increase/decrease in basis points (KShs'000)**	**Equity net of tax** **Increase/decrease in basis points (KShs'000)**
Assets	9,071,945	6,350,362
Liabilities	(7,934,741)	(5,554,319)
Net position	**1,137,204**	**796,043**

31 December 2024	**Profit or loss**	**Equity net of tax**
Assets	8,043,186	5,630,230
Liabilities	(7,300,430)	(5,110,301)
Net position	**742,756**	**519,929**

Company

31 December 2025 **200 basis points**	**Profit or loss** **Increase/decrease in basis points (KShs'000)**	**Equity net of tax** **Increase/decrease in basis points (KShs'000)**
Assets	8,242,581	5,769,807
Liabilities	(7,455,759)	(5,219,031)
Net position	**786,822**	**550,776**

31 December 2024	**Profit or loss**	**Equity net of tax**
Assets	7,325,023	5,127,516
Liabilities	(6,769,089)	(4,738,362)
Net position	**555,934**	**389,154**

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) **Market risk (continued)**

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Group is exposed to as at 31st December 2025 and 31st December 2024.

Group

At 31 December 2025	USD KShs'000	GBP KShs'000	EURO KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with central banks	3,956,505	377,113	1,272,830	54,203	5,660,651
Items in the course of collection	32,608	-	1,227	-	33,835
Financial assets at amortised cost	13,174,824	2,595,668	-	-	15,770,492
Loans and advances to banks	35,453,158	2,613,062	1,309,183	512,996	39,888,399
Loans and advances to customers	75,369,770	1,617,300	6,208,783	-	83,195,853
Due from related parties	1,359,448	58,357	3,108	656,647	2,077,560
Other assets	9,656,688	539,139	415,535	646	10,612,008
At 31 December 2025	**139,003,001**	**7,800,639**	**9,210,666**	**1,224,492**	**157,238,798**
LIABILITIES					
Deposits from banks	5,545,929	32,706	264,133	34,931	5,877,699
Items in the course of collection	-	-	-	-	-
Deposits from customers	126,671,837	7,975,540	5,257,743	361,206	140,266,326
Other liabilities	2,968,025	11,049	8,508	17,624	3,005,206
Due to related parties	6,652,064	-	-	-	6,652,064
Long-term debt	670,847	-	-	-	670,847
Subordinated debt	8,897,020	550,462	415,737	24,991	9,888,210
At 31 December 2025	**151,405,722**	**8,569,757**	**5,946,121**	**438,752**	**166,360,352**
Net on balance sheet position	**(12,402,721)**	**(769,118)**	**3,264,545**	**785,740**	**(9,121,554)**
Net notional off balance sheet position	**14,900,957**	**806,284**	**(3,085,701)**	**(22,773)**	**12,598,767**
Overall net position – 2025	**2,498,236**	**37,166**	**178,844**	**762,967**	**3,477,213**

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) **Market risk (continued)**

Currency risk – continued

Group – continued

At 31 December 2024	USD KShs'000	GBP KShs'000	EURO KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with central banks	6,193,133	548,270	898,446	18,813	**7,658,662**
Items in the course of collection	28,017	-	-	-	**28,017**
Financial assets at amortised cost	28,735,227	2,419,483	-	-	**31,154,710**
Loans and advances to banks	24,731,886	1,662,915	1,737,600	1,314,596	**29,446,997**
Loans and advances to customers	60,389,876	1,854,867	6,292,994	10,927	**68,548,664**
Due from related parties	392,174	93,853	-	28,918	**514,945**
Other assets	11,083,279	500,259	366,427	1,756	**11,951,721**
At 31 December 2024	**131,553,592**	**7,079,647**	**9,295,467**	**1,375,010**	**149,303,716**
LIABILITIES					
Deposits from banks	3,196,889	60,467	567,117	17,502	**3,841,975**
Deposits from customers	122,349,979	7,276,989	3,703,233	1,178,815	**134,509,016**
Other liabilities	897,133	13,028	9,552	30,525	**950,238**
Due to related parties	10,310,689	-	4,920	304	**10,315,913**
Long-term debt	-	-	-	-	**-**
Subordinated debt	9,995,950	393,086	288,630	5,547	**10,683,213**
At 31 December 2024	**146,750,640**	**7,743,570**	**4,573,452**	**1,232,693**	**160,300,355**
Net on balance sheet position	**(15,197,048)**	**(663,923)**	**4,722,015**	**142,317**	**(10,996,639)**
Net notional off balance sheet position	**16,438,123**	**765,447**	**(4,550,700)**	**(13,691)**	**12,639,179**
Overall net position – 2024	**1,241,075**	**101,524**	**171,315**	**128,626**	**1,642,540**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency risk – continued

Company

At 31 December 2025	USD KShs'000	GBP KShs'000	EURO KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with Central Bank of Kenya	2,159,082	374,452	1,250,767	349	**3,784,650**
Items in the course of collection	31,444	-	1,227	-	**32,671**
Financial assets at amortised cost	13,174,824	2,595,668	-	-	**15,770,492**
Loans and advances to banks	32,177,357	2,522,170	1,233,351	464,550	**36,397,428**
Loans and advances to customers	58,371,122	1,617,300	6,208,783	-	**66,197,205**
Due from related parties	1,359,448	58,357	3,108	656,647	**2,077,560**
Other assets	9,625,411	539,139	415,535	-	**10,580,085**
At 31 December 2025	**116,898,688**	**7,707,086**	**9,112,771**	**1,121,546**	**134,840,091**
LIABILITIES					
Deposits from banks	3,355,384	32,706	264,133	34,931	**3,687,154**
Deposits from customers	108,273,909	7,890,596	5,170,284	361,206	**121,695,995**
Other liabilities	-	-	-	-	-
Due to related parties	6,652,064	-	-	-	**6,652,064**
Long-term debt	-	-	-	-	-
Subordinated debt	8,897,020	550,462	415,737	24,991	**9,888,210**
At 31 December 2025	**127,178,377**	**8,473,764**	**5,850,154**	**421,128**	**141,923,423**
Net on balance sheet position	**(10,279,689)**	**(766,678)**	**3,262,617**	**700,418**	**(7,083,332)**
Net notional off balance sheet position	**10,166,460**	**806,284**	**(3,243,453)**	**(22,773)**	**7,706,518**
Overall net position – 2025	**(113,229)**	**39,606**	**19,164**	**677,645**	**623,186**

4. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) **Market risk (continued)**

Currency risk – continued

Company – continued

At 31 December 2024	USD KShs'000	GBP KShs'000	EURO KShs'000	Other KShs'000	Total KShs'000
ASSETS					
Cash and balances with Central Bank of Kenya	3,739,699	541,013	884,829	426	**5,165,967**
Items in the course of collection	24,355	-	-	-	**24,355**
Financial assets at amortised cost	28,735,227	2,419,483	-	-	**31,154,710**
Loans and advances to banks	21,323,637	1,577,650	1,644,214	1,273,517	**25,819,018**
Loans and advances to customers	47,598,190	1,854,867	6,292,994	10,927	**55,756,978**
Due from related parties	392,174	93,853	-	28,918	**514,945**
Other assets	11,056,436	500,259	366,427	1,756	**11,924,878**
At 31 December 2024	**112,869,718**	**6,987,125**	**9,188,464**	**1,315,544**	**130,360,851**
LIABILITIES					
Deposits from banks	3,196,889	60,467	567,117	17,502	**3,841,975**
Deposits from customers	104,531,279	7,192,547	3,605,476	1,178,815	**116,508,117**
Due to related parties	10,310,689	-	4,920	304	**10,315,913**
Long-term debt	-	-	-	-	**-**
Subordinated debt	9,995,950	393,086	288,630	5,547	**10,683,213**
At 31 December 2024	**128,034,807**	**7,646,100**	**4,466,143**	**1,202,168**	**141,349,218**
Net on balance sheet position	**(15,165,089)**	**(658,975)**	**4,722,321**	**113,376**	**(10,988,367)**
Net notional off balance sheet position	**14,506,061**	**765,447**	**(4,719,350)**	**(13,691)**	**10,538,467**
Overall net position – 2024	**(659,028)**	**106,472**	**2,971**	**99,685**	**(449,900)**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency risk – continued

Sensitivity analysis

A reasonable possible strengthening or weakening of the USD, GBP, EUR against the Kenya shilling (KShs) would have affected the measurement of financial instruments denominated in foreign currency and effected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

At 31 December 2025	Profit or loss strengthening/ weakening of currency KShs'000	Equity net of tax strengthening/ weakening of currency KShs'000
USD (± 2.5% movement)	62,456	43,719
GBP (± 2.5% movement)	929	650
EUR (± 2.5% movement)	4,471	3,130

At 31 December 2024	Profit or loss strengthening/ weakening of currency KShs'000	Equity net of tax strengthening/ weakening of currency KShs'000
USD (± 2.5% movement)	31,027	21,719
GBP (± 2.5% movement)	2,538	1,777
EUR (± 2.5% movement)	4,283	2,998

Company:

At 31 December 2025	Profit or loss strengthening/ weakening of currency KShs'000	Equity net of tax strengthening/ weakening of currency KShs'000
USD (± 2.5% movement)	(2,831)	(1,982)
GBP (± 2.5% movement)	990	693
EUR (± 2.5% movement)	479	335

At 31 December 2024	Profit or loss strengthening/ weakening of currency KShs'000	Equity net of tax strengthening/ weakening of currency KShs'000
USD (± 2.5% movement)	(16,476)	(11,533)
GBP (± 2.5% movement)	2,662	1,863
EUR (± 2.5% movement)	74	52

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management.

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

Regulatory capital – Kenya

The Central Bank of Kenya sets and monitors capital requirements for banking industry in Kenya.

The objective of the Central Bank of Kenya is to ensure that a Bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile
- promotes public confidence in the Bank.

In implementing current capital requirements, the Central Bank of Kenya requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets. Banks are expected to assess the credit risk, market risk and operational risk of the risk weighted assets to derive the ratios. The Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes.

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

- a core capital of not less than 8% of total risk weighted assets, plus risk weighted off - balance sheet items
- a core capital of not less than 8% of its total deposit liabilities
- a total capital of not less than 12% of its total risk weighted assets, plus risk weighted off-balance sheet items

In addition to the minimum capital adequacy ratios of 8% and 12%, institutions are required to hold a capital conservation buffer of 2.5% over and above these minimum ratios to enable the institutions withstand future periods of stress. This brings the minimum core capital to risk weighted assets and total capital to risk weighted assets requirements to 10.5% and 14.5% respectively.

A bank must maintain a minimum core capital of KShs 1 billion. The bank's regulatory capital is analysed into two tiers:

- Tier 1 capital. This includes ordinary share capital, share premium, retained earnings and after deduction of investment in subsidiaries, goodwill, other intangible assets and other regulatory adjustments relating to items that are included in equity which are treated differently for capital adequacy purposes.
- Tier 2 capital. This includes 25% of revaluation reserves of property and equipment, subordinated debt not exceeding 50% of core capital, collective impairment allowances and any other approved reserves.

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

The risk based approach to capital adequacy measurement is applied to both on and off balance sheet items. Risk weights are assigned on assets from assessing the following:

- Credit risk arising from the possibility of losses associated with reduction of credit quality of borrowers or counterparties;
- Market risk arising from movements in market prices pertaining to interest rate related instruments and foreign exchange risk and commodities risk;
- Operational risk resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank's (Company's) regulatory capital position at 31st December was as follows:

Company:		**2025 KShs'000**	**2024 KShs'000**
Core capital (Tier 1)			
Share capital		3,000,000	3,000,000
Share premium		5,531,267	5,531,267
Retained earnings		58,775,834	49,903,431
Other reserves		(6,240,000)	(4,800,000)
		61,067,101	**53,634,698**
Less: Deferred income tax		(3,622,319)	(1,806,337)
Less: Investment in subsidiary		(3,882,612)	(3,882,612)
Total Core capital		**53,562,170**	**47,945,749**
Supplementary capital (Tier 2)			
Term subordinated debt		3,052,145	4,519,758
Statutory loan loss reserve		4,624,804	4,062,439
		7,676,949	**8,582,197**
Total capital		**61,239,119**	**56,527,946**
Risk weighted assets			
Credit risk weighted assets		258,889,635	258,155,358
Market risk weighted assets		48,906,605	21,391,035
Operational risk weighted assets		62,188,048	45,448,696
Total risk weighted assets		**369,984,288**	**324,995,089**
Deposits from customers		**352,262,851**	**312,370,291**
Capital ratios	Minimum*		
Core capital/Total deposit liabilities	**8.0%**	**15.21%**	**15.35%**
Core capital /Total risk weighted assets	**10.5%**	**14.48%**	**14.75%**
Total capital /Total risk weighted assets	**14.5%**	**16.55%**	**17.39%**

**** As defined by the Central Bank of Kenya***

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

Regulatory capital – Tanzania

The Bank of Tanzania sets and monitors capital requirements for the Tanzania banking industry. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a bank's capital. In implementing current capital requirements, The Bank of Tanzania requires Banks to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory is analysed in two tiers:

— Tier 1 capital: This includes ordinary share capital, share premium, retained earnings, after deductions for prepaid expenses, goodwill, other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
— Tier 2 capital: This includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealized gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base such as qualifying Tier 2 capital cannot exceed Tier 1 capital and qualifying subordinated debt may not exceed 50 percent of Tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Tier 1 capital is also subjected to various limits such as Tier 1 capital should not be less than 10 percent of the risk weighted assets.

In addition to the above requirements, the Bank of Tanzania require banks to maintain a capital conservation buffer of 2.5% over and above the regulatory capital ratios to enable the Bank to withstand stressful economic conditions. In situations where the buffer is less than 2.5%, the Bank is restricted from distributing any dividends to shareholders as well as paying bonus to senior management and other staff members. Further the Bank is required to submit a capital restoration plan to the Bank of Tanzania (BoT) within a specified period of time as determined by BoT. In the event the capital restoration plan is not approved by BoT, the Bank may be directed to raise additional capital in order to restore the capital conservation buffer.

The Bank's regulatory capital position is as illustrated below:

		2025	2024
		TZS'000	TZS'000
Risk weighted assets			
On balance sheet		634,089,125	439,667,173
Off balance sheet		48,294,028	65,544,063
Operational risk weighted assets		18,793,972	27,372,184
Capital charge for market risk		1,997,197	697,710
Total risk weighted assets		**703,174,322**	**533,281,130**
Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**10.0%**	**19.61%**	**18.18%**
Total capital /Total risk weighted assets	**12.0%**	**19.61%**	**19.71%**

**** As defined by the Bank of Tanzania***

4. FINANCIAL RISK MANAGEMENT (Continued)

(e) Climate related risk

Climate-related risks are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks), but due to their pervasive nature, they have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Group Board Risk Committee, is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

The Group has developed a climate risk framework for:
– identifying risk factors and assessing their potential impact on the Group's financial statements; and
– allocating responsibilities for managing each identified risk factor. The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios

The Group has identified the following climate-related risk factors as having an impact on the Group's financial instruments and included them in its principal risk management processes.
– Industries exposed to increased transition risks: The Group has identified industries that are subject to increased risk of climate regulation negatively affecting their business model. The Group Credit Committee has set overall lending limits for these industries.
– Physical risk to real estate: The Group has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory.

In addition, the Group is in the process of developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs.

5. USE OF ESTIMATES AND JUDGEMENT

Key sources of estimation uncertainty

(a) Allowance for credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3(f)(iii) which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

5. USE OF ESTIMATES AND JUDGEMENT (CONTINUED)

(a) Allowance for credit losses (continued)

— Determining criteria for significant increase in credit risk;
— Choosing appropriate models and assumptions for the measurement of ECL;
— Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
— Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made. (refer to Note 14 and Note 26).

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy 3(j)(ii) and computed in Note 25. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

(d) Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include financial asset and liability classification (Note 3), lease term (Note 32) and determination of FV of assets (unobservable inputs) (Note 6). The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets as held to collect, the Group has determined that it has both positive intention and ability to hold the assets until their maturity date as required by the group's accounting policies.

Note 3(f)(ii). The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Notes 3(f)(iii) and 4(a). The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL).

Note 23: Impairment testing for CGUs containing goodwill: Key assumptions underlying recoverable amounts.

Note 37 and Note 38: Recognition and measurement of contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources.

Note 6: measurement of fair value of financial instruments with significant unobservable inputs.

6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE

Accounting classifications at carrying amounts and fair values

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

The following sets out the Group's basis of establishing fair values of financial instruments: Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued either using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances are on floating rates and re-price within 12 months, hence, their fair value approximates their carrying amounts. The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Cash and balances with Central Banks are measured at amortised cost and their fair value approximates their carrying amount.

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash and cash equivalents, loans and advances to banks and due from group companies	Carrying amount since the amounts are receivable on demand as at the reporting date	
Loans and advances to customers	Discounted cash flow models	Interest rates
Government trading securities/ Government securities	Prices quoted in active market	Quoted prices
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Spot price, interest rate and/ or volatility
Deposits	Using the carrying amount since the amounts are payable on demand as at the reporting date	

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

6. FAIR VALUE HIERARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values (continued)

Group	Carrying amounts					Fair value			
31 December 2025	Financial assets at amortised cost KShs'000	Financial assets at FVOCI KShs'000	Financial assets at FVTPL KShs'000	Financial liabilities at amortised cost KShs'000	Total KShs'000	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Financial assets									
Cash and balances with central banks	21,498,578	-	-	-	**21,498,578**	-	-	21,498,578	**21,498,578**
Items in the course of collection	378,928	-	-	-	**378,928**	-	-	378,928	**378,928**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	**-**	-	-	-	**-**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	126,296,763	-	-	**126,296,763**	11,493,265	114,803,498	-	**126,296,763**
Financial assets at amortised cost	42,994,227	-	-	-	**42,994,227**	643,017	42,351,210	-	**42,994,227**
Loans and advances to banks	38,684,596	-	-	-	**38,684,596**	-	38,684,596	-	**38,684,596**
Loans and advances to customers	245,050,455	-	624,392	-	**245,674,847**	-	245,674,847	-	**245,674,847**
Due from related parties	1,520,609	-	-	-	**1,520,609**	-	-	1,520,609	**1,520,609**
Other assets	6,269,801	-	-	-	**6,269,801**	-	-	6,269,801	**6,269,801**
	356,397,194	**126,296,763**	**624,392**	-	**483,318,349**	**12,136,282**	**441,514,151**	**29,667,916**	**483,318,349**
Financial liabilities									
Deposits from banks	-	-	-	20,572,031	**20,572,031**	-	-	20,572,031	**20,572,031**
Deposits from customers	-	-	-	380,658,195	**380,658,195**	-	-	380,658,195	**380,658,195**
Due to related parties	-	-	-	1,394,787	**1,394,787**	-	-	1,394,787	**1,394,787**
Long term borrowings	-	-	-	2,419,356	**2,419,356**	-	-	2,419,356	**2,419,356**
Subordinated debt	-	-	-	7,500,059	**7,500,059**	-	-	7,500,059	**7,500,059**
Other liabilities	-	-	-	5,255,530	**5,255,530**	-	-	5,255,530	**5,255,530**
	-	-	-	**417,799,958**	**417,799,958**	-	-	**417,799,958**	**417,799,958**

Short-term financial instruments carrying amounts reasonably approximate their fair values.

6. FAIR VALUE HIERARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values (continued)

Group	Carrying amounts					Fair value			
31 December 2024	**Financial assets at amortised cost KShs'000**	**Financial assets at FVOCI KShs'000**	**Financial assets at FVTPL KShs'000**	**Financial liabilities at amortised cost KShs'000**	**Total KShs'000**	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**Total KShs'000**
Financial assets									
Cash and balances with central banks	24,011,805	-	-	-	**24,011,805**	-	-	24,011,805	**24,011,805**
Items in the course of collection	669,433	-	-	-	**669,433**	-	-	669,433	**669,433**
Financial assets at fair value through profit or loss (FVTPL)	-	-	90,078	-	**90,078**	-	90,078	-	**90,078**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	61,481,188	-	-	**61,481,188**	11,493,265	49,987,923	-	**61,481,188**
Financial assets at amortised cost	71,889,366	-	-	-	**71,889,366**	643,017	71,246,349	-	**71,889,366**
Loans and advances to banks	29,055,596	-	-	-	**29,055,596**	-	29,055,596	-	**29,055,596**
Loans and advances to customers	239,290,323	-	406,798	-	**239,697,121**	-	239,697,121	-	**239,697,121**
Due from related parties	1,588,011	-	-	-	**1,588,011**	-	-	1,588,011	**1,588,011**
Other assets	4,801,256	-	-	-	**4,801,256**	-	-	4,801,256	**4,801,256**
	371,305,790	**61,481,188**	**496,876**	-	**433,283,854**	**12,136,282**	**390,077,067**	**31,070,505**	**433,283,854**
Financial liabilities									
Deposits from banks	-	-	-	27,451,723	**27,451,723**	-	-	27,451,723	**27,451,723**
Deposits from customers	-	-	-	333,043,966	**333,043,966**	-	-	333,043,966	**333,043,966**
Due to related parties	-	-	-	2,533,081	**2,533,081**	-	-	2,533,081	**2,533,081**
Long term borrowings	-	-	-	2,160,149	**2,160,149**	-	-	2,160,149	**2,160,149**
Subordinated debt	-	-	-	10,485,431	**10,485,431**	-	-	10,485,431	**10,485,431**
Other liabilities	-	-	-	4,662,484	**4,662,484**	-	-	4,662,484	**4,662,484**
	-	-	-	**380,336,834**	**380,336,834**	-	-	**380,336,834**	**380,336,834**

Short-term financial instruments carrying amounts reasonably approximate their fair values.

6. FAIR VALUE HIERARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value - At 31st December

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment securities – Fair Value through Other Comprehensive Income	Prices quoted at securities exchanges	None	Not applicable

During the year , there were no transfers of financial instruments into and out of level 1,2 and 3 hierarchy.

6. FAIR VALUE HIERARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values (continued)

Company	**Carrying amounts**					**Fair value**			
31 December 2025	**Financial assets at amortised cost KShs'000**	**Financial assets at FVOCI KShs'000**	**Financial assets at FVTPL KShs'000**	**Financial liabilities at amortised cost KShs'000**	**Total KShs'000**	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**Total KShs'000**
Financial assets									
Balances with Central Bank of Kenya	16,199,185	-	-	-	**16,199,185**	-	-	16,199,185	**16,199,185**
Items in the course of collection	376,440	-	-	-	**376,440**	-	-	376,440	**376,440**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	126,076,095	-	-	**126,076,095**	10,152,515	115,923,580	-	**126,076,095**
Financial assets at amortised cost	35,172,168	-	-	-	**35,172,168**	642,041	34,530,127	-	**35,172,168**
Loans and advances to banks	32,892,301	-	-	-	**32,892,301**	-	32,892,301	-	**32,892,301**
Loans and advances to customers	217,364,097	-	624,392	-	**217,988,489**	-	217,988,489	-	**217,988,489**
Due from related parties	5,878,768	-	-	-	**5,878,768**	-	-	5,878,768	**5,878,768**
Other assets	-	5,086,752	-	-	**5,086,752**	-	-	5,086,752	**5,086,752**
	307,882,959	**131,162,847**	**624,392**	**-**	**439,670,198**	**10,794,556**	**401,334,497**	**27,541,145**	**439,670,198**
Financial liabilities									
Deposits from banks	-	-	-	17,474,928	**17,474,928**	-	-	17,474,928	**17,474,928**
Deposits from customers	-	-	-	348,660,947	**348,660,947**	-	-	348,660,947	**348,660,947**
Due to related parties	-	-	-	1,527,611	**1,527,611**	-	-	1,527,611	**1,527,611**
Subordinated debt	-	-	-	6,652,064	**6,652,064**	-	-	6,652,064	**6,652,064**
Other liabilities	-	-	-	4,279,384	**4,279,384**	-	-	4,279,384	**4,279,384**
	-	**-**	**-**	**380,504,459**	**380,504,459**	**-**	**-**	**380,504,459**	**380,504,459**

Short-term financial instruments carrying amounts reasonably approximate their fair values.

6. FAIR VALUE HIERARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values (continued)

Company	**Carrying amounts**					**Fair value**			
31 December 2024	**Financial assets at amortised cost KShs'000**	**Financial assets at FVOCI KShs'000**	**Financial assets at FVTPL KShs'000**	**Other financial liabilities at amortised cost KShs'000**	**Total KShs'000**	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**Total KShs'000**
Financial assets									
Balances with Central Bank of Kenya	19,396,678	-	-	-	**19,396,678**	-	-	19,396,678	**19,396,678**
Items in the course of collection	669,433	-	-	-	**669,433**	-	-	669,433	**669,433**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	61,278,791	-	-	**61,278,791**	10,152,515	51,126,276	-	**61,278,791**
Financial assets at amortised cost	63,003,934	-	-	-	**63,003,934**	642,041	62,361,893	-	**63,003,934**
Loans and advances to banks	25,474,262	-	-	-	**25,474,262**	-	-	-	-
Loans and advances to customers	216,087,376	-	406,798	-	**216,494,174**	-	216,494,174	-	**216,494,174**
Due from related parties	4,147,774	-	-	-	**4,147,774**	-	-	4,147,774	**4,147,774**
Other assets	-	4,083,612	-	-	**4,083,612**	-	-	4,083,612	**4,083,612**
	328,779,457	**65,362,403**	**406,798**	**-**	**394,548,658**	**10,794,556**	**329,982,343**	**28,297,497**	**369,074,396**
Financial liabilities									
Deposits from banks	-	-	-	24,377,799	**24,377,799**	-	-	24,377,799	**24,377,799**
Deposits from customers	-	-	-	303,765,965	**303,765,965**	-	-	303,765,965	**303,765,965**
Due to related parties	-	-	-	2,674,020	**2,674,020**	-	-	2,674,020	**2,674,020**
Subordinated debt	-	-	-	10,310,689	**10,310,689**	-	-	10,310,689	**10,310,689**
Other liabilities	-	-	-	3,708,931	**3,708,931**	-	-	3,708,931	**3,708,931**
	-	**-**	**-**	**346,611,309**	**346,611,309**	**-**	1,773,905	**346,611,309**	**348,385,214**

Short-term financial instruments carrying amounts reasonably approximate their fair values.

7. INTEREST INCOME

	2025 KShs '000	2024 KShs '000
(a) Group		
Loans and advances to customers	37,218,215	42,579,872
Loans and advances to banks	1,407,517	1,993,869
Investment securities:-		
- At amortised cost	5,894,690	6,537,732
- Fair value through other comprehensive income	10,959,127	6,654,270
	55,479,549	**57,765,743**
(b) Company		
Loans and advances to customers	31,660,951	38,073,481
Loans and advances to banks	1,348,507	1,928,605
Investment securities:-		
- At amortised cost	5,011,684	5,480,212
- Fair value through other comprehensive income	10,939,962	6,619,955
	48,961,104	**52,102,253**

8. INTEREST EXPENSE

	2025 KShs '000	2024 KShs '000
(a) Group		
Deposits from customers	16,513,897	22,826,953
Deposits from banks	1,381,916	2,284,305
Long term debt	44,108	14,162
Subordinated debt	723,412	1,001,490
Lease liabilities (Note 33)	254,925	251,510
	18,918,258	**26,378,420**
(b) Company		
Deposits from customers	14,829,037	21,185,632
Deposits from banks	1,274,807	2,205,976
Subordinated debt	723,412	1,001,490
Lease liabilities (Note 33)	201,851	203,675
	17,029,107	**24,596,773**

9. FEE AND COMMISSION INCOME/EXPENSE

	2025 KShs '000	2024 KShs '000
(a) Group		
Fee and commission income		
Commissions	2,850,098	2,509,936
Service fees	2,292,288	1,933,597
	5,142,386	**4,443,533**
Fees and commission expense		
Interbank transaction fees	(100,817)	(113,890)
Other	(275,847)	(389,809)
	(376,664)	**(503,699)**
Net fee and commission income	**4,765,722**	**3,939,834**

9. NET FEE AND COMMISSION INCOME/EXPENSE (Continued)

	2025 KShs '000	2024 KShs '000
(b) Company		
Fee and commission income		
Commissions	2,016,935	1,785,641
Service fees	2,200,784	1,844,456
	4,217,719	**3,630,097**
Fees and commission expense		
Interbank transaction fees	(96,496)	(111,899)
Other	(269,036)	(388,282)
	(365,532)	**(500,181)**
Net fee and commission income	**3,852,187**	**3,129,916**

Fees and commission from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when the performance obligation is satisfied.

The following table provides information about the nature and timing of the satisfaction performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	**Nature of timing of satisfaction of performance, obligations, including significant payment terms**	**Revenue recognition policies under IFRS 15**
Transactional service fees	Consist of fees charged for processing services such as cash management, global payments, clearing, international funds transfer and other trade services.	Recognized as/when the associated service is satisfied, which normally occurs at the point in time the service is requested by the customer and provided.
Deposit-related fees	Consist of service charges on deposit accounts and fees earned from performing cash management activities and other deposit account services.	Fees are recognized in the period in which the related service is provided.
Insurance distribution revenue/commission	Commissions earned from third-party insurance companies for marketing and selling insurance policies.	Commissions are recognized in Commissions and fees at the point in time the associated service is fulfilled- when the insurance policy is sold to the policyholder.
Credit card and bank card income	Composed of interchange fees, which are earned by card issuers based on purchase sales, and certain card fees, including annual fees. Costs related to customer reward programs and certain payments to partners (primarily based on program sales, profitability and customer acquisitions.	Costs related to card reward programs are recognized when the rewards are earned by the cardholders. Payments to partners are recognized when incurred.

10. NET TRADING INCOME

	2025 KShs '000	2024 KShs '000
(a) Group		
Income from foreign exchange dealings	2,162,333	2,359,519
Net income on financial assets at fair value through profit or loss (FVTPL)	1,514,060	72,825
	3,676,393	**2,432,344**
(b) Company		
Income from foreign exchange dealings	1,716,103	1,911,245
Net income on financial assets at fair value through profit or loss (FVTPL)	1,503,560	70,216
	3,219,663	**1,981,461**

11. OTHER OPERATING INCOME

	2025 KShs '000	2024 KShs '000
(a) Group		
(i) Other income		
Profit on sale of property and equipment	38,220	1,992
Management fees income	32,492	125,444
Other income	1,144,499	610,156
	1,215,211	**737,592**
(b) Company		
(i) Other income		
Profit on sale of property and equipment	38,220	1,992
Management fees	82,908	184,688
Other income	376,289	176,646
	497,417	**363,326**
(ii) Dividend income		
Dividend income -I&M Bancassurance Intermediary Limited	**300,000**	**200,000**

12. OPERATING EXPENSES

	2025	2024
(a) Group		
Staff costs		
Salaries and wages	6,667,543	5,349,990
Contribution to defined benefit and contribution plan	265,384	250,671
Statutory contribution	170,977	110,491
Other staff costs	988,016	755,128
	8,091,920	**6,466,280**

Other staff cost relates to staff insurance expenses, training expenses, team building, staff uniforms, staff subscriptions and per diem allowances.

12. OPERATING EXPENSES (Continued)

(a) Group (continued)

	2025 KShs'000	2024 KShs'000
Premises and equipment costs		
Service charge	212,929	197,300
Utilities	266,878	229,779
Other premises and equipment costs	71,258	70,656
	551,065	**497,735**
Other expenses		
Deposit protection insurance contribution	550,573	498,583
Loss on disposal of property and equipment	-	54,739
Other general administrative expenses	7,814,188	6,410,655
	8,364,761	**6,963,977**
Depreciation and amortisation		
Depreciation on property and equipment (Note 23)	1,262,900	1,321,982
Amortisation of intangible assets (Note 24)	783,281	844,469
	2,046,181	**2,166,451**

The average number of employees employed by the Group are as follows:

	2025	2024
Management	1,903	1,583
Others	516	486
	2,419	**1,652**

(b) Company

	2025 KShs '000	2024 KShs '000
Staff costs		
Salaries and wages	5,748,893	4,502,511
Contribution to defined benefit and contribution plan	261,190	246,732
Statutory contribution	86,855	37,958
Other staff costs	874,409	656,501
	6,971,347	**5,443,702**
Premises and equipment costs		
Service charge	195,725	163,530
Utilities	250,631	217,190
Other premises and equipment costs	51,414	46,171
	497,770	**426,891**
Other expenses		
Deposit protection insurance contribution	510,540	452,734
Loss on disposal of property and equipment	-	-
Other general administrative expenses	5,796,602	5,072,416
	6,307,142	**5,525,150**
Depreciation and Amortisation		
Depreciation on property and equipment (Note 23)	1,064,162	1,148,882
Amortisation of intangible assets (Note 24)	734,485	753,911
	1,798,647	**1,902,793**

12. OPERATING EXPENSES (Continued)

(b) Company - continued

The average number of employees employed by the Company are as follows:

	2025	2024
Management	1,639	1,363
Others	505	473
	2,144	**1,836**

13. INCOME TAX EXPENSE AND TAX PAYABLE

(a) Income tax expense

(i) Group

	2025 KShs'000	2024 KShs'000
Current tax		
Current year's tax	4,069,808	4,954,924
Over provision in prior year	(350,164)	(312,676)
	3,719,644	**4,642,248**
Deferred income tax (Note 25)		
Current year	(1,105,619)	(1,977,445)
Under provision in prior year deferred income tax	292,162	144,850
	(813,457)	**(1,832,595)**
Income tax expense	**2,906,187**	**2,809,653**

The tax on the Group's profit differs from the theoretical amount using the basic tax rate as follows:

	2025 KShs'000	2024 KShs'000
Accounting profit before tax	**18,619,532**	**15,355,158**
Computed tax using the applicable corporation tax rate at 30%	5,585,860	4,606,547
Over provision in prior year	(350,164)	(312,676)
Effect on non-deductible costs/non-taxable income	(2,621,671)	(1,629,068)
Over provision in prior year - deferred income tax	292,162	144,850
	2,906,187	**2,809,653**

13. INCOME TAX EXPENSE AND TAX PAYABLE (Continued)

(ii) **Company**

Current income tax		
Current year's tax at 30%	3,782,829	4,657,642
Over provision in prior year	(352,230)	(312,622)
	3,430,599	**4,345,020**
Deferred income tax (Note 25)		
Current year	(1,038,737)	(1,958,653)
Over provison in prior year	293,318	331,303
	(745,419)	**(1,627,350)**
Income tax expense	**2,685,180**	**2,717,670**

The tax on the Company's profit differs from the theoretical amount using the basic tax rate as follows:

	2025 KShs'000	2024 KShs'000
Accounting profit before tax	**17,364,069**	**14,114,999**
Computed tax using the applicable corporation tax rate at 30%	5,209,221	4,234,500
Over provision in prior year	(352,230)	(312,622)
Effect on non-deductible costs	237,281	-
Effect on non-taxable income	(2,702,410)	(1,535,511)
Under provision in prior year - deferred income tax	293,318	331,303
	2,685,180	**2,717,670**

(b) Tax (recoverable)/payable

(i) **Group**

At 1 January	1,002,502	(605,555)
Income tax expense (Note 13(a)(i))	3,719,644	4,642,248
Effect of tax in foreign jurisdiction	5,053	15,446
Tax paid (Note 35)	(5,881,461)	(3,049,637)
At 31 December	**(1,154,261)**	**1,002,502**
Income tax recoverable	(1,162,230)	(131,300)
Income tax payable	7,969	1,133,802
	(1,154,261)	**1,002,502**

(ii) **Company**	2025 KShs'000	2024 KShs'000
At 1 January	1,118,973	(444,373)
Income tax expense (Note 13(a)(ii))	3,430,599	4,345,020
Tax paid (Note 35)	(5,491,136)	(2,781,674)
At 31 December	**(941,564)**	**1,118,973**

14. EARNINGS PER SHARE

	Group		Company	
	2025	2024	2025	2024
Net profit after tax attributable to owners of the company (KShs '000')	15,297,752	11,735,177	14,678,889	10,962,272
Weighted average number of ordinary shares in issue during the year ('000)	30,000	30,000	30,000	30,000
Earnings per share (KShs)	509.93	391.17	489.30	365.41

There were no potentially dilutive shares outstanding at 31 December 2025 (2025 – Nil).

15. DIVIDEND PER SHARE

	2025 KShs'000	2024 KShs'000
The calculation of dividend per share is based on:		
Final dividend proposed during the year	6,240,000	4,800,000
	6,240,000	4,800,000
Number of ordinary shares in issue as at 31 December ('000)	30,000	30,000
Final dividend per share	208	160

The payment of dividends is subject to withholding tax at the rate of 10% for all non-residents, 5% for Kenyan residents and Nil for resident Kenyan companies with shareholding of 12.5% or more.

16. CASH AND BALANCES WITH CENTRAL BANKS

	2025 KShs'000	2024 KShs'000
(a) Group		
Cash on hand	5,278,435	4,433,947
Balances with central banks:		
-Cash reserve ratios balance	12,749,078	14,797,677
-Unrestricted balances	3,471,065	4,780,181
	21,498,578	24,011,805
(b) Company		
Cash on hand	4,573,512	3,996,746
Balances with Central Bank of Kenya:		
-Cash reserve ratios balance	10,704,136	12,961,399
-Unrestricted balances	921,537	2,438,533
	16,199,185	19,396,678

The Group's Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted for the respective central banks requirements. At 31st December 2025, the cash ratio requirement was 4.25% (2024 – 4.25%) in Kenya and, 6.0% (2024 – 6.0%) in Tanzania of eligible deposits. These funds are available for use by the Company (I&M Bank Limited) in its day-to-day operations in a limited way provided that on any given day this balance does not fall below the 3.00% requirement and provided that the overall average in the month is at least 4.25% (2024 - 4.25%)

17. ITEMS IN THE COURSE OF COLLECTION

	2025 KShs'000	2024 KShs'000
(a) Group		
Assets	**378,928**	**669,433**
Liabilities	-	**2,237**
(b) Company		
Assets	**376,440**	**669,433**
Liabilities	-	-

Items in the course of collection represent net settlement balances.

18. LOANS AND ADVANCES TO BANKS

	2025 KShs'000	2024 KShs'000
(a) Group		
Due within 90 days	36,990,266	26,793,276
Due after 90 days	1,694,330	2,262,320
	38,684,596	**29,055,596**
(b) Company		
Due within 90 days	31,197,971	23,211,942
Due after 90 days	1,694,330	2,262,320
	32,892,301	**25,474,262**

19. LOANS AND ADVANCES TO CUSTOMERS

	2025 KShs'000	2024 KShs'000
Group		
Loans and advances at amortised cost	245,050,452	239,290,323
Loans and advances at fair value through profit or loss	624,392	406,798
	245,674,844	**239,697,121**
Company		
Loans and advances at amortised cost	217,364,097	216,087,376
Loans and advances at fair value through profit or loss	624,392	406,798
	217,988,489	**216,494,174**

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(a) Classification of loans and advances at amortised cost

		2025 KShs'000	2024 KShs'000
(i)	***Group***		
	Overdrafts	67,652,252	69,480,795
	Loans	168,570,921	161,823,407
	Bills discounted	9,372,596	8,244,998
	Finance leases	13,009,563	11,674,339
	Gross loans and advances	**258,605,332**	**251,223,539**
	Less: Impairment losses on loans and advances	(13,554,880)	(11,933,216)
	Net loans and advances	**245,050,452**	**239,290,323**
(ii)	***Company***		
	Overdrafts	57,291,273	59,660,906
	Loans	149,579,546	147,775,089
	Bills discounted	9,372,596	8,244,998
	Finance leases	13,009,568	11,674,339
	Gross loans and advances	**229,252,983**	**227,355,332**
	Less: Impairment losses on loans and advances	(11,888,886)	(11,267,956)
	Net loans and advances	**217,364,097**	**216,087,376**

The movement in impairment loss reserves in compliance with IFRS 9 is disclosed on Note 5(a)(iii).

Summary of loans and advances is as follows.

Group	2025			2024		
	Gross Loans KShs 000	**Credit loss allowance KShs 000**	**Carrying Amount / net loans KShs 000**	**Gross Loans KShs 000**	**Credit loss allowance KShs 000**	**Carrying Amount / net loans KShs 000**
Corporate	190,375,796	6,318,854	184,056,942	178,436,971	6,946,110	171,490,861
Business	36,085,345	2,973,754	33,111,591	18,568,706	2,553,082	16,015,624
Retail	32,144,193	4,262,271	27,881,922	55,061,764	3,277,926	51,783,838
	258,605,334	13,554,879	245,050,455	252,067,441	12,777,118	239,290,323

Company	2025			2024		
	Gross Loans KShs 000	**Credit loss allowance KShs 000**	**Carrying Amount / net loans KShs 000**	**Gross Loans KShs 000**	**Credit loss allowance KShs 000**	**Carrying Amount / net loans KShs 000**
Corporate	164,994,511	5,230,991	159,763,520	154,568,763	6,374,832	148,193,931
Business	35,119,396	2,466,405	32,652,991	17,724,805	2,296,986	15,427,819
Retail	29,139,076	4,191,490	24,947,586	55,061,764	2,596,138	52,465,626
	229,252,983	11,888,886	217,364,097	227,355,332	11,267,956	216,087,376

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Allowance for expected credit losses on loans at amortized cost is as follows.

Group	Corporate KShs'000	Business KShs'000	Retail KShs'000	Total KShs'000
2025				
Stage 3				
At start of year	4,791,507	1,835,572	1,843,862	8,470,941
Stage remeasurement Charge for the year	2,429,118	1,616,690	1,663,058	5,708,866
Reduction due to write down/write offs	(2,181,816)	(1,209,563)	(956,144)	(4,347,523)
Reduction due to client repayments in full	(195,486)	(200,612)	(23,670)	(419,768)
New financial assets purchased	-	102,763	259,865	362,628
At end of year	**4,843,323**	**2,144,850**	**2,786,971**	**9,775,144**
Stage 1 & 2				
At start of year	2,162,663	545,683	753,930	3,462,276
Stage remeasurement Charge for the year	285,293	274,570	87,568	647,431
Reduction due to write down/write offs	(1,052,162)	(14,031)	(47,471)	(1,113,664)
Reduction due to client repayments in full	(62,238)	(63,646)	(47,555)	(173,439)
New financial assets purchased	132,067	167,018	658,047	957,132
At end of year	**1,465,623**	**909,594**	**1,404,519**	**3,779,736**
	6,308,946	**3,054,444**	**4,191,490**	**13,554,880**

Group	Corporate KShs'000	Business KShs'000	Retail KShs'000	Total KShs'000
2024				
Stage 3				
At start of year	5,490,226	2,065,984	994,797	8,551,007
Stage remeasurement Charge for the year	880,454	659,134	528,775	2,068,363
Reduction due to write down/write offs	(1,569,484)	(275,774)	(728,634)	(2,573,892)
Reduction due to client repayments in full	(9,689)	(47,256)	(25,032)	(81,977)
New financial assets purchased	-	118,163	389,276	507,439
At end of year	**4,791,507**	**2,520,251**	**1,159,182**	**8,470,940**
Stage 1 & 2				
At start of year	1,641,013	331,053	326,572	2,298,638
Stage remeasurement Charge for the year	458,548	109,456	187,279	755,283
Reduction due to write down/write offs	(373)	(1,175)	(23,350)	(24,898)
Reduction due to client repayments in full	(7,048)	(6,756)	(18,991)	(32,795)
New financial assets purchased	70,523	113,105	282,420	466,048
At end of year	**2,162,663**	**545,683**	**753,930**	**3,462,276**
	6,954,170	**3,065,934**	**1,913,112**	**11,933,216**

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Allowance for expected credit losses on loans at amortized cost is as follows (continued).

Company	Corporate KShs'000	Business KShs'000	Retail KShs'000	Total KShs'000
2025				
Stage 3				
At start of year	4,303,805	1,790,721	1,843,862	7,938,388
Stage remeasurement Charge for the year	1,824,386	1,058,476	1,663,058	4,545,920
Reduction due to write down/write offs	(1,789,628)	(856,655)	(956,144)	(3,602,427)
Reduction due to client repayments in full	(808)	(20,909)	(23,670)	(45,387)
New financial assets purchased	-	102,763	259,865	362,628
At end of year	**4,337,755**	**2,074,396**	**2,786,971**	**9,199,122**
Stage 1 & 2				
At start of year	2,079,087	496,551	753,930	3,329,568
Stage remeasurement Charge for the year	(187,585)	(161,933)	87,568	(261,950)
Reduction due to write down/write offs	(1,033,483)	(14,031)	(47,471)	(1,094,985)
Reduction due to client repayments in full	(9,498)	(14,963)	(47,555)	(72,016)
New financial assets purchased	44,714	86,385	658,048	789,147
At end of year	893,235	392,009	1,404,520	2,689,764
	5,230,990	**2,466,405**	**4,191,491**	**11,888,886**

Company	Corporate KShs'000	Business KShs'000	Retail KShs'000	Total KShs'000
2024				
Stage 3				
At start of year	4,248,053	1,336,454	994,797	6,579,304
Stage remeasurement Charge for the year	1,145,138	659,134	925,801	2,730,073
Reduction due to write down/write offs	(1,079,697)	(275,774)	(440,981)	(1,796,452)
Reduction due to client repayments in full	(9,689)	(47,256)	(25,032)	(81,977)
New financial assets purchased	-	118,163	389,276	507,439
At end of year	**4,303,805**	**1,790,721**	**1,843,861**	**7,938,387**
Stage 1 & 2				
At start of year	1,581,952	296,366	326,572	2,204,890
Stage remeasurement Charge for the year	433,953	95,011	187,279	716,243
Reduction due to write down/write offs	(373)	(1,175)	(23,350)	(24,898)
Reduction due to client repayments in full	(6,967)	(6,756)	(18,991)	(32,714)
New financial assets purchased	70,523	113,105	282,420	466,048
At end of year	**2,079,088**	**496,551**	**753,930**	**3,329,569**
	6,382,893	**2,287,272**	**2,597,791**	**11,267,956**

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Impairment losses on financial assets – Group

	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Government securities KShs'000	Trade receivables KShs'000	Total KShs'000
2025:					
Net remeasurement of loss allowance	6,338,841	4,778	28,643	21,222	6,393,484
New financial assets originated or purchased	1,318,343	65,039	-	-	1,383,382
	7,657,184	**69,817**	**28,643**	**21,222**	**7,776,866**
Recoveries and impairment no longer required	(585,189)	(70,600)	-	-	(655,789)
Recoveries of loans and advances previously written off	174,530	-	-	-	174,530
Amounts directly written off during the year	1,456,910	-	-	-	1,456,910
	8,703,435	**(783)**	**28,643**	**21,222**	**8,752,517**
2024:					
Net remeasurement of loss allowance	2,769,879	125,719	28,643	13,250	2,937,491
New financial assets originated or purchased	973,489	35,113	-	-	1,008,602
	3,743,368	**160,832**	**28,643**	**13,250**	**3,946,093**
Recoveries and impairment no longer required	(114,772)	(17,408)	-	-	(132,180)
Recoveries of loans and advances previously written off	1,199,820	-	-	-	1,199,820
Amounts directly written off during the year	2,033,759	-	-	-	2,033,759
	6,862,175	**143,424**	**28,643**	**13,250**	**7,047,492**

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Impairment losses on financial assets – Company

2025:	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Government securities KShs'000	Total KShs'000
Net remeasurement of loss allowance	4,266,274	12,555	17,696	4,296,525
New financial assets originated or purchased	1,151,772	55,540	-	1,207,312
	5,418,046	**68,095**	**17,696**	**5,503,837**
Recoveries and impairment no longer required	(117,399)	(70,601)	-	(188,000)
Amounts directly written off during the year	1,753,811	-	-	1,753,811
	7,054,458	**(2,506)**	**17,696**	**7,069,648**

2024:	Loans and advances to customers at amortised cost KShs'000	Loan commitments and financial guarantee contracts KShs'000	Government securities KShs'000	Total KShs'000
Net remeasurement of loss allowance	3,446,316	130,070	28,643	3,605,029
New financial assets originated or purchased	973,489	35,113	-	1,008,602
	4,419,805	**165,183**	**28,643**	**4,613,631**
Recoveries and impairment no longer required	(114,693)	(17,408)	-	(132,101)
Recoveries of loans and advances previously written off	-	-	-	-
Amounts directly written off during the year	1,285,118	-	-	1,285,118
	5,590,230	**147,775**	**28,643**	**5,766,648**

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 5(a).

(i) Group

	2025 KShs'000	2024 KShs'000
Interest on impaired loans and advances which has not yet been received in cash	**972,826**	**1,226,835**

(ii) Company

	2025 KShs'000	2024 KShs'000
Interest on impaired loans and advances which has not yet been received in cash	**880,000**	**1,130,942**

(d) Gross loans and advances concentration by sector

(i) Group

	2025 KShs'000	2025 %	2024 KShs'000	2024 %
Manufacturing	63,797,261	25%	67,760,651	27%
Wholesale and retail trade	58,871,160	23%	57,159,613	23%
Building and construction	8,700,480	3%	12,251,007	5%
Agriculture	13,796,219	5%	13,342,893	5%
Real estate	16,862,153	7%	20,438,968	8%
Transport and communication	24,468,519	9%	22,451,463	9%
Business services	8,019,493	3%	8,149,937	3%
Electricity and water	4,567,737	2%	1,489,558	1%
Finance and insurance	13,515,514	5%	11,033,325	4%
Mining and quarrying	1,850,638	1%	1,588,605	1%
Others	44,156,158	17%	35,557,519	14%
	258,605,332	**100%**	**251,223,539**	**100%**

(ii) Company

	2025 KShs'000	2025 %	2024 KShs'000	2024 %
Manufacturing	58,753,690	26%	61,510,767	27%
Wholesale and retail trade	49,750,367	22%	50,018,183	22%
Building and construction	7,314,055	3%	11,104,489	5%
Agriculture	13,382,247	6%	11,932,666	5%
Real estate	15,266,293	7%	18,956,096	8%
Transport and communication	21,811,401	10%	20,652,295	9%
Business services	7,258,622	3%	7,625,976	3%
Electricity and water	4,567,737	2%	1,489,558	1%
Finance and insurance	13,515,514	6%	11,033,325	5%
Mining and quarrying	1,089,767	1%	1,588,605	1%
Others	36,543,290	14%	31,443,372	14%
	229,252,983	**100%**	**227,355,332**	**100%**

19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Finance leases

Loans and advances to customers include finance leases receivable as follows:

(i) Group

	2025 KShs'000	2024 KShs'000
Receivable no later than 1 year	800,006	731,102
Receivable later than 1 year and no later than 5 years	8,261,967	8,232,994
Receivable later than 5 year	3,947,590	2,710,243
	13,009,563	**11,674,339**

(ii) Company

	2025 KShs'000	2024 KShs'000
Receivable no later than 1 year	800,006	731,102
Receivable later than I year and no later than 5 years	8,261,967	8,232,994
Receivable later than 5 year	3,947,590	2,710,243
	13,009,563	**11,674,339**

(f) Loans and advances at fair value through profit or loss

Loans and advances at fair value includes loan notes issued to a Special Purpose Entity (SPE) formed as part of a restructuring arrangement between lender Banks and Kenya Airways Plc in 2017. Under the terms of the restructuring, the amounts owing to the Banks were transferred to the SPE, which in exchange was allocated equity shares of Kenya Airways Plc. Principally, the Banks will recover the amounts through the sale of Kenya Airways shares. The Banks receive a fixed interest income on the amounts due at a rate that is largely below the market rates

	Group		Company	
	2025	**2024**	**2025**	**2024**
Loan note	406,798	1,028,308	406,798	1,028,308
Fair value gain/(loss)	207,359	(621,510)	207,359	(621,510)
Unearned interest	10,235	-	10,235	-
Carrying amount	**624,392**	**406,798**	**624,392**	**406,798**

20. FINANCIAL ASSETS

(a) Financial assets at fair value through profit or loss (FVTPL)

	2025 KShs'000	2024 KShs'000
(i) Group		
Government securities	**-**	**90,078**

20. FINANCIAL ASSETS (Continued)

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)

	2025 KShs'000	2024 KShs'000
***(i)* Group**		
Equity investments	53,160	54,071
Corporate bonds	4,796,130	289,186
Government securities	121,447,473	61,137,931
	126,296,763	**61,481,188**
***(ii)* Company**		
Corporate bonds	4,796,130	289,186
Government securities	121,279,965	60,989,605
	126,076,095	**61,278,791**

(c) Financial assets at amortised cost

	2025 KShs'000	2024 KShs'000
***(i)* Group**		
Preference shares investment in related party	3,617,000	3,590,000
Government securities	39,344,595	68,250,641
Trade receivables	32,632	48,725
	42,994,227	**71,889,366**
***(ii)* Company**		
Preference shares investment in related party	3,617,000	3,590,000
Government securities	31,555,168	59,413,934
	35,172,168	**63,003,934**

* On 28 January 2016 and 6 July 2016, I&M Realty Limited issued 350, 5% non-cumulative preference shares of a par value of KShs 10,000,000 each to the value of KShs 3.5 billion redeemable after a period of 7 years at the discretion of the issuer, which were fully subscribed to by I&M Bank LIMITED. An additional 30 non-cumulative redeemable preference shares of KShs 10,000,000 each were issued in 2019 by I&M Realty Limited and were fully subscribed by I&M Bank LIMITED. These additional preference rank pari passu in all respect with the existing non-cumulative redeemable preference shares.

* On 17 June 2021, Giro Limited issued 9,000,000, 5% non-cumulative preference shares of a par value of KShs 30 each at KShs 60 each to the value of KShs 540,000,000 redeemable after a period of 5 years but before the expiry of 10 years at the discretion of the issuer, which were fully subscribed to by I&M Bank LIMITED.

The Group holds an equity investment in the Tanzania Mortgage Refinance Company Limited (TRMC), a non-listed financial institution established to provide long-term funding support to mortgage lenders. The investment has been designated at fair value through other comprehensive income (FVOCI) as it is not held for trading and is maintained for strategic purposes, to earn dividend income and support the development of the mortgage market. There were no disposal done during the year ended December 2025 (2024: Nil) and there were no transfers of any cumulative gain or loss within equity relating to the investment.

20. FINANCIAL ASSETS (Continued)

The change in the carrying amount of investment securities held by the Group is as shown below:

Group	Financial assets at amortised cost		Financial assets at fair value through profit or loss (FVTPL)	Financial assets at fair value through other comprehensive income (FVOCI)			
	Government securities KShs'000	Preference shares KShs'000	Government securities KShs'000	Government securities KShs'000	Equity investments KShs'000	Corporate bond KShs'000	Total KShs'000
31 December 2025							
At 1 January	68,250,641	3,590,000	90,078	61,857,413	54,071	289,186	134,131,389
Additions	63,477,221	-	-	116,090,068	-	4,697,300	184,264,589
Disposals and maturities	(93,863,454)	-	-	(65,235,645)	-	(288,860)	(159,387,959)
Changes in fair value	1,397,722	-	-	4,605,955	-	-	6,003,677
Unearned interest	238,576	27,000	-	4,852,438	(911)	98,504	5,215,607
12-month ECL	(7,232)	-	-	1,137	-	-	(6,095)
Translation reserve	(148,878)	-	-	(1,384)	-	-	(150,262)
At 31 December	**39,344,596**	**3,617,000**	**90,078**	**122,169,982**	**53,160**	**4,796,130**	**170,070,946**
31 December 2024							
At 1 January	36,370,658	3,590,000	738,185	50,347,519	54,071	295,778	96,037,152
Additions	56,382,270	-	-	26,992,250	-	-	83,374,520
Disposals and maturities	(21,046,021)	-	(80,189)	(19,251,757)	-	-	(41,127,967)
Changes in fair value	-	-	(538,513)	3,803,095	-	-	2,616,756
Unearned interest	(2,048,908)	-	-	(353)	-	(6,592)	(2,055,853)
12 - Month ECL	(9,484)	-	-	(19,158)	-	-	(28,642)
Translation reserve	(1,397,874)	-	(29,405)	(14,183)	-	-	(1,441,462)
Reclassification	-		-	-	-	-	(3,243,115)
At 31 December	**68,250,641**	**3,590,000**	**90,078**	**61,857,413**	**54,071**	**289,186**	**134,131,389**

20. FINANCIAL ASSETS (Continued)

The change in the carrying amount of investment securities held by the Company is as shown below:

Company	Financial assets at amortised cost		Financial assets at fair value through profit or loss (FVTPL)	Financial assets at fair value through other comprehensive income (FVOCI)			
	Government securities KShs'000	Preference shares KShs'000	Government securities KShs'000	Government securities KShs'000	Equity investments KShs'000	Corporate bond KShs'000	Total KShs'000
31 December 2025							
At 1 January	59,413,934	3,590,000	-	60,989,605	-	289,186	124,282,725
Additions	60,267,782	-	-	116,090,068	-	4,697,300	181,055,150
Disposals and maturities	(89,428,004)	-	-	(63,441,521)	-	(288,860)	(153,158,385)
Changes in fair value	1,397,722	-	-	2,787,889	-	-	4,185,611
Unearned interest	(89,034)	27,000	-	4,852,787	-	98,504	4,889,257
12-month ECL	(7,232)	-	-	1,137	-	-	(6,095)
At 31 December	**31,555,168**	**3,617,000**	**-**	**121,279,965**	**-**	**4,796,130**	**161,248,263**
31 December 2024							
At 1 January	26,878,671	3,590,000	538,513	50,111,346	-	295,778	81,414,308
Additions	52,421,750	-	-	26,992,250	-	-	79,414,000
Disposals and maturities	(17,386,433)	-	-	(19,169,720)	-	-	(36,556,153)
Changes in fair value	-	-	(538,513)	3,074,887	-	-	2,536,374
Unearned interest	(2,490,571)	-	-	-	-	(6,592)	(2,497,163)
Reclassification	-	-	-	-	-	-	-
12-month ECL	(9,483)	-	-	(19,158)	-	-	(28,641)
At 31 December	**59,413,934**	**3,590,000**	**-**	**60,989,605**	**-**	**289,186**	**124,282,725**

21. (a) ASSETS HELD FOR SALE

As at 31st December 2025, the Group continued to recognize in its financial statements items of buildings obtained by possession of collateral.

	2025 KShs'000	2024 KShs'000
Group and Company		
Assets held for sale	-	507,314

(b) INVESTMENT PROPERTIES

Group and Company		
Investment properties	509,492	-

During the year, the Group reassessed the status of assets previously classified as assets held for sale in accordance with the criteria set out in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These assets—originally comprising properties foreclosed in the normal course of business and expected to be recovered primarily through sale—no longer met the requirements for classification as held for sale as at 31 December 2025.As a result, the Group reclassified the assets from assets held for sale to investment properties in accordance with IAS 40 Investment Property.

22. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Sector	2025 KShs'000	2025 % Ownership	2024 KShs'000	2024 % Ownership
I&M Bank (T) Limited	Tanzania	Banking	3,882,612	49.81%	3,882,612	78.51%
I&M Bancassurance Intermediary Limited	Kenya	Insurance	100	100%	100	100%
		At 1 January and 31 December	3,882,712		3,882,712	

The Bank acquired 55.03% controlling equity stake in CF Union Bank Limited (now I&M Bank (T) Limited) on 14 January 2010 to offer banking services in Tanzania. In 2016, through a combination of rights issues (effective 12 October 2016) and a buyout of Proparco shares in I&M Bank (T) Limited (effective 26 October 2016) to get to 70.38%, 77.80% in 2022 to 78.51% in 2023 following take up of renounced rights issue shares. In 2025 the Bank's direct ownership decreased from 77.80% to 49.81% following buyout of Proparco and MEAL minority interest by I&M Group PLC, the ultimate holding company.

Entity	Year	Revenue KShs'000 a	Expenses KShs'000 b	Profit before tax KShs'000 c=(a-b)	Profit after tax KShs'000 d
I&M Bank (T) Limited	2025	6,267,888	(5,096,720)	**1,171,168**	**1,061,005**
	2024	5,163,877	(4,103,337)	**1,060,540**	**878,630**
I&M Bancassurance Intermediary Limited	2025	555,207	(170,911)	**384,296**	**273,452**
	2024	460,671	(126,850)	**333,821**	**236,557**

22. INVESTMENT IN SUBSIDIARIES (Continued)

A summary of the subsidiaries performance is shown below;

	Bank	
	2025	2024
	KShs'000	KShs'000
At 1 January and 31 December	**3,882,712**	**3,882,712**

Additional 762 Class A shares at par value TZS 1,000,000 each was acquired in 2023.

The following table summarises the information relating to Group's subsidiary that has non-controlling interest (NCI).

	2025	2024
NCI percentage	**50.19%**	**21.49%**
	KShs'000	**KShs'000**
Movement during the year		
At January	1,376,592	1,410,036
Comprehensive income		
Net (loss)/profit after tax	415,593	188,818
Translation reserve	(35,070)	(222,082)
Net fair value reserve	-	(180)
Total comprehensive income	**380,523**	**(33,444)**
NCI buyout	2,285,878	-
At 31 December	**4,042,993**	**1,376,592**

	2025	2024
	KShs'000	**KShs'000**
Summarized statement of financial position		
Loans and advances to customers	27,686,358	23,202,947
Other assets	22,338,260	19,678,348
Liabilities	(41,969,244)	(36,493,952)
Net Assets	**8,055,374**	**6,387,343**
Carrying amount of NCI	4,042,993	1,372,640
Share premium taken up solely by NCI	-	3,952
Total carrying amount of NCI	**4,042,993**	**1,376,592**
Summarized statement of profit or loss and other comprehensive income		
Net interest income	4,603,830	3,866,055
Profit/(loss) for the year	1,061,005	878,630
Total comprehensive income	1,061,005	878,630
Pre-dilution profit ceded by NCI	(116,925)	-
Profit allocated to NCI	**415,593**	**188,818**
Summarized statement of cash flows		
Net cash generated from operating activities	2,353,716	43,328
Net cash used in investing activities	(192,426)	(89,783)
Net cash used financing activities before dividends to NCI	1,247,744	115,380
Net increase in cash and cash equivalents	**3,409,034**	**68,925**

23. (a) PROPERTY AND EQUIPMENT

Group

2025:	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Capitalizable work in progress KShs'000	Total KShs'000
Cost						
At 1 January	2,546,890	2,127,028	2,417,259	159,956	40,406	7,291,539
Additions	99,821	131,716	147,258	6,732	363,631	749,158
Disposals	(113,933)	(43,996)	(36,251)	(15,415)	(21,346)	(230,941)
Reclassification/internal transfers	47,178	18,768	66,522	-	(138,118)	(5,650)
Translation differences	(5,131)	(7,980)	(957)	(762)	(102)	(14,932)
At 31 December	**2,574,825**	**2,225,536**	**2,593,831**	**150,511**	**244,471**	**7,789,174**
Depreciation						
At 1 January	1,933,459	1,333,587	2,076,729	132,576	-	5,476,351
Charge for the year	228,621	160,394	265,494	13,343	-	667,852
On disposal	(17,762)	(6,980)	(35,921)	(15,415)	-	(76,078)
Translation differences	(2,914)	(4,883)	(815)	(561)	-	(9,173)
At 31 December	**2,141,404**	**1,482,118**	**2,305,487**	**129,943**	**-**	**6,058,952**
Net book value at 31 December	**433,421**	**743,418**	**288,344**	**20,568**	**244,471**	**1,730,222**

23. **(a) PROPERTY AND EQUIPMENT (Continued)**

Group (continued)

2024:	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Capitalizable work in progress KShs'000	Total KShs'000
Cost						
At 1 January	2,270,538	1,989,641	2,177,151	159,948	196,133	6,793,411
Additions	233,539	158,222	166,947	9,943	244,206	812,857
Disposal	(50,009)	(63,109)	(10,046)	(3,377)	(18,046)	(144,587)
Reclassification/internal transfers	138,089	118,368	93,182	-	(379,512)	(29,873)
Translation differences	(45,267)	(76,094)	(9,975)	(6,558)	(2,375)	(140,269)
At 31 December	**2,546,890**	**2,127,028**	**2,417,259**	**159,956**	**40,406**	**7,291,539**
Depreciation						
At 1 January	1,788,801	1,296,472	1,641,981	127,012	-	4,854,266
Charge for the year	221,133	145,351	451,965	13,698	-	832,147
Disposals	(46,085)	(58,998)	(8,959)	(3,377)	-	(117,419)
Translation differences	(30,390)	(49,238)	(8,258)	(4,757)	-	(92,643)
At 31 December	**1,933,459**	**1,333,587**	**2,076,729**	**132,576**	**-**	**5,476,351**
Net book value at 31 December	**613,431**	**793,441**	**340,530**	**27,380**	**40,406**	**1,815,188**

23. **(a) PROPERTY AND EQUIPMENT (Continued)**

Company

2025:	Leasehold improvements KShs'000	Furniture, fittings, fixtures and office equipment KShs'000	Computers KShs'000	Motor vehicles KShs'000	Capitalizable work in progress KShs'000	Total KShs'000
Cost						
At 1 January	2,241,363	1,612,640	2,443,627	117,829	22,742	6,438,201
Additions	93,348	84,291	142,660	544	351,623	672,466
Disposals	(105,570)	(43,996)	(35,775)	(15,415)	(21,346)	(222,102)
Reclassification/internal transfers	47,178	18,768	66,522	-	(138,118)	(5,650)
At 31 December	**2,276,319**	**1,671,703**	**2,617,034**	**102,958**	**214,901**	**6,882,915**
Depreciation						
At 1 January	1,772,591	1,040,086	2,052,005	102,839	-	4,967,521
On disposals	(9,399)	(6,980)	(35,775)	(15,417)	-	(67,571)
Charge for the year	196,220	122,891	261,362	6,321	-	586,794
At 31 December	**1,959,412**	**1,155,997**	**2,277,592**	**93,743**	-	**5,486,744**
Net book value at 31 December	**316,907**	**515,706**	**339,442**	**9,215**	**214,901**	**1,396,171**

Assets that are fully depreciated amounted to KShs 4,306,131,009 (2024 – KShs 2,568,542,423). If depreciation had been charged during the year on the cost of these assets at a nominal rate, it would have amounted to KShs 1,061,066,645.24 (2024 – KShs 607,356,413).

23. **(a) PROPERTY AND EQUIPMENT (Continued)**

Company (continued)

2024:	**Leasehold improvements KShs'000**	**Furniture, fittings, fixtures and office equipment KShs'000**	**Computers KShs'000**	**Motor vehicles KShs'000**	**Capitalizable work in progress KShs'000**	**Total KShs'000**
Cost						
At 1 January	2,014,082	1,419,000	2,186,971	120,279	146,221	5,886,553
Additions	89,192	77,042	163,474	-	244,206	573,914
Disposals	-	(1,770)	-	(2,450)	(18,046)	(22,266)
Reclassification/internal transfers	138,089	118,368	93,182	-	(349,639)	-
At 31 December	**2,241,363**	**1,612,640**	**2,443,627**	**117,829**	**22,742**	**6,438,201**
Depreciation						
At 1 January	1,564,731	923,198	1,606,106	97,278	-	4,191,313
On disposals	-	(1,231)	-	(2,450)	-	(3,681)
Charge for the year	207,860	118,119	445,899	8,011	-	779,889
At 31 December	**1,772,591**	**1,040,086**	**2,052,005**	**102,839**	**-**	**4,967,521**
Net book value at 31 December	**468,772**	**572,554**	**391,622**	**14,990**	**22,742**	**1,470,680**

23. (b) RIGHT OF USE ASSETS

Group

	2025 KShs'000	2024 KShs'000
Cost		
At 1 January	3,816,162	3,592,966
Additions	837,080	512,694
Disposals	(322,855)	(174,857)
Currency translation difference	56,965	(114,641)
At 31 December	**4,387,352**	**3,816,162**
Depreciation		
At 1 January	1,608,760	1,317,296
Charge for the year	595,048	489,835
On disposals	(54,453)	(148,163)
Currency translation difference	(4,315)	(50,208)
At 31 December	**2,145,040**	**1,608,760**
Net book value at 31 December	**2,242,312**	**2,207,402**

Company

	2025 KShs'000	2024 KShs'000
Cost		
At 1 January	3,215,845	2,799,129
Additions	673,492	416,716
Disposals	(322,855)	-
At 31 December	**3,566,482**	**3,215,845**
Depreciation		
At 1 January	1,404,153	1,035,160
On disposals	(54,453)	-
Charge for the year	477,368	368,993
At 31 December	**1,827,068**	**1,404,153**
Net book value at 31 December	**1,739,414**	**1,811,692**

24. INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of identifiable assets arising from the acquisition of I&M Bank Tanzania and Youjays Insurance Brokers Limited. Following the merger of Youjays Insurance Brokers Limited's business operations into I&M Bancassurance Intermediaries Limited, the goodwill was allocated to I&M Bancassurance Intermediaries Limited. The goodwill was tested for impairment at 31 December 2025 using the value in use approach. Below are the key considerations that the Bank will use to determine the assessment of goodwill:

- the level at which goodwill is allocated – consistent with prior periods the Cash Generated Units (CGUs) to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including:
  - selection of the model used to determine the fair value – the Group has used the discounted cashflow approach to estimate the fair value; and
  - selection of the key assumptions in respect of future maintainable earnings, the terminal growth rate and the weighted cost of capital.

The assessment of the recoverable amount of each CGU has been made within the context of the prevailing market conditions on both earnings and asset prices and reflects expectations of future events that are believed to be reasonable under the circumstances.

		2025 KShs'000	2024 KShs'000
(i)	***Group***		
	I&M Bank (T) Limited	562,677	572,320
	I&M Bancassurance Intermediaries Limited	232,284	232,284
	Balance as 31 December	**794,961**	**804,604**
(ii)	***Movement of Goodwill***		
	At 1 January	804,604	903,445
	Currency translation exchange differences	(9,643)	(98,841)
	At 31 December	**794,961**	**804,604**

The recoverable amounts for I&M Bank (T) Limited has been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the Cash Generating Unit (CGU). The present value of the recoverable amounts on I&M Bank Limited share were KShs 6.729 billion (2024 – KShs 5.623 billion) for I&M Bank (T) Limited and Kshs 4.1 billion (2024 – KShs 2.093 billion) for I&M Bancassurance Intermediary Limited. No impairment losses were recognised during 2025 (2024 – Nil), because the recoverable amounts of these CGUs were determined to be higher than their carrying amounts.

24. INTANGIBLE ASSETS (Continued)

(a) Goodwill (continued)

The key assumptions used in the calculation of value in use were as follows:

	I&M Bank (T) Limited 2025	I&M Bancassurance Intermediaries Limited 2025
5 year risk free rate	15.25%	13.48%
Risk premium	8.05%	13.01%
Terminal growth rate	5.00%	5.00%
Discount rate	23.00%	26.49%
Exchange rate	KShs 1 = TZs 19.07	KShs 1 = Kshs 1
	2024	**2024**
5 year risk free rate	11.16%	13.21%
Risk premium	10.34%	10.01%
Terminal growth rate	5.0%	4.50%
Discount rate	21.00%	21.00%
Exchange rate	KShs 1 = TZs 18.75	KShs 1 = Kshs 1

The discount rate utilised was the risk-free rate on the rate of a 20 year government bonds issued by the government in the respective markets and in the same currency as the cash flows. These cash flows have been projected for 5 years for I&M Bank (T) Limited and I&M Bancassurance Intermediary Limited based on the approved Business plans of the respective units.

In the opinion of the Directors, there was no impairment of goodwill during the year.

2025						Reduction in headroom			Change required to reduce the head room to zero		
Cash Generating Unit	Carrying value	Value in use	Value in use exceeding carrying value	Pretax discount rate	Terminal growth rate	100bps increase in discount rate	100bps decrease in terminal rate	10% reduction in forecasted cash flows	Pretax discount rate	Terminal growth rate	Reductio i forecaste cash flow
	KShs'M	KShs'M	KShs'M	%	%	KShs'M	KShs'M	KShs'M	BPS	BPS	%
I&M Bank (T) Limited	7,238	9,646	2,408	23%	5%	(614)	(352)	(965)	556	(1,219)	-29%
I&M Bancassurance Intermediary Limited	846	4,161	3,315	26%	5%	(174)	(71)	(194)	74	N/A	-81%
Total	**8,084**	**13,807**	**5,723**								
2024											
I&M Bank (T) Limited	5,309	5,999	690	21%	4%	(348.97)	(161.94)	(648.14)	10000.0%	-10000%	-11%
I&M Bancassurance Intermediary Limited	232	492	260	21%	4%	(28.45)	(15.76)	(24.83)	180000%	- 240000%	-80%
Total	**5,541**	**6,491**	**950**								

24. INTANGIBLE ASSETS (Continued)

(b) Computer software

(i) Group

2025: Cost	Computer Software KShs'000	Other intangible assets KShs'000	Capitalizable work in progress KShs'000	Total KShs'000
At 1 January	6,525,789	45,516	425,522	6,996,827
Additions	236,037	-	335,480	571,517
Reclassification from capital work in progress	367,357	-	(367,357)	-
Translation differences	(12,018)	-	(1,043)	(13,061)
At 31 December	**7,071,937**	**45,516**	**392,602**	**7,510,055**
Amortisation				
At 1 January	4,458,597	13,655	-	4,472,252
Amortisation for the year	781,005	2,276	-	783,281
Translation differences	(9,653)	-	-	(9,653)
At 31 December	**5,229,949**	**15,931**	**-**	**5,245,880**
Carrying amount at 31 December	**1,841,988**	**29,585**	**392,602**	**2,264,175**

2024: Cost	Computer Software KShs'000	Other intangible assets KShs'000	Capitalizable work in progress KShs'000	Total KShs'000
At 1 January	5,977,527	45,516	326,842	6,349,885
Additions	204,981	-	527,168	732,149
Reclassification from capital work in progress	453,722	-	(423,849)	29,873
Translation differences	(110,441)	-	(4,639)	(115,080)
At 31 December	**6,525,789**	**45,516**	**425,522**	**6,996,827**
Amortisation				
At 1 January	3,704,728	11,379.00	-	3,716,107
Amortisation for the year	842,193	2,276	-	844,469
Translation differences	(88,324)	-	-	(88,324)
At 31 December	**4,458,597**	**13,655**	**-**	**4,472,252**
Carrying amount at 31 December	**2,067,192**	**31,861**	**425,522**	**2,524,575**

24. INTANGIBLE ASSETS (Continued)

(b) Computer software (continued)

(ii) Company

2025:	Computer Software	Capitalizable work in progress	Total
Cost	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January	5,873,848	318,291	6,192,139
Additions	148,417	297,525	445,942
Reclassification from capital work in progress	351,265	(345,616)	5,649
On disposals	(45,228)	-	(45,228)
At 31 December	**6,328,302**	**270,200**	**6,598,502**
Amortisation			
At 1 January	3,885,018	-	3,885,018
Amortisation for the year	734,485	-	734,485
At 31 December	**4,619,503**	**-**	**4,619,503**
Carrying amount at 31 December	**1,708,799**	**270,200**	**1,978,999**

2024:	Computer Software	Capitalizable work in progress	Total
Cost	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January	5,290,249	273,337	5,563,586
Additions	129,877	498,676	628,553
Reclassification from capital work in progress	453,722	(453,722)	-
At 31 December	**5,873,848**	**318,291**	**6,192,139**
Amortisation			
At 1 January	3,131,107	-	3,131,107
Amortisation for the year	753,911	-	753,911
At 31 December	**3,885,018**	**-**	**3,885,018**
Carrying amount at 31 December	**1,988,830**	**318,291**	**2,307,121**

The Company's computer software with a gross value of KShs 2,629,592,591.53 (2024 – KShs 1,359,537,782) are fully amortised but still in use. If amortisation had been charged during the year on the cost of these assets at a nominal rate, it would have amounted to KShs 525,990,518.31 (2024 – KShs 271,907,556).

25. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2025 and 31 December 2024 are attributable to the following:

(a) Group

2025:

	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Translation differences KShs'000	Recognized in profit or loss KShs'000	Balance at 31 December KShs'000
Equipment	82,924	175,572	-	(178)	(159,069)	99,249
Right of use asset	82,100	(93,345)	-	(504)	24,721	12,972
General provisions	2,839,956	30,517	-	(11,746)	(1,087,342)	1,771,385
Impairment allowances	6,327,979	(404,906)	-	(575)	2,327,309	8,249,807
Fair value reserves	1,272,372	-	(1,229,510)	85	-	42,947
	10,605,331	**(292,162)**	**(1,229,510)**	**(12,918)**	**1,105,619**	**10,176,360**

2024:

	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognise d in equity KShs'000	Translatio n differences KShs'000	Recognized in profit or loss KShs'000	Balance at 31 December KShs'000
Equipment	125,582	-	-	36	(42,694)	82,924
Right of use asset	26,940	-	-	(3,914)	59,074	82,100
General provisions	2,415,380	-	-	(71,393)	495,969	2,839,956
Impairment allowances	5,011,339	(144,850)	-	(3,699)	1,465,189	6,327,979
Fair value reserves	2,216,373	-	(943,963)	745	(783)	1,272,372
	9,795,614	**(144,850)**	**(943,963)**	**(78,225)**	**1,976,755**	**10,605,331**

25. DEFERRED TAX ASSETS (Continued)

(b) Company

2025:

	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Recognized in profit or loss KShs'000	Balance at 31 December KShs'000
Equipment	53,094	175,572	-	(154,235)	74,431
Right of use asset	82,008	(93,345)	-	17,165	5,828
General provisions	2,136,995	30,517	-	(1,087,341)	1,080,171
Impairment allowances	6,323,252	(406,062)	-	2,263,148	8,180,338
Fair value reserves	1,314,791	-	(1,229,510)	-	85,281
	9,910,140	**(293,318)**	**(1,229,510)**	**1,038,737**	**9,426,049**

2024:

	Balance at 1 January KShs'000	Prior year adjustment KShs'000	Recognised in equity KShs'000	Recognized in profit or loss KShs'000	Balance at 31 December KShs'000
Equipment	106,015	-	-	(52,921)	53,094
Right of use asset	30,179	-	-	51,829	82,008
General provisions	1,660,022	-	-	476,973	2,136,995
Impairment allowances	4,985,330	(331,303)	-	1,669,225	6,323,252
Fair value reserves	2,223,010	-	(908,219)	-	1,314,791
	9,004,556	**(331,303)**	**(908,219)**	**2,145,106**	**9,910,140**

26. (a) DUE FROM RELATED PARTIES

(i) Group

	2025 KShs'000	2024 KShs'000
I&M Realty Limited	258,013	359,688
I&M Bank (Rwanda) PLC	591,936	211,420
I&M Group PLC	-	14,420
I&M Bank (Uganda) Limited	670,660	1,002,483
	1,520,609	**1,588,011**

(ii) Company

I&M Realty Limited	257,395	359,067
I&M Bank (T) Limited	4,358,777	2,560,384
I&M Bank (Rwanda) PLC	591,936	211,420
I&M Group PLC	-	14,420
I&M Bank (Uganda) Limited	670,660	1,002,483
	5,878,768	**4,147,774**

(b) DUE TO RELATED PARTIES

(i) Group

Giro Limited	19,394	990,408
I&M Group PLC	406,727	755,366
I&M Realty Limited	60,972	366,823
Investment & Mortgage Nominees limited	1,496	1,325
I&M Bank (Rwanda) PLC	566,675	335,006
I&M Realty (Tanzania) Limited	91,847	13,129
I&M Burbidge Capital Limited	1,485	2,273
I&M Capital Limited	117,840	8,812
I&M Bank (Uganda) Limited	128,351	59,939
	1,394,787	**2,533,081**

(ii) Company

Giro Limited	19,394	990,408
I&M Group PLC	406,727	755,366
I&M Realty Limited	60,972	366,823
I&M Bank (T) Limited	222,459	86,588
I&M Bank (Rwanda) PLC	366,078	201,085
I&M Bancassurance Intermediary Limited	202,809	201,401
Investment & Mortgage Nominees limited	1,496	1,325
I&M Burbidge Capital Limited	1,485	2,273
I&M Capital Limited	117,840	8,812
I&M Bank (Uganda) Limited	128,351	59,939
	1,527,611	**2,674,020**

The balances mostly relate to deposits and balances held with I&M Bank LIMITED

27. OTHER ASSETS

		2025 KShs'000	2024 KShs'000
(a)	**Group**		
	Prepayments	1,266,037	890,842
	Other receivables	5,003,764	3,910,414
		6,269,801	**4,801,256**
(b)	**Company**		
	Prepayments	1,121,992	779,522
	Other receivables	3,964,760	3,304,090
		5,086,752	**4,083,612**

28. DEPOSITS FROM BANKS

(a)	**Group**		
	Due within 90 days	**20,572,031**	**27,451,723**
(b)	**Company**		
	Due within 90 days	**17,474,928**	**24,377,799**

29. DEPOSITS FROM CUSTOMERS

		2025 KShs'000	2024 KShs'000
(a)	**Group**		
	Retail Customer		
	Savings Deposits	2,989,581	4,765,728
	Current deposits	101,863,551	81,491,925
	Term deposits	122,549,040	147,060,444
		227,402,172	**233,318,097**
	Corporate Customer		
	Current deposits	54,145,331	45,776,081
	Term deposits	98,689,644	53,745,656
	Margin deposits	421,048	204,132
		153,256,023	**99,725,869**
	Total	**380,658,195**	**333,043,966**
(b)	**Company**		
	Retail Customer		
	Savings Deposits	2,645,993	1,454,359
	Current deposits	93,666,826	74,656,794
	Term deposits	108,338,299	136,939,033
		204,651,118	**213,050,186**
	Corporate Customer		
	Current deposits	49,824,100	45,776,081
	Term deposits	93,769,249	44,816,779
	Margin deposits	416,480	122,919
		144,009,829	**90,715,779**
	Total	**348,660,947**	**303,765,965**

30. OTHER LIABILITIES

		2025 KShs'000	2024 KShs'000
(a)	**Group**		
	Accrued expenses	3,153,824	2,574,952
	Other accounts payables	1,484,967	1,528,844
	Provisions for loan commitments*	436,757	437,674
	Bankers cheques payable	179,982	121,014
		5,255,530	**4,662,484**
(b)	**Company**		
	Accrued expenses	2,647,818	2,090,384
	Other accounts payables	1,041,630	1,084,871
	Provisions for loan commitments*	428,058	430,564
	Bankers cheques payable	161,878	103,112
		4,279,384	**3,708,931**

*This represents impairment allowance for loan commitments and financial guarantee contracts.

31. BORROWINGS

Borrowings comprised the following.

	Group 2025 Kshs '000	Group 2024 Kshs '000	Company 2025 Kshs '000	Company 2024 Kshs '000
Long term borrowings	847,995	174,742	-	-
Subordinated debts	6,652,064	10,310,689	6,652,064	10,310,689
	7,500,059	10,485,431	6,652,064	10,310,689

(a) Group

	2025 KShs'000	2024 KShs'000
Less than one year	105,005	1,396
One to five years	742,990	173,346
	847,995	**174,742**

The Group's outstanding long-term borrowings relates to;

Long-term borrowing of Kshs 170 million advanced to I&M Bank (T) Limited with an effective rate of 7.5%. The interest on the facility is repayable on a quarterly basis and the principal at maturity. The outstanding principal balance as at 31 December 2025 was Kshs 170 million (2024: Kshs 170 million).

A long-term borrowing of Kshs 645 million (first tranche of the approved Kshs 1.29 billion) advanced to I&M Bank (T) Limited by FMO with effective tax rate of 6.69% per annum. Interest and principal are payable on a semi-annual basis. The outstanding balance as at the end of the year was Kshs 645 million.

31. **BORROWINGS (Continued)**

The movement in the balances in the year was as follows;

Group

	2025 KShs'000	2024 KShs'000
At 1 January	174,742	204,921
Funds received	698,745	-
Payments on principal	-	(2,828)
Payments on interest	(24,574)	(13,001)
Interest payable	23,561	15,829
Translation differences	(24,479)	(30,179)
At 31 December	**847,995**	**174,742**

The fair value of the long-term borrowings are disclosed in Note 6. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available at the year-end date. The repricing of the borrowings is done either quarterly or biannually based on the agreed loan covenant.

SUBORDINATED DEBT

(a) Group & Company

	2025 KShs'000	2024 KShs'000
Less than one year	184,564	3,843,189
One to five years	6,467,500	6,467,500
	6,652,064	**10,310,689**

The subordinated debt would in the event of winding up of the respective companies be subordinated to the claims of depositors and all other creditors. The Group has not had any defaults of principal or interest with respect to these debts.

Group & Company

	2025 KShs'000	2024 KShs'000
At 1 January	10,310,689	12,532,190
Payments on principal	(3,528,150)	-
Payments on interest	(522,324)	(665,785)
Interest payable	202,064	305,202
Translation (loss)/gain	189,785	(1,860,918)
At 31 December	**6,652,064**	**10,310,689**

31. BORROWINGS (Continued)

The Company's subordinated debt constituted the following:

(i) USD 50,000,000 subordinated facility issued on 28th June 2021 for a tenor of 6 years 9 months with redemption in four consecutive approximately equal instalments starting 15th September 2026 and on each interest payment date thereafter until and including 15th March 2028.

The fair value of the subordinated debt is disclosed in Note 6. Fair value is based on discounted cash flows using a discount rate based upon the borrowing available at the year-end date. The repricing of the borrowings is done either quarterly or biannually based on the individual agreed covenant.The Group did not have any defaults of principal or interest or other breaches with respect to its subordinated liabilities and long-term borrowings during the year ended December 31 2025 and 31 December 2024.

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

				2025
Group/Company	**Notional amount asset**	**Notional amount liability**	**Fair value of asset**	**Fair value of liability**
	Kshs 000	**Kshs 000**	**Kshs 000**	**Kshs 000**
Forwards	50,590	63,340	-	12,750
FX Swaps	882,631	1,217,864	-	335,232
Spot	373	403	-	30
Interest rate swap	6,450,000	6,450,000	146,672	-
	7,383,594	**7,731,607**	**146,672**	**348,012**

		2024		
Group/Company	**Notional amount asset**	**Notional amount liability**	**Fair value of asset**	**Fair value of liability**
	Kshs 000	**Kshs 000**	**Kshs 000**	**Kshs 000**
Forwards	58,959,581	58,589,716	-	1,263,285
FX Swaps				
Spot				
Interest rate swap	6,467,500	6,467,500	341,795	-
	65,427,081	**65,057,216**	**341,795**	**1,263,285**

33. LEASE LIABILITIES

Below is the analysis of the lease liabilities during the year:

Group	2025 KShs'000	2024 KShs'000
Expected to be settled within 12 months after the year end	745,959	29,583
Expected to be settled more than 12 months after the year end	1,673,397	2,130,566
	2,419,356	**2,160,149**
Company		
Expected to be settled within 12 months after the year end	606,919	536
Expected to be settled more than 12 months after the year end	1,302,606	1,773,369
	1,909,525	**1,773,905**

Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

	2025 KShs'000	2024 KShs'000
Group		
Payments of principal portion of the lease liability	645,757	766,120
Interest paid on lease liabilities	254,925	251,510
	900,682	**1,017,630**
Company		
Payments of principal portion of the lease liability	269,470	227,156
Interest paid on lease liabilities	201,851	203,675
	471,321	**430,831**

33. LEASE LIABILITIES (Continued)

Lease liabilities movement

Group	**2025 KShs'000**	**2024 KShs'000**
At 1 January	2,160,149	2,098,743
Additions	750,208	494,746
Interest expense	254,925	251,510
Lease payments	(900,682)	(1,017,630)
Translation difference	154,756	332,780
At 31 December	**2,419,356**	**2,160,149**
Company		
At 1 January	1,773,905	1,584,345
Additions	673,492	416,716
Interest expense	201,851	203,675
Lease payments	(471,321)	(430,831)
Disposal of leases	(268,402)	-
At 31 December	**1,909,525**	**1,773,905**

Amount recognized in profit or loss

Group	**2025 KShs'000**	**2024 KShs'000**
Interest on lease liabilities (Note 8)	254,925	251,510
Depreciation charge on right of use asset (Note 23a)	595,048	489,835
	849,973	**741,345**
Company		
Interest on lease liabilities (Note 8)	201,851	203,675
Depreciation charge on right of use asset (Note 23a)	477,368	368,993
	679,219	**572,668**

34. SHARE CAPITAL AND RESERVES

Share capital

	Group and Company	
	2025 KShs'000	**2024 KShs'000**
Authorised, issued and fully paid		
1 January and 31 December - 30,000,000 Ordinary shares of KShs 100 each	**3,000,000**	**3,000,000**

All the ordinary shares rank equally with regard to the Company's residual assets, are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company.

34. SHARE CAPITAL AND RESERVES (Continued)

(a) Major shareholders share capital and share premium

The major shareholders at 31 December 2025 and 2024 were as follows:

	%	Number of shares	Share Capital KShs'000	Share Premium KShs'000
I&M Group PLC	100	30,000,000	3,000,000	5,531,267
At 31 December 2025 and 2024	**100**	**30,000,000**	**3,000,000**	**5,531,267**

(b) Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under IFRS Accounting Standards, the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. This is disclosed in the statement of changes in equity appearing on pages 50-53.

(c) Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations (namely I&M Bank (T) Limited - Tanzania) into the functional currency of the parent company. This is disclosed in the statement of changes in equity appearing on pages 40-53.

(d) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of FVOCI investments, excluding impairment losses, until the investment is derecognised. This is disclosed in the statement of changes in equity appearing on pages 50-53.

(e) Cash flow hedge reserve

The hedging reserve comprises the effective portion of cumulative net change in fair value of hedging instruments used in cash flow hedges pending subsequent recognition profit or loss as the hedged cash flows affect profit or loss. This is disclosed in the statement of changes in equity appearing on pages 50-53

34. SHARE CAPITAL AND RESERVES (Continued)

(f) Dividend

The following dividend were declared and paid by the Company. No withholding tax was applied since dividend paid to a resident company with shareholding above 12.5% is exempted from tax.

	2025 KShs'000	2024 KShs'000
Kshs 135 per qualifying ordinary share (2024: KShs 135)	4,800,000	4,050,000
	4,800,000	**4,050,000**

After reporting date, the following dividends were proposed by the board of Directors. The dividends have not been recognized as liabilities and there no tax consequences.

	2025 KShs'000	2024 KShs'000
Kshs 200 per qualifying ordinary share (2024: KShs 208)	**6,240,000**	**4,800,000**

35. NOTES TO THE STATEMENT OF CASH FLOWS

Group	**Note**	**2025 KShs'000**	**2024 KShs'000**
Profit before income tax		18,619,532	14,733,648
Adjustments for:			
Depreciation on property and equipment	23(a)	667,852	832,147
Depreciation on right of use asset	23(b)	595,048	489,835
Amortisation of intangible asset	24(b)(i)	783,281	844,469
Interest on lease liabilities	8(a)	254,925	251,510
Loss/(profit) on sale of property and equipment		(38,220)	52,747
Net interest income		(36,561,291)	(29,479,898)
Net income on financial assets at fair value through profit or loss (FVTPL)	10(a)	(1,514,060)	(72,825)
Effect of exchange rate fluctuations on cash and cash equivalent held		(423,896)	7,008,767
Foreign exchange differences		453,460	(2,738,064)
		(17,163,369)	**(8,077,664)**
(Increase)/decrease in operating assets			
Movement in loans and advances to customers		(5,977,726)	20,083,710
Financial assets at fair value through profit or loss (FVTPL)		1,604,138	314,134
Financial assets measured at fair value through other comprehensive income (FVOCI)		(60,264,022)	(5,869,816)
Financial assets at amortised cost		28,895,139	(31,891,892)
Assets held for sale		(2,178)	(199,813)
Loans and advances to Banks		567,990	(2,261,673)
Derivative financial instruments		68,185	-
Due from related parties		67,402	1,359,472
Other assets		(1,468,545)	(1,183,195)
		(36,509,617)	**(19,649,073)**
Increase/(decrease) in operating liabilities			
Customer deposits		47,614,229	(8,110,624)
Deposits from banks		(6,879,692)	5,821,902
Due to related parties		(1,138,294)	(2,166,368)
Other liabilities		818,671	2,743,455
		40,414,914	**(1,711,635)**
Cash flows generated from operating activities		**(13,258,072)**	**(29,438,372)**
Tax paid	13(b)(i)	(5,881,461)	(3,049,637)
Interest on lease liabilities		(254,925)	(251,510)
Interest received		55,479,549	55,858,318
Interest paid on deposits		(18,918,258)	(26,378,420)
Derivative financial instruments		(915,204)	-
Interest paid on borrowings		(546,898)	(678,786)
Net cash flows generated from operating activities		**15,704,731**	**(3,938,407)**

35. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Company	Note	2025 KShs'000	2024 KShs'000
Cash flows from operating activities			
Profit before tax		17,364,069	13,493,489
Adjustments for:			
Depreciation on property and equipment	23(a)	586,794	779,889
Depreciation on right of use asset	23(b)	477,368	368,993
Amortisation of intangible asset	24(b)(ii)	734,485	753,911
Interest expense on lease liabilities	8(b)	201,851	203,675
Profit on sale of property and equipment		(38,220)	(1,992)
Effects of exchange rate changes on cash and cash equivalents		424,004	6,510,045
Exchange differences on translation of foreign operations		189,785	(1,860,918)
Net interest income		(31,931,997)	(25,571,055)
Net income on financial assets at fair value through profit or loss (FVTPL)	10(b)	(1,503,560)	(70,216)
Dividend income	11(b)(ii)	(300,000)	(200,000)
Operating profit before movement in operating assets and liabilities		**(13,795,421)**	**(5,594,179)**
Increase/(decrease) in operating assets			
Movement in loans and advances to customers		(1,494,315)	15,151,340
Financial assets at fair value through profit or loss (FVTPL)		-	1,123,425
Financial assets measured at fair value through other comprehensive income (FVOCI)		(58,709,597)	(2,768,536)
Financial assets at amortised cost		27,831,766	(35,778,377)
Assets held of sale		(2,178)	(199,813)
Loans and advances to Banks		567,990	(2,261,673)
Due from group companies		(1,730,994)	1,025,197
Derivative financial instruments		13,783	-
Other assets		(1,003,140)	(943,447)
		(34,526,685)	(24,651,884)
Increase/**(decrease) in operating liabilities**			
Customer deposits		44,894,982	(2,229,226)
Balances due to group companies		(1,146,409)	(2,413,186)
Deposits from banks		(6,902,871)	3,807,282
Derivative financial instruments		(915,204)	-
Other liabilities		772,517	1,148,289
		36,703,015	**313,159**
Cash flows generated from operating activities		**(11,619,091)**	**(29,932,904)**
Tax paid	13(b)(ii)	(5,491,136)	(2,781,674)
Interest on lease liabilities		(201,851)	(203,675)
Interest received on loans and advances		48,961,104	50,167,828
Interest paid on deposits		(17,029,107)	(24,596,773)
Interest paid on long term borrowings and debt capital		(522,324)	(665,785)
Net cash flows generated from operating activities		**14,097,595**	**(8,012,983)**

35. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Analysis of cash and cash equivalents

Group

Analyses **of cash and cash equivalents – Group**	Note	**2025** KShs'000	**2024** KShs'000	**Change** KShs'000
Cash and balances with central banks	16(a)	21,498,578	24,011,805	(2,513,227)
Items in the course of collection	17(a)	378,928	667,196	(288,268)
Loans and advance to banks	18(a)	**36,990,266**	**26,793,276**	**10,196,990**

Company

	Note	**2025 KShs'000 a**	**2024 KShs'000 b**	**Change KShs'000 c =(a – b)**
Cash and balances with Central Bank of Kenya	16(b)	16,199,185	19,396,678	(3,197,493)
Items in the process of collection	17(b)	376,440	669,433	(292,993)
Loans and advances to banks	18(b)	31,197,971	23,211,942	7,986,029
		47,773,596	**43,278,053**	**4,495,543**

36. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2024. No provision has been made as professional advice and management view indicates that it is unlikely that any significant loss will arise.

(b) Contractual off-balance sheet financial liabilities

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

36. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (Continued)

(b) Contractual off-balance sheet financial liabilities (continued)

Group	2025 KShs'000	2024 KShs'000
Contingencies related to:		
Letters of credit	79,879,608	62,982,962
Guarantees	25,280,694	20,326,866
Other credit commitments	37,354,076	29,692,426
	142,514,378	**113,002,254**
Commitments related to:		
Outstanding spot/forward contracts	114,239,116	65,427,081
	256,753,494	**178,429,335**
Company		
Contingencies related to:		
Letters of credit	77,283,164	61,780,416
Guarantees	22,530,035	18,165,282
Other credit commitments	33,886,032	26,337,886
	133,699,231	**106,283,584**
Commitments related to:		
Outstanding spot/forward contracts	114,239,116	65,427,081
	247,938,347	**171,710,665**

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

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

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

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

The fair values of the respective currency forwards are carried on the face of the balance sheet.

37. CONTINGENT LIABILITIES

There are no contingent liabilities against the Group and company arising from normal course of business that have been lodged.

38. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties at market interest rates. There were no provisions held towards impairment of any of the advances to related parties. Related parties within this group are I&M Bank LIMITED, I&M Bank T Limited, and I&M Bancassurance Intermediary Limited.

In the normal course of business, the Company enters into transactions with related parties/sister companies (Note 27). All the loans and advances and deposits are issued or received from the related parties are market interest rates. There were no provisions held towards impairment of any of the advances to related parties.

Loans to staff and senior management are at preferential rates for both secured and unsecured facilities while loans and deposit to directors and related companies are at market rates. Loan and deposits tenure varies based on agreed terms as at time of contracting.

			2025 KShs'000	2024 KShs'000
(a)	**Transactions with directors/shareholders**			
	(i)	Loans to directors/shareholders	**13,231**	**21,987**
		Interest Income from loans to directors/shareholders	1,126	1,158
	(ii)	Deposits from directors/shareholders	**877,023**	**495,138**
		Interest expense on Deposits from directors/shareholders	35,710	39,411
(b)	**Transactions with related companies**			
	(i)	**Loans to Related companies (virtue of common directorship)**		
		General Industries	39,504	47,503
		Garage & Industry Limited	1,999	1,038
		Car And General (Trading) Limited	1,225,049	1,194,533
		Car And General (Kenya) Limited	-	4,324
		NBP Holdings Limited	44,223	-
		Minard Investment Limited	2,159	27,068
		Autoxpress Limited	559,243	-
		Shalimar Fresh Limited	3,620,513	3,622,222
		Individuals	9,897	17,605
			5,502,587	**4,914,292**
		Interest income on Loans to Related companies (virtue of common directorship)	257,980	351,001

39. RELATED PARTY TRANSACTIONS (Continued)

		2025 KShs'000	2024 KShs'000
(ii)	**Deposits from related companies (virtue of common directorship)**		
	Arc Holdings Limited	-	8
	Ascent Investments Limited	74	96
	Autoxpress Limited	117,407	371,462
	Car & General (Kenya) PLC	2,988	5,466
	Car and General (Trading) Limited	628	915
	Coastal bottlers Ltd	2,522	2,026
	Fairlands Investments Limited	5,169	7,216
	GA Life Assurance Limited	46,813	45,385
	GA Insurance Limited	753,231	797,490
	Garage & Industry Limited	14	123
	General Industries Limited	56	1,106
	Minard Investment Limited	170	3,659
	NBP Holdings Limited	1,408	5,134
	Prime Securities Investment Trust Limited	20,039	365
	Shalimar Fresh Limited	116,270	18,932
	Individuals	169,288	119,165
		1,236,078	**1,378,548**
	Interest expense on deposits from directors/shareholders	64,484	92,541
(iii)	Amounts due from group companies subsidiaries	**62,476**	**97,799**
	Interest income on amounts due from subsidiaries	-	-
(iv)	Amounts due to group companies subsidiaries	**1,525,116**	**1,199,065**
	Interest expense on amounts due from subsidiaries	100,754	39,570
(iv)	Preference shares in I&M Realty Limited (sister company)	**3,077,000**	**3,050,000**
(vi)	Preference shares Giro Limited (sister company)	**540,000**	**540,000**

(c) Transactions with employees

	2025 KShs'000	2024 KShs'000
Staff loans	**3,031,640**	**3,342,761**
Interest earned on these loans was KShs	449,946	167,853
(d) Management fees received	**82,908**	**184,688**
(e) Management compensation (Short term benefits)	**316,152**	**243,642**

39. CAPITAL COMMITMENTS

	2025 KShs'000	2024 KShs'000
Group	3,488,679	2,575,131
Company	2,849,583	2,051,347

These are capital commitments on leasehold improvements and digitization initiatives being adopted by the Group.

40. CURRENT/NON-CURRENT DISTINCTION

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

	2025			
	Within 12 Months		After 12 months	
	GROUP	BANK	GROUP	BANK
	KShs '000	KShs '000	KShs '000	KShs '000
ASSETS				
Cash and balances with central banks	21,498,578	16,199,185	-	-
Items in the course of collection	378,928	376,440	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	15,305,993	15,305,993	110,990,770	110,770,102
Derivative financial instruments	146,672	146,672	-	-
Other financial assets at amortised cost	12,080,328	10,784,978	30,913,899	24,387,190
Loans and advances to banks	38,669,386	32,892,301	15,210	-
Loans and advances to customers	98,725,606	84,331,920	146,949,241	133,656,569
Assets held for sale	-	-	-	-
Due from group companies	1,520,609	5,878,768	-	-
Income tax receivable	1,162,230	941,564	-	-
Investment in subsidiaries	-	-	-	3,882,712
Other assets	6,269,801	6,416,473	-	(1,329,721)
Investment Property	509,492	509,492	-	-
Property and equipment	-	-	1,730,222	1,396,171
Right-of-use assets	-	-	2,242,312	1,739,414
Intangible assets - goodwill	-	-	-	-
Intangible assets - others	-	-	3,059,136	1,978,999
Deferred income tax asset	-	-	10,176,360	9,426,049
TOTAL ASSETS	**196,267,623**	**173,783,786**	**306,077,150**	**285,907,485**
LIABILITIES				
Derivative financial instruments	348,085	348,085	-	-
Deposits from banks	20,572,031	17,474,928	-	-
Items in the course of collection	-	-	-	-
Deposits from customers	371,611,513	348,657,536	9,046,682	3,411
Deferred income tax liability	-	-	-	-
Due to group companies	-	1,527,611	1,394,787	-
Income tax payable	7,969	-	-	-
Other liabilities	5,255,530	4,279,384	-	-
Long term debt	105,005	-	2,314,351	1,909,525
Subordinated debt	3,843,189	3,843,189	3,656,870	2,808,875
	401,743,322	**376,130,733**	**16,412,690**	**4,721,811**
Net	**(205,475,699)**	**(202,346,947)**	**289,664,460**	**281,185,674**

41. CURRENT/NON-CURRENT DISTINCTION (Continued)

	2024			
	Within 12 Months		After 12 months	
	GROUP	BANK	GROUP	BANK
	KShs '000	KShs '000	KShs '000	KShs '000
ASSETS				
Cash and balances with central banks	24,011,805	19,396,678	-	-
Items in the course of collection	669,433	669,433	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	90,078	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	14,380,311	14,661,651	47,100,877	46,617,140
Derivative financial instruments	341,795	341,795	-	-
Other financial assets at amortised cost	44,078,281	39,667,470	27,811,085	23,336,464
Loans and advances to banks	28,904,840	25,474,262	150,756	-
Loans and advances to customers	229,223,442	89,863,068	10,473,679	126,631,106
Assets held for sale	507,314	507,314	-	-
Due from group companies	1,588,011	4,147,774	-	-
Tax receivable	-	-	131,300	-
Investment in subsidiaries	-	-	-	3,882,712
Other assets	4,801,256	4,083,612	-	-
Investment Property	-	-	-	-
Property and equipment	-	-	1,815,188	1,470,680
Right-of-use assets	-	-	2,207,402	1,811,692
Intangible assets - goodwill	-	-	-	2,307,121
Intangible assets - others	-	-	3,329,179	-
Deferred income tax asset	-	-	10,605,331	9,910,140
TOTAL ASSETS	**348,506,488**	**198,813,057**	**103,714,875**	**215,967,055**
LIABILITIES				
Derivative financial instruments	1,263,289	1,263,289	-	-
Deposits from banks	27,451,723	24,377,799	-	-
Items in the course of collection	-	-	2,237	-
Deposits from customers	322,395,241	303,210,480	10,648,725	555,485
Deferred tax liability	-	-	-	-
Due to group companies	2,533,081	2,674,020	-	-
Income tax payable	-	1,118,973	1,133,802	-
Other liabilities	4,662,484	3,708,931	-	-
Long term debt	1,396	-	2,158,753	1,773,905
Subordinated debt	388,240	388,240	10,097,191	9,922,449
	358,695,454	**336,741,732**	**24,040,708**	**12,251,839**
Net	**(10,188,966)**	**(137,928,675)**	**79,674,167**	**203,715,21(**

41. HEDGE ACCOUNTING

Cash flow hedge of interest rate risk and foreign currency debt securities issued

The Group uses interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly SOFR) from its issuance of floating-rate notes denominated in foreign currencies. The Group hedges interest rate risk to the extent of benchmark interest rate exposure on its floating-rate notes to mitigate variability in its cash flows. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

The Group's approach to managing market risk, including interest rate risk and foreign currency risk, is discussed in Note 4. The Group's exposure to market risk is disclosed in Note 4C. The Group determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates on the future cash flows from its issuance of floating-rate notes denominated in foreign currencies. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis.

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

The Group assesses hedge effectiveness under the hypothetical derivative method. which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item, and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedging relationship. The Group assesses whether the derivative designated In each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using this regression analysis.

Under the Group's policy, in order to conclude that the hedging relationship is effective, all of the following criteria should be met.

In this hedging relationship, the main sources of effectiveness is the differences in maturity or timing of cash flows of the swap and the subordinated debt.

42. HEDGE ACCOUNTING (Continued)

Cash flow hedge of interest rate risk and foreign currency debt securities issued (continued)

At 31 December 2025, the Group held the following instruments to hedge exposures to changes in interest rates and foreign currency.

	Maturity 2025			
	Less than 1 year Kshs 000	**1-5 year Kshs 000**	**More than 5 years Kshs 000**	**Total Kshs 000**
Interest rate risk				
Interest Rate Swap				
Nominal amount	-	6,450,000	-	6,450,000
Average fixed interest rate		2.44%		

42. HEDGE ACCOUNTING (Continued)

Cash flow hedge of interest rate risk and foreign currency debt securities issued (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2025.

2025							
	Nominal Amount	**Carrying value of hedging instrument**	**Line item in the statement of Financial Position where the hedging instruments is included**	**Changes in fair value used for calculating hedge ineffectiveness in 2025**	**Changes in fair value instrument recognized in OCI**	**Hedge ineffectiveness recognized in profit and loss**	**Amount reclassified from hedge reserve to Statement of income**
	Kshs 000	**Kshs 000**		**Kshs 000**	**Kshs 000**	**Kshs 000**	**Kshs 000**
Interest rate risk							
Interest Rate Swap	6,450,000	(264,743)	Derivative assets	-	(181,340)	-	-

42. HEDGE ACCOUNTING (Continued)

Cash flow hedge of interest rate risk and foreign currency debt securities issued (continued)

The amounts relating to items designated as hedge items at 31 December 2024 as follows

2025				
	Line item in the statement **of Financial position where the hedging instruments is included**	**Changes in fair value used for calculating hedge ineffectivenes**	**Cash flow hedge reserve**	**Balance remaining in the cashflow hedge reserve from hedging relationships for which hedge accounting is no longer applied**
Interest rate risk USD Floating Rate	Subordinated debt	-	(181,340)	-

42. RESTATEMENTS

During 2025, the Group identified below items that were erroneously presented

- Loan processing fees presented as fees and commission income instead of part of being presented as interest income since they are integral to lending.
- Preference shares were carried at Fair Value through Other Comprehensive Income instead of Held at Amortized cost.
- KQ Lenders facility was classified as Equity instrument instead of financial assets held at Fair Valued Through Profit or Loss.
- Outstanding revaluation provisions for spots, forwards, swaps, and interest rate risk were netted off and shown as a derivative liability instead of being presented separately as derivative assets and derivative liabilities.
- Restricted Cash and bank balances with Central Bank (CRR) was not included as part of cash and cash equivalents as required by Institute of Public Accountants of Kenya (ICPAK).
- Lease liabilities presented under other liabilities instead of being presented separately on the face of statement of financial position.

To correct this misstatement, the Group has undertaken a restatement of the financial statements. This restatement has impacted the Group's and the Company's Statement of Profit or Loss and other comprehensive income, Statement of Financial Position, and Statement of Cash Flows. The detailed effects on the primary financial statements are presented below

43. RESTATEMENTS (Continued)

RESTATED GROUP STATEMENT OF FINANCIAL POSITION

	Note	As previously reported 2024 KShs '000	Reclassification	Restated 2024 KShs '000
ASSETS				
Financial assets measured at fair value through other comprehensive income (FVOCI)	20	66,099,496	(4,618,308)	61,481,188
Financial assets at amortised cost	20	68,299,366	3,590,000	71,889,366
Derivative financial instruments	32	-	341,795	341,795
Loans and advances to customers	19	239,290,323	406,798	239,697,121
Deferred income tax asset	25	10,418,878	186,453	10,605,331
TOTAL ASSETS		**384,108,063**	**(93,262)**	**384,014,801**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Derivative financial instruments	32	-	1,263,289	1,263,289
Other liabilities	30	7,744,127	(921,494)	6,822,633
		7,744,127	**341,795**	**8,085,922**
Shareholders' equity				
Retained earnings		51,886,893	(435,057)	51,451,836
Equity attributable to owners of the company		**51,886,893**	**(435,057)**	**51,451,836**
Non- controlling interest	22	1,376,592	-	1,376,592
Total shareholders' equity		**53,263,485**	**(435,057)**	**52,828,428**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**61,007,612**	**(93,262)**	**60,914,350**

43. RESTATEMENTS (Continued)

RESTATED COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As previously reported 2024 KShs '000	Reclassification	Restated 2024 KShs '000
ASSETS				
Financial assets measured at fair value through other comprehensive income (FVOCI)	20	65,897,100	(4,618,309)	61,278,791
Financial assets at amortised cost	20	59,413,933	3,590,001	63,003,934
Derivative financial instruments	32	-	341,795	341,795
Loans and advances to customers	19	216,087,376	406,798	216,494,174
Deferred income tax asset	25	9,723,687	186,453	9,910,140
TOTAL ASSETS		**351,122,096**	**(93,262)**	**351,028,834**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Derivative financial instruments	32	-	1,263,289	1,263,289
Other liabilities	30	6,404,330	(921,494)	5,482,836
		6,404,330	**341,795**	**6,746,125**
Shareholders' equity				
Retained earnings		49,903,433	(435,057)	49,468,376
		49,903,433	**(435,057)**	**49,468,376**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**56,307,763**	**(93,262)**	**56,214,501**

43. RESTATEMENTS (Continued)

RESTATED GROUP STATEMENT OF INCOME

	Note	As previously reported 2024 KShs'000	Reclassification	Restated 2024 KShs'000
Interest income	7	55,858,318	1,907,425	57,765,743
Interest expense	8	(26,378,420)	-	(26,378,420)
Net interest income		**29,479,898**	**1,907,425**	**31,387,323**
Fee and commission income	9	6,350,958	(1,907,425)	4,443,533
Fee and commission expense	9	(503,699)	-	(503,699)
Net fee and commission income		**35,327,157**	**-**	**3,939,834**
Net trading income	10	2,432,344	-	2,432,344
Other operating income	11	737,592		737,592
Total net income		**38,497,093**		**38,497,093**
				-
Fair value gain/ (loss) on loan notes at FVTPL	19	-	(621,510)	(621,510)
Allowance for expected credit losses	19	(7,047,492)	-	(7,047,492)
Net operating income		**31,449,601**	**(621,510)**	**30,828,091**
Staff costs	12	(6,466,280)	-	(6,466,280)
Premises and equipment costs	12	(497,735)	-	(497,735)
General administrative expenses	12	(6,963,977)	-	(6,963,977)
Depreciation and amortisation	12	(2,166,451)	-	(2,166,451)
Operating expenses		**(16,094,443)**	**-**	**(16,094,443)**
Profit before tax		**15,355,158**	**(621,510)**	**14,733,648**
Income tax expense	13	(2,996,106)	186,453	(2,809,653)
Net profit for the year after tax		**12,359,052**	**(435,057)**	**11,923,995**
Profit attributable to:				
Equity holders of the company		12,170,234	(435,057)	11,735,177
Non-controlling interest	26	188,818	-	188,818
		12,359,052	**(435,057)**	**11,923,995**

43. RESTATEMENTS (Continued)

RESTATED COMPANY STATEMENT OF INCOME

	Note	As previously reported 2024 KShs'000	Reclassification	Restated 2024 KShs'000
Interest income	7	50,167,828	1,934,425	52,102,253
Interest expense	8	(24,596,773)	-	(24,596,773)
Net interest income		**25,571,055**	**1,934,425**	**27,505,480**
Fee and commission income	9	5,537,522	(1,907,425)	3,630,097
Fee and commission expense	9	(500,181)	-	(500,181)
Net fee and commission income		**5,037,341**	**(1,907,425)**	**3,129,916**
Net trading income	10	1,981,461	-	1,981,461
Other operating income	11	363,326		363,326
Dividend income	11	227,000	(27,000)	200,000
				-
Total net income		**33,180,183**		**33,180,183**
				-
Fair value gain/ (loss) on loan notes at FVTPL	19	-	(621,510)	(621,510)
Allowance for expected credit losses	19	(5,766,648)	-	(5,766,648)
Net operating income		**27,413,535**	**(621,510)**	**26,792,025**
Staff costs	12	(5,443,702)	-	(5,443,702)
Premises and equipment costs	12	(426,891)	-	(426,891)
General administrative expenses	12	(5,525,150)	-	(5,525,150)
Depreciation and amortisation	12	(1,902,793)	-	(1,902,793)
Operating expenses		**(13,298,536)**	**-**	**(13,298,536)**
Profit before income tax		**14,114,999**	**(621,510)**	**13,493,489**
Income tax expense	13	(2,717,670)	186,453	(2,531,217)
Profit for the year		**11,397,329**	**(435,057)**	**10,962,272**

43. RESTATEMENTS (Continued)

RESTATED GROUP STATEMENT OF CASHFLOW

	Note	As previously reported 2024 KShs'000	Reclassification	Restated 2024 KShs'000
Net cash flows from operating activities	36	**(3,999,042)**	**14,797,677**	**10,798,635**
Cash flows from investing activities				
Purchase of property and equipment (excluding right of use assets)	24(a)	(812,857)	-	(812,857)
Purchase of intangible assets	25(b)(i)	(732,149)	-	(732,149)
Proceeds from disposal of property and equipment		(25,579)	-	(25,579)
Net cash used in investing activities		**(1,570,585)**	**-**	**(1,570,585)**
Cash flows from financing activities				
Payment of lease liabilities	31(c)	(766,120)	-	(766,120)
Payment on principal - long term borrowing	32	(2,828)	-	(2,828)
Dividend paid to shareholders of the company	35(f)	(4,050,000)	-	(4,050,000)
Net cash flow used in financing activities		**(4,818,948)**	**-**	**(4,818,948)**
Net (decrease)/increase in cash and cash equivalents		**(10,388,575)**	**14,797,677**	**4,409,102**
Cash and cash equivalents at start of the year		**54,071,942**	**-**	**54,071,942**
Effect of exchange rate fluctuations on cash and cash equivalent held		(7,008,767)	-	(7,008,767)
Cash and cash equivalents at end of the year	36	**36,674,600**	**14,797,677**	**51,472,277**

43. RESTATEMENTS (Continued)

RESTATED COMPANY STATEMENT OF CASHFLOW

	Note	As previously reported 2024 KShs'000	Reclassification	Restated 2024 KShs'000
Net cash flows from operating activities	35	(8,227,713)	12,988,399	4,760,686
Cash flows from investing activities				
Purchase of property and equipment (excluding right of use assets)	23	(573,914)	-	(573,914)
Purchase of intangible assets	24	(628,553)	-	(628,553)
Proceeds from disposal of property and equipment		20,577	-	20,577
Dividends received	11	227,000	(27,000)	200,000
Net cash used in investing activities		**(954,890)**	**(27,000)**	**(981,890)**
Cash flows from financing activities				
Payment of principal portion of lease liabilities	33	(227,156)	-	(227,156)
Payment of principal portion of debt capital	31	-	-	-
Dividend paid	34	(4,050,000)	-	(4,050,000)
Net cash outflow from financing activities		**(4,277,156)**	-	**(4,277,156)**
Net increase in cash and cash equivalents		**(13,459,759)**	**12,961,399**	**(498,360)**
Cash and cash equivalents at start of the year		**50,286,458**	-	**50,286,458**
Effect of exchange rate fluctuations on cash and cash equivalent held		(6,510,045)	-	(6,510,045)
Cash and cash equivalents at end of the year	35	**30,316,654**	**12,961,399**	**43,278,053**

43. EVENTS AFTER REPORTING DATE

There are no material events or circumstances that have arisen between the reporting date and the date of this report.