STANBIC BANK KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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Corporate Information

Chairman:	Joseph L.O. Muganda
Chief Executive:	Joshua Oigara *
Chief Executive of Stanbic Holdings Plc:	Patrick Mweheire**
Non-Executive Directors:	Peter N. Gethi Rose B. Osoro Peter L. Schlebusch*** Wambui K. Mbesa Sabira R. Thakker Geoffrey O. Aludo (appointed 07 November 2025)
	* Resigned as Chief Executive of Stanbic Bank Kenya Limited on 28 February 2026 and appointed Chief Executive of Stanbic Holdings PLC effective 01 March 2026. ** Retired (effective 28 February 2026) ** Ugandan *** South African
Company Secretary:	Nancy Kiruki P.O. Box 72833 00200 Nairobi, Kenya
Auditor:	Deloitte & Touche LLP Deloitte Place Waiyaki Way P.O. Box 40092 00100 Nairobi, Kenya
Registered Office:	Stanbic Bank Centre Chiromo Road, Westlands P.O. Box 72833 00200 Nairobi, Kenya
Ultimate Parent:	Standard Bank Group Limited (South Africa) 9th Floor, Standard Bank Centre 5 Simmonds Street, Johannesburg 2001 P.O.Box 7725, Johannesburg 2000 Johannesburg, South Africa

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2025, which disclose the state of affairs of Stanbic Bank Kenya Limited (the "Bank" or the "Company").

Principal activities

The Bank is a licensed financial institution under the Banking Act (Cap 488) and is a member of the Kenya Bankers Association.

The Bank is engaged in the business of banking and the provision of banking related services.

Principal risks and uncertainities

The Bank has exposure to various risks from its operations. These are -:
a) Credit risk
b) Liquidity risk
c) Market risk
d) Operational risk (encompasses systems, people, processes and external factors)

These are explained in more detail on Note 4 of the financial statements.

Business review and financial performance

In 2025, the world economy saw a slow and uneven recovery. After a long period of high interest rates, growth leveled out at 3.2%. Central banks began lowering rates as global inflation dropped to an average of 3.4%, providing some much-needed breathing room. Business dynamics gradually evolved shifting from global trade, as countries began focusing on "friend-shoring", trading mostly with political allies and neighbors. This shift, along with new taxes on imports (tariffs), made regional trade hubs more important than before. The main risks to global growth outlook relate to elevated uncertainty on trade policy amid rising tariffs on imports, and further escalation of geopolitical tensions.

The Kenyan economy presented a story of resilience amid adversity. The economy in 2025 is estimated to have grown at a moderate pace of around 4.9%, driven largely by the services sector, but fiscal pressures from high public debt and widening deficits remained a major challenge. Inflation stayed within target and foreign reserves were stable, signalling resilience despite structural constraints.

The year started with inflation at a low of 3.3% in January,remained relatively stable, with June showing 3.8%, and holding at 4.5% in November and December.

Exchange rate remained stable (about KES 129 to the dollar) creating a better environment for growth.

Private Sector credit growth improved from (2.9%) at the beginning of the year to close at 6.30% driven by easing monetary policy as the central bank cut the policy rate by 225bps to stimulate lending.

Current account deficit narrowed further to 1.6% of GDP, due to higher exports in horticulture, coffee and tea, alongside a robust diaspora remittance stream. Foreign reserves stand at USD 11.2 billion, covering nearly five months of imports to provide a buffer amid external uncertainties.The nation's key sectors: services, agriculture, and manufacturing, continue to drive this recovery, supported by increased exports and tourism. The diaspora remittance inflows have risen sharply, reaching USD 5.1Bn in the 12 months to December 2025, further bolstering the external position. However, the economy's expansion was hampered by the impacts of higher tariffs, cautious private credit growth, and political uncertainties.

The banking industry demonstrated resilience in 2025. As at Q3 2025, pre-tax profits grew by 11% to KES 227bn, despite a challenging operating environment characterized by low interest rates and constrained private sector credit growth. The Central Bank's decision to reduce the policy rate to 9.0% and lower the Cash Reserve Ratio (CRR) to 3.25% has supported liquidity and borrowing activity.

Loan growth remains cautious, expanding by 4.0% as a result of weakened private sector credit demand, while non-performing loans remained elevated, hitting a high of 17.6% in the year before normalizing at 16.5% at year end. Banks maintained prudent lending standards amid elevated default risks, especially in trade and household segments. Capital adequacy remains strong, and ongoing reforms are encouraging competition, with the lifting of the licensing moratorium expected to introduce new players and innovative financial products.

Report of the Directors (continued)

Business review and financial performance (continued)

Kenya's regulatory landscape continues to evolve. The Business Laws Amendment Act of 2024, which increased minimum capital requirements for banks to KES 10 billion, aims to strengthen the sector's resilience. The government is also working on easing the business environment, improving legal enforcement, and expanding financial inclusion.

Summary results for the year is as follows:

	2025 Kshs. Billion	2024 Kshs. Billion	Change %
Total income	37.5	38.9	(3.6)
Credit impairment charges	1.6	3.1	(48.4)
Total operating expenses	17.3	17.0	1.8
Profit for the year	13.5	13.7	(1.5)
Loans and advances to customers	272.9	230.2	18.5
Non-performing loans	22.6	23.0	(1.7)
Total assets	531.6	445.2	19.4
Deposits from customers	375.1	320.6	17.0
Total shareholders' equity	70.1	65.4	7.2
Cost to income ratio	46.1%	43.7%	2.4

Dividends

During the year, interim dividend of KShs 8.82 (2024: KShs. 4.25) per share was paid translating to KShs 1,503,680,619 (2024: KShs. 726,821,936).

Subject to the approval of the shareholders at the Annual General Meeting to be held on 14 May 2026, the Directors recommend payment of a final dividend of KShs 42.88 (2024: KShs 42.87) per ordinary share equivalent to a total sum of KShs 7,314,621,350 (2024: KShs 7,312,773,464). The total dividend for the year, therefore, will be KShs 51.70 (2024: KShs 47.12.) for every one ordinary share amounting to KShs 8,818,301,969 (2024: KShs 8,039,595,400).

The total number of issued shares at year end was 170,577,426 (2024: 170,577,426).

The results for the year are set out fully on page 9 in the attached financial statements.

Directors

The Directors who held office during the year and to the date of this report are set out on page 3.

Events subsequent to the end of the reporting period

Events subsequent to the end of the reporting period have been disclosed under note 50.

Management by third parties

There is no aspect of the business of the Bank that has been managed by a third person or a company in which a director has had an interest during the year.

Auditor

Disclosures to auditor

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

a) there was, as far as each Director is aware, no relevant audit information of which the company's auditor is unaware; and

b) each Director has taken all steps that ought to have been taken as a Director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Report of the Directors (continued)

Auditor (continued)

Terms of Appointment of Auditor

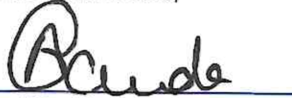
The Bank's Auditor,Deloitte & Touche LLP,express their willingness to continue in office in accordance with Company's Articles of Association, section 719 of the Kenya's Companies Act, 2015 and the Banking Act.

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

Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 10 March 2026.

By Order of the Board,



Nancy Kiruki
Company Secretary
Date: 10 March 2026

Statement of Directors Responsibilities

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss for that year. The financial statements comprises the statements of financial position as at 31 December 2025, and the Bank statements of profit or loss, the Bank statements of other comprehensive income, the Bank statements of changes in equity and the Bank statements of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information. It also requires the directors to ensure that the Bank keeps proper accounting records that are sufficient to show and explain the transactions of the Bank; that disclose, with reasonable accuracy, the financial position of the Bank and that enable them to prepare financial statements of the Bank that comply with the IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Kenyan Companies Act, 2015. The Directors are also responsible for safeguarding the assets of 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 IFRS Accounting Standards as issued by the International Accounting Standard Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

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

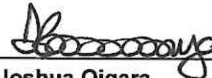
iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Bank's ability to continue as a going concern, the Directors are not aware of any uncertainties related to events or conditions that may cast doubt upon the Bank's ability to continue as a going concern other than a material uncertainty affecting one of the Bank's operations whose details have been disclosed on Note 3.1.

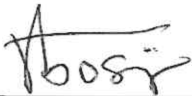
The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The financial statements were approved and authorised for issue by the Board of Directors on 10 March 2026.

Joseph L.O. Muganda
Chairman



Joshua Oigara
Director



Rose Osoro
Director

Date: 10 March 2026

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STANBIC BANK KENYA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Stanbic Bank Kenya Limited (the "Bank"/ "Company") set out on pages 11 to 143, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Kenya. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

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

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

Partners: D.M. Mbogho; A.N. Muraya; F. O. Aloo; B.W. Irungu; I. Karim; F. Okwiri; F.O Omondi; F. Mitambo; P. Seroney; D. Waweru; J. Mureithi.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STANBIC BANK KENYA LIMITED (Continued)

Report on the audit of the financial statements (Continued)

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 as issued by the International Accounting Standards Board, and the requirements of the Kenyan Companies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

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, related safeguards.

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

Report of the directors

In our opinion, the information given in the report of directors' report on pages 4 to 6 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fredrick Okwiri, Practising certificate No. 1699.**

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

10 March 2026

UNIQUE CODE: 13962260310

Statement of profit or loss		Year ended 31 December	
	Notes	2025 KShs. million	2024 KShs. million
Interest income	7	37 211	48 166
Interest expense	7	(13 205)	(23 939)
Net interest income	7	**24 006**	**24 227**
Fees and commission income	8	6 060	5 391
Fees and commission expense	9	(1 251)	(1 058)
Net fees and commission income		**4 809**	**4 333**
Trading revenue	10	7 608	7 501
Net gain from financial instruments at fair value through profit or loss	11(a)	1 006	2 849
Other gains/(losses) on financial instruments	11(b)	27	(32)
Other operating income	12	50	65
Trading and other income		**8 691**	**10 383**
Total income		**37 506**	**38 943**
Credit impairment losses	26.4	(1 627)	(3 099)
Net income before operating expenses		**35 879**	**35 844**
Employee benefits expense	13	(8 723)	(8 684)
Depreciation on property and equipment	30 (a)	(464)	(455)
Depreciation on right-of use assets - land	30 (b)	(3)	(3)
Depreciation on right-of use assets	32	(317)	(324)
Amortisation of intangible assets	31	(306)	(239)
Finance costs	15	(12)	(9)
Other operating expenses	14	(7 464)	(7 326)
Total operating expenses		**(17 289)**	**(17 040)**
Profit before income tax		**18 590**	**18 804**
Income tax expense	16	(5 085)	(5 154)
Profit for the year		**13 505**	**13 650**
Earnings per share			
Basic and diluted (KShs per share)	17	78.98	80.02

The notes on pages 16 to 143 are an integral part of these financial statements.

Statement of other comprehensive income		Year ended 31 December	
		2025	2024
	Note	KShs. million	KShs. million
Profit for the year		**13 505**	**13 650**
Items that may subsequently be reclassified to profit or loss when specific conditions are met:			
- Net gains in debt financial assets measured at fair value through other comprehensive income (FVOCI)*	22.1	21	422
- Currency translation differences for foreign operations		(14)	(951)
Total other comprehensive income/(loss) for the year, net of income tax		**7**	**(529)**
Total comprehensive income for the year		**13 512**	**13 121**

** Income tax relating to each component of other comprehensive income is disclosed in note 34*

The notes on pages 16 to 143 are an integral part of these financial statements.

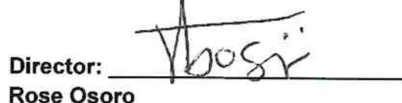
Statement of financial position		**As at 31 December**	
	Note	**2025 KShs. million**	**2024 KShs. million**
Assets			
Cash and balances with Central Banks	20	30,116	24,677
Financial assets – (FVTPL)	21 (a)	55,987	54,597
Financial assets – (FVOCI)	22	33,167	15,462
Financial assets – (amortised cost)	23	18,866	29,079
Derivative assets	24	674	2,095
Current tax asset	35 (a)	1,243	1,379
Loans and advances to banks	25	93,610	64,574
Loans and advances to customers	26	272,919	230,218
Other assets and prepayments	27	11,308	10,326
Other equity investments	29	18	18
Property and equipment	30 (a)	2,376	2,231
Right of use assets - Land	30 (b)	27	30
Intangible assets	31	885	970
Right-of use assets	32	1,586	693
Deferred tax asset	34 (a)	8,805	8,899
Total assets		**531,587**	**445,248**
Equity and liabilities			
Liabilities			
Derivative liabilities	24	1,161	2,746
Financial liabilities – (FVTPL)	21 (b)	16,036	16,322
Current tax liability	35 (a)	99	20
Amounts due to banks	37	44,893	19,510
Customer deposits	36	375,090	320,586
Subordinated borrowings	39	13,025	10,482
Other liabilities and accruals	38	9,667	9,453
Lease liabilities	33	1,505	713
Total liabilities		**461,476**	**379,832**
Equity			
Ordinary share capital	40	3,412	3,412
Ordinary share premium	41	3,445	3,445
Reserves			
- Foreign currency translation	42	(3,221)	(3,207)
- Retained earnings		64,150	59,086
- Revaluation of financial assets-FVOCI	42	254	233
- Revaluation on buildings	42	71	77
- Regulatory credit risk	42	2,000	2,370
Total equity		**70,111**	**65,416**
Total equity and liabilities		**531,587**	**445,248**

The notes on pages 16 to 143 are an integral part of these financial statements.

The financial statements on pages 11 to 143 were approved and authorised for issue by the Board of Directors on 10 March 2026 and signed on its behalf by:

Chairman:
Joseph L.O. Muganda

Director:
Joshua Oigara

Director: 
Rose Osoro

Statement of changes in equity

Year ended 31 December 2025	Note	Ordinary share capital	Ordinary share premium	Regulatory credit risk reserve	Foreign currency translation reserve	Revaluation of financial assets-Fair value through OCI	Revaluation reserve on buildings	Retained earnings	Total equity
		KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
At 1 January 2025		**3 412**	**3 445**	**2 370**	**(3 207)**	**233**	**77**	**59 086**	**65 416**
Total comprehensive income									
Profit for the year		-	-	-	-	-	-	13 505	**13 505**
Other comprehensive income									
Other comprehensive income, net of tax					(14)	21			**7**
Total comprehensive income for the year		**-**	**-**	**-**	**(14)**	**21**	**-**	**13 505**	**13 512**
Transfer of revaluation reserves		-	-	-	-	-	(6)	6	-
Transfer of statutory credit risk reserve		-	-	**(370)**	-	-	-	**370**	-
Transactions with owners recorded directly in equity									
2024 final dividend paid								(7 313)	**(7 313)**
2025 interim dividend paid	18	-	-	-	-	-	-	(1 504)	**(1 504)**
Total transactions with owners		-	-	-	-	-	-	**(8 817)**	**(8 817)**
At 31 December 2025		**3 412**	**3 445**	**2 000**	**(3 221)**	**254**	**71**	**64 150**	**70 111**

Year ended 31 December 2024	Note	Ordinary share capital	Ordinary share premium	Regulatory credit risk reserve	Foreign currency translation reserve	Revaluation of financial assets-Fair value through OCI	Revaluation reserve on buildings	Retained earnings	Total equity
		KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
At 1 January 2024		3 412	3 445	1 410	(2 256)	(189)	83	52 452	58 357
Profit for the year		-	-	-	-	-	-	13 650	**13 650**
Other comprehensive income, net of tax		-	-	-	(951)	422	-	-	**(529)**
Total comprehensive income for the year		**-**	**-**	**-**	**(951)**	**422**	**-**	**13 650**	**13 121**
Transfer of revaluation reserves		-	-	-	-	-	(6)	6	-
Transfer of statutory credit risk reserve		-	-	**960**	-	-	-	(960)	-
Transactions with owners recorded directly in equity									
2023 final dividend paid		-	-	-	-	-	-	(5 335)	**(5 335)**
2024 Interim dividend paid	18	-	-	-	-	-	-	(727)	**(727)**
Total transactions with owners		-	-	-	-	-	-	**(6 062)**	**(6 062)**
At 31 December 2024		**3 412**	**3 445**	**2 370**	**(3 207)**	**233**	**77**	**59 086**	**65 416**

The notes on pages 16 to 143 are an integral part of these financial statements.

Statement of cash flows

	Note	2025 KShs. million	2024* KShs. million
Cash flows from operating activities			
Cash flows from operations	46.1	(2 295)	(559)
Interest paid		(13 065)	(23 571)
Interest received		36 145	43 267
Income tax paid	35	(4 777)	(8 495)
Cash flows from operating activities before changes in operating assets and liabilities		**16 008**	**10 642**
Changes in operating assets and liabilities:			
Net change in loans and advances to customers		(43 397)	31 653
Net change in financial assets – FVTPL		(1 326)	(52 159)
Net change in financial assets – FVOCI		(17 123)	(6 972)
Net change in cash reserve requirements		-	-
Net change in other assets and prepayments		(982)	(2 953)
Net change in deposits from banks		24 674	(5 428)
Net change in other liabilities and accrued expenses		214	(1 059)
Net change in deposits from customers		54 504	(1 981)
Net change in financial liabilities – FVTPL		(286)	2 251
Net cash generated from /(used in) operating activities		**32 286**	**(26 006)**
Cash flows from investing activities:			
Acquisition of financial assets – at amortised cost		(3 039)	(16 276)
Proceeds from financial assets – at amortised cost		13 314	9 752
Additions to property and equipment	30(a)	(610)	(674)
Additions to intangible assets	31	(220)	(484)
Proceeds from disposal of property and equipment		3	24
Net cash generated from/ (used in) investing activities		**9 448**	**(7 658)**
Cash flows from financing activities:			
Dividends paid	18	(8 817)	(6 062)
Proceeds from subordinate borrowings	39	2 586	-
Payments of principal portion of the lease liabilities	33	(407)	(415)
Net cash used in financing activities		**(6 638)**	**(6 477)**
Net increase/(decrease) in cash and cash equivalents		**35 096**	**(40 141)**
Cash and cash equivalents at start of year	46.2	76 272	119 314
Effect of exchange rate changes		(564)	(2 901)
Cash and cash equivalents at end of year	46.2	**110 804**	**76 272**

**Comparative figures have been restated.Refer to note 2.4.2*

The notes on pages 16 to 143 are an integral part of these financial statements.

Notes

1 General information

Stanbic Bank Kenya Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a limited liability company, and is domiciled in Kenya. The address of its registered office is:

Stanbic Bank Centre
Chiromo Road, Westlands
P.O. Box 72833
00200 Nairobi GPO

The Bank provides personal, business, corporate and investment banking services.

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

2 Summary of material accounting policies

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

a) Basis of preparation

The annual financial statements (AFS) are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, and the Kenyan Companies Act, 2015. The financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Fair value through other comprehensive income (FVOCI) financial assets, financial assets and liabilities at fair value through profit or

The following principal accounting policy elections in terms of IFRS Accounting Standards have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 2.5);

- property and equipment and intangible assets are accounted for using the cost model (accounting policy 2.7 and 2.8);

- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 2.6);

The Bank has not prepared the consolidated financial statements incorporating the Stanbic Nominees Limited and Stanbic Kenya Foundation financial statements which it wholly controls. Their financial information have not been consolidated as they are considered immaterial by the directors.The ultimate parent of the Bank, Stanbic Holding Plc, incorporated in Kenya, produces consolidated financial statements that comply with International Financial Accounting Standards. These consolidated financial statements are available for public use and can be obtained at the company's place of business. The Bank is a subsidiary of Stanbic Holding Plc whose owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the Bank presenting consolidated financial statements.

Stanbic Nominees Limited is a dormant entity with no transactions during the year. Stanbic Bank Foundation was established by Stanbic Bank Kenya Limited as a public charitable trust by Declaration of trust deed dated 27th February 2019 and is domiciled in Kenya. The Foundation serves as the philanthropic arm of the Bank and is mandated to catalyse inclusive socio-economic growth and promoting environmental and climate risk management awareness as avenues to create sustainable businesses in Kenya in line with the Sustainable Development Goals.

Stanbic Foundation Kenya Limited

	2025 KShs. million	2024 KShs. million
Total assets	**372**	**296**
Total liabilities	186	51
Financing activities	186	245
Total liabilities & Financing activities	**372**	**296**
(Deficit)/ surplus	**(59)**	**200**

Stanbic Nominees Limited

	2025 KShs	2024 KShs
Assets		
Due from parent company	2 000	2 000
Liabilities		
Share capital	2 000	2 000

Notes (continued)

2 Summary of material accounting policies (continued)

a) Basis of preparation (continued)

Estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in applying the accounting policies. These judgements and estimates used to prepare these financial statements are disclosed in Note 3.

b) Functional and presentation currency

The annual financial statements are presented in Kenya Shillings (KShs) which is the functional and presentation currency of the Bank. All amounts are stated in millions of shillings (KShs' million), unless indicated otherwise. Items included in the financial statements of each of the Bank's operations are measured using the currency of the primary economic environment in which the entity operates, which is US Dollars (USD) for South Sudan Branch and Kenya Shillings (KShs) for Kenya operations.

c) Changes in accounting policies and disclosures

(i) Adoption of new and amended standards effective for the current period

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of Exchangeability (Amendments to IAS 21) (issued in August 2023)- The amendments contain additional guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

These amendments had no impact on the financial statements of the Bank.

(ii) Standards and interpretations that have been published but are not yet effective

The following new standards, and amendments are not yet effective for the year ended 31 December 2025 and have not been applied in preparing these annual financial statements

Standards and amendments	Key requirements	Effective
Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments (issued in May 2024)	The amendments include a new requirement to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met; and provide clarifications regarding assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features, financial assets with non-recourse features and investments in contractually linked instruments. The IASB also amended the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments will be applied prospectively. The amendments are not expected to have a material impact on the Bank's financial statements.	01 January 2026

Notes (continued)

2 Summary of material accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

(ii) Standards and interpretations that have been published but are not yet effective (continued)

Standards and amendments	Key requirements	Effective date
IFRS 18 Presentation and Disclosure in Financial Statements (issued in April 2024)	The standard replaces IAS 1 Presentation of Financial Statements. The standard introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. The Bank is currently working to identify all impacts the amendments will have on the Bank's financial statements and notes to the financial statements.	01 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued in May 2024)	The IASB issued IFRS 19 that permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. When a parent company prepares consolidated financial statements that comply with IFRS Accounting Standards, its subsidiaries are required to report to the parent using IFRS Accounting Standards. However, for their own financial statements, subsidiaries are permitted to use IFRS Accounting Standards, the IFRS for SMEs Accounting Standard or national accounting standards. Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability and their parent company applies IFRS Accounting Standards in their consolidated financial statements. A subsidiary does not have public accountability if it does not have equities or debt listed on a stock exchange and does not hold assets in a fiduciary capacity for a broad group of outsiders. The amendments are not expected to have a material impact on the Bank's financial statements.	01 January 2027

Notes (continued)

2 Summary of material accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

(ii) Standards and interpretations that have been published but are not yet effective (continued)

Standards and amendments	Key requirements	Effective date
IFRS S1 and IFRS S2 (issued in June 2023)	In June 2023 the ISSB issued its first two IFRS sustainability disclosures standards. IFRS S1 prescribes how companies prepare and report their sustainability-related financial disclosures. IFRS S1 sets out the general requirements for a company to disclose information about its sustainability related risk and opportunities that is useful to users in making decisions relating to providing resources to the company. IFRS S1 also integrates and builds on the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD). IFRS S1 was developed to achieve more consistent, complete, comparable and verifiable information about companies' exposure to and management of sustainability-related risks and opportunities. IFRS S2 sets out the requirements for companies to disclose information about their climate-related risks and opportunities, while building on the requirements of IFRS S1. The ISSB developed IFRS S2 to achieve more consistent, complete, comparable and verifiable information about a company's climate-related risks and opportunities. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, but mandatory application of the ISSB standards will depend on each jurisdiction's endorsement or regulatory processes. Institute of Certified Public Accountants of Kenya (ICPAK) have issued a three phase approach roadmap for the adoption of IFRS sustainability disclosure standards in Kenya. **Phase 1**- Voluntary adopters as from 1 January 2024. **Phase 2** - Mandatory adoption as from 1 January 2027 for Public Interest Entities (PIEs); 1 January 2028 for Non-PIEs (Large Enterprises); and 1 January 2029 for Non-PIEs (SMEs). **Phase 3** - Public Sector Entities to be determined by ICPAK. The Bank through its Sustainability office is currently assessing the impact of the two standards.	Voluntary - 01 January 2024 Mandatory - 01 January 2027

The Bank is currently working to identify all impacts the amendments will have on the Bank's financial statements and notes to the financial statements.

Notes (continued)

2 Summary of material accounting policies (continued)

2.1 Translation of foreign currencies

(i) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of Bank's entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as held to collect and sell financial assets are recognised in Other Comprehensive Income(OCI) (profit or loss) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

(ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income (OCI).

On the partial disposal of a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the gain or loss on disposal of the foreign operation is recognised.

These gains and losses are recognised in profit or loss either on disposal of a foreign operation or partial disposal (a reduction in ownership interest in a foreign operation other than a disposal) of an associate or joint venture that includes a foreign operation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation are translated at the closing rate. Exchange differences are recognised in OCI.

2.2 Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 2.9 – Capitalisation of borrowing costs) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss which are included under trading income and:

a) purchased or originated credit impaired (POCI) for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset; and

b) financial assets that are not "POCI" that have subsequently become impaired for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of expected credit losses) in subsequent reporting periods.

Notes (continued)

2 Summary of material accounting policies (continued)

2.2 Net interest income (continued)

Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial assets or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and re-estimated cash flows. The carrying amount is calculated by computing the present value of the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

When a financial asset is classified as stage 3 impaired, interest income is calculated on the amortised cost based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3.
Interest income on financial assets classified as Stage 3 is recognised by applying the effective interest rate to the net carrying amount of the financial asset. The net carrying amount represents the amount at which the financial asset was initially recognised, less principal repayments, adjusted for the cumulative amortisation calculated using the effective interest method of any difference between the initial amount and the maturity amount, and further adjusted for any associated loss allowance.For purchased or originated credit-impaired (POCI) financial assets, interest income is recognised using a credit-adjusted effective interest rate, which incorporates the expected credit losses at initial recognition.

Dividends received on preference share investments classified as debt which form part of the Bank's lending activities, are included in interest income.

2.3 Non-interest revenue

a) Net fee and commission revenue

Fee and commission revenue, including transaction fees, account transaction fees, investment management fees, sales commissions, knowledge based and client administration fees, electronic banking fees, foreign service fees, documentation and administration fees, and placement fees are recognised on an accrual basis as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Bank does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

Notes (continued)

2 Summary of material accounting policies (continued)

2.3 Non-interest revenue (continued)

b) Trading revenue

Trading revenue comprises of foreign exchange gains and losses and other related revenue from trading assets and liabilities.

c) Other operating income

Other income includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments, and remeasurement gains and losses from contingent consideration on disposals and purchases. Other income also includes proceeds on sale of property, plant and equipment.

d) Revenue sharing agreements with related companies

Revenue sharing agreements with related companies includes the allocation of revenue from transfer pricing agreements between the banks's related entities. The service payer makes payment to service sellers for services rendered. All agreements of a revenue sharing nature are presented in the statement of profit or loss as follows:

- The service payer of the agreement recognises, to the extent the charge is less than revenue from the agreement, the charge to the service sellers within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent that the revenue allocation to service sellers within the Bank is greater than the available revenue from the agreement, the charge above the available revenue is recognised within other operating expenses.

- The service seller of the agreements recognises, to the extent the allocation is made out of available revenue of the service payer, the revenue from the service payer within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent the revenue is not received from the service payer's available revenue, such revenue is recognised as a fee and commission revenue.

2.4.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and balances held with central banks. They also include short-term highly liquid investments including treasury bills, other eligible bills, and amounts due from banks that are available on demand or have an original maturity of three months or less from the date of acquisition. These are subject to insignificant risk of changes in their fair value.

Notes (continued)

2 Summary of material accounting policies (continued)

2.4.2 Statement of cash flows comparatives

The restricted balances held with the Central Bank of Kenya (CBK) and Bank of South Sudan (BOSS) can be accessed by the Bank during the day to settle transactions as long as the legislated reserve balance is deposited at the end of each day. This results in a restriction of the use of the funds and not accessing the funds. Due to the access to the funds not being impacted the nature of the mandatory reserve deposits still meet the definition of cash and cash equivalents as these would qualify as on demand deposits. Consequently, management has restated the statement of cash flow to include the mandatory reserve deposits within the cash and cash equivalents line.

The impact of the restatement is summarised below:

	As previously reported *KShs. Million*	Prior year adjustment *KShs. Million*	As restated *KShs. Million*
Statement of cash flows			
Net change in cash reserve requirements	2 157	(2 157)	-
Net cash used in operating activities	(23 849)	(2 157)	(26 006)
Net decrease in cash and cash equivalents	(37 984)	(2 157)	(40 141)
Cash and cash equivalents at start of the year	101 997	17 317	119 314
Cash and cash equivalents at the end of the year	61 112	15 160	76 272
Cash and cash equivalents note 46.2			
Cash and Bank balances with Central Banks	11 917	12 760	24 677
Loans and advances to banks*	62 174	2 400	64 574
Cash and cash equivalents	61 112	15 160	76 272

* In the prior year when the mandatory reserves were excluded from cash and cash equivalents, the BOSS mandatory cash reserve was adjusted against loans and advances to banks in note 46.2 instead of against Cash and Bank balances with Central Banks.

2.5 Financial instruments

(i) Initial recognition and measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Bank commits to purchase (sell) the instruments (trade date accounting).

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

(i) Initial recognition and measurement (continued)

Financial assets

Financial assets are classified under each of the categories below and their carrying amounts are disclosed in Note 19.

Nature	
Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.
Fair value through OCI (FVOCI)	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Financial Assets (continued)

Fair value through profit or loss (FVTPL)	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form 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.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss - default	Financial assets that are not classified into one of the above mentioned financial asset categories.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI (FVOCI)	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.
Fair value through profit or loss (FVTPL)	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the profit or loss as part of other gains and losses on financial instruments within non-interest income.
Fair value through profit or loss - default	Debt instruments – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the profit or loss as part of other gains and losses on financial instruments within non-interest income. Equity instruments – Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other income within non-interest income.
Fair value through profit or loss - default	Fair value gains and losses (including interest and dividends) on other financial assets at FVTPL are recognised in the statement of profit or loss as part of other gains and losses on financial instruments within non-interest income.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Financial Assets (continued)

Impairment of financial assets

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a Significant Increase in Credit Risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, is set out in the table below. ECL is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default (as defined below); • significant financial difficulty of borrower and/or modification; • probability of bankruptcy or financial reorganisation; and • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk	At each reporting date the Bank assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Financial Assets (continued)

Impairment of financial assets (continued)

The key components of the impairment methodology are described as follows: (continued)

Default	The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower); • a breach of contract, such as default or delinquency in interest and/or principal payments; • disappearance of active market due to financial difficulties; • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; • where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider; • Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Bank's impairment methodology calculations and in the Bank's assessment of SICR. The Bank includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying amount of the financial asset is recognised in the statement of financial position at fair value.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Financial Assets (continued)

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the Bank changes its business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value through profit or loss are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments;
- The fair value of a financial asset that is reclassified from fair value through profit or loss to amortised cost becomes the financial asset's new carrying amount;
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI;
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying amount with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying amount;
- The carrying amounts of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value;
- The carrying amount of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in profit or loss at the date of reclassification.

Financial liabilities

Financial liabilities classified under each of the categories below are disclosed under Note 19.

Nature	
Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form 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.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances to eliminate or significantly reduce an accounting mismatch that would otherwise arise where; • the financial liabilities are managed and their performance evaluated and reported on a fair value basis; and • the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	DERECOGNITION	MODIFICATION
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Bank has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. The Bank enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.The terms of a financial asset are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset.
	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 repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank 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. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors: change in currency of the loan, introduction of an equity feature, change in counterparty and whether the modification is such that the instrument would no longer meet the SPPI criterion. If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition.	If the terms are not substantially different for financial assets or financial liabilities, the Bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	See modification for financial liabilities in the previous page.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Financial guarantee contracts and loan commitments below market interest rate

A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the Bank become party to the irrevocable commitment at fair value.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

Derivative and embedded derivatives

A derivative is a financial instrument whose fair value changes in response to an underlying variable provided in the case if the underlying is not specific to a party to the contract, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

In the normal course of business, the Bank enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Bank in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms of IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Bank accounting policy. The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedging relationship.

Notes (continued)

2 Summary of material accounting policies (continued)

2.5 Financial instruments (continued)

Financial guarantee contracts (continued)

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements (Repos) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.

For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously.
The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

2.6 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Notes (continued)

2 Summary of material accounting policies (continued)

2.6 Fair value (continued)

In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument cannot be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for the assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date.

If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The Bank has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits a group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the Bank:

- manages the group of financial assets and financial liabilities on the basis of the Bank's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Bank's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the bank's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Notes (continued)

2 Summary of material accounting policies (continued)

2.7 Property and equipment

Equipment and owner-occupied properties, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the bank and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised profit or loss as incurred.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Leasehold buildings are depreciated over the shorter of the lease period or their useful lives. Depreciation starts when the asset is in location and condition as intended by management.

The revaluation reserve in equity arose from revaluation of the Stanbic Bank, Chiromo Road office at the point where CfC Bank and Stanbic Bank merged.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The estimated useful lives of tangible assets are typically as follows;

Class	Depreciation period
Buildings	40 years
Motor vehicles	4-5 years
Computer equipment	3-5 years
Office equipment	5-10 years
Furniture and fittings	5-13 years

Work-in-progress is not depreciated

There has been no significant change to the estimated useful lives and depreciation methods from those applied in the previous financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the item is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Notes (continued)

2 Summary of material accounting policies (continued)

2.8 Intangible assets – computer software

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with unique system, which will be controlled by the bank and have probable future economic benefits beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the bank is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, and the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development costs, employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (2 to 10 years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if necessary.

2.9 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss.

Non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Fair value less costs ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (CGUs). Impairment test can also be performed on a single asset when the fair value less costs of development or the value in use can be determined reliably. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

2 Summary of material accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

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

- Property and equipment see note 30 (a) and note 2.7
- Intangible assets see note 31 and note 2.8
- Right-of-use assets -land (leasehold land), see note 30(b)
- Right-of-use assets (buildings), see note 30(b)

2.11 Accounting for leases

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

The Bank as a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the bank recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the bank is reasonably certain to exercise that option and payment of penalties for terminating the lease, if the lease term reflects the bank terminating the lease. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the bank's incremental borrowing rate is used.

For leases that contain non-lease components, the bank allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently, the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the bank at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

Termination of leases

When the Bank or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Reassessment and modification of leases

When the Bank reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

Notes (continued)

2 Summary of material accounting policies (continued)

2.12 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in provision due to passage of time is recognised as an expense.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

A provision for restructuring is recognised when the Bank has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the bank recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank's control.

Contingent liabilities ordinarily include certain guarantees, other than financial guarantees, and letters of credit.

Contingent liabilities also include possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured.Contingent liabilities are not recognised in the annual financial statements but information about them is disclosed in the notes to the annual financial statements unless the possibility of any outflow of economic benefits in settlement is remote.

Notes (continued)

2 Summary of material accounting policies (continued)

2.13 Taxation

(i) Direct tax

Current tax includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

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

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 at the reporting date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. They 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 realised.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the Bank controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and 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 liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(ii) Indirect tax

Indirect taxes, including non-recoverable VAT, skills development levies and other duties for banking activities, are recognised in profit or loss and included in administrative expenses.Non-recoverable VAT on capital items is capitalised.

Notes (continued)

2 Summary of material accounting policies (continued)

2.14 Employee benefits

(i) Defined contribution plans

The Bank operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer and employees, the assets of which are generally held in separate trustee-administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Bank and its employees also contribute to the National Social Security Fund, these contributions are determined by local statutes and the Bank's contributions are charged to profit or loss in the year which they relate to.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.15 Dividends

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

2.16 Equity

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

(i) Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other issue costs are expensed.

2.17 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary share shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, if any.

Notes (continued)

2 Summary of material accounting policies (continued)

2.18 Equity-linked transactions (Deferred Bonus Schemes)

Equity compensation plans

The Bank operates both equity-settled and cash-settled share-based compensation plans.These are all referenced to Standard Bank Group's (SBG) share price on vesting date.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

Cash based share settlement expense is recognised in staff costs.

2.19 Segment reporting

An operating segment is a component of the Bank engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The Bank's identification of segments and the measurement of segment results is based on the Bank's internal reporting to the chief operating decision makers, comprising of the executive committee.

Transactions between segments are priced at market-related rates.

2.20 Fiduciary activities

The Bank commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the Bank. However, fee income earned and fee expenses incurred by the Bank relating to the Bank's responsibilities from fiduciary activities are recognised in profit or loss.

2.21 Letters of Credit Acceptances

Letters of credit acceptances arise in two ways:

(i) Issuing Bank

At initial recognition where the Bank is the issuing bank, it recognises a contingent liability for the amount that it may be required to pay out to the confirming bank or beneficiary should the terms and conditions underlying the contract be met.

On the date that all terms and conditions underlying the contract are met, the Bank records a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the applicant. Concurrently, the Bank recognises a financial liability (at fair value) on the statement of financial position as part of deposits for the contractual obligation to deliver cash to the beneficiary or the confirming bank, depending on the structure of the arrangement.

Notes (continued)

2 Summary of material accounting policies (continued)

2.21 Letters of Credit Acceptances (continued)

(ii) Confirming Bank

At initial recognition where the Bank is the confirming bank, it recognises the amount that it may be required to pay out to the beneficiary should the terms and conditions underlying the contract be met. The Bank concurrently records a contingent asset for the amount that the issuing bank may be entitled to receive.

On the date that all terms and conditions underlying the contract are met the Bank recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the issuing bank and concurrently recognises a financial liability (at fair value) on the statement of financial position as part of deposits for the contractual obligation to deliver cash to the beneficiary.

2.22 Consolidation

Subsidiaries

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Bank. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to its fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Bank is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability that is a financial instrument and within the scope of IFRS 9 'Financial Instruments' are recognised in profit or loss in accordance with is are recognised in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Bank's accounting policies.

Notes (continued)

2 Summary of material accounting policies (continued)

2.22 Consolidation (continued)

Subsidiaries (continued)

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Bank ceases to have control, any retained interest in the entity is measured to its fair value at the date when control is lost, with any resulting gain or loss recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, estimates and judgements are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

Unless otherwise stated, no material changes to assumptions have occurred during the year.

3.1 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Stanbic Bank Kenya Limited, operates a Branch in South Sudan. The Bank of South Sudan (Regulator) issued new capital guidelines in 2025 requiring banks operating in South Sudan to increase capital from the prevailing SSP 5B (approximately USD 1.1M) to USD 20M by 31 December 2025, USD 25M by 30 June 2026 and USD 30M by 31 December 2026. The Bank's board of directors considered this requirement and resolved not to inject additional capital considering the disproportionately small size of the Branch's business in South Sudan. Management has had subsequent engagements with the regulator on the status of capitalization of the Branch and is currently assessing the regulatory requirements and will feedback to the board and shareholders at the upcoming meetings for resolutions on the way forward for the future of the business. These resolutions, once obtained, will inform further regulatory engagements.

The capital requirements in South Sudan do not impact the regulatory requirements in Kenya and therefore there is no impact on the going concern basis of preparation of these financial statements.

3.2 Impairment of financial assets carried at fair value through OCI (FVOCI)

The Bank reviews its debt securities classified as FVOCI at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances.

3.3 Impairment of financial assets at amortised cost

The Bank reviews its debt securities classified as financial assets at amortised cost at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.4 Fair value of financial instruments

In terms of IFRS Accounting Standards as issued by International Accounting Standards Board (IASB), the Bank is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The Bank's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Bank establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers; implied volatilities on thinly traded instruments; correlation between risk factors; prepayment rates; other illiquid risk drivers.

In making appropriate valuation adjustments, the Bank applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver.
- raising day one profit or loss provisions in accordance with IFRS Accounting Standards.
- quantifying and reporting the sensitivity to each risk driver.
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.4 Fair value of financial instruments (continued)

Valuation process (contined)

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Bank's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the group. Further, all inputsinto the valuation models are subject to independent price validation procedures carried out by the group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The Bank has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date.

No change in fair value estimated using valuation techniques not based on observable market data was recognised in profit or loss for the year ended 31 December 2025 (2024: KShs nil).

Additional disclosures on fair value measurements of financial instruments are set out in notes 2.6 and 5.

3.5 Development costs

The Bank capitalises software development costs for an intangible assets in accordance with the accounting policy detailed in note 2.8. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone and where the Bank is able to demonstrate its intention and ability to complete and use the software.

3.6 Share-based payment

The Bank has a number of cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the schemes. The Bank uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the Bank's obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the SBG share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the Bank estimates the expected future vesting of the awards by considering staff attrition levels. The Bank also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met. Refer to note 43 for further details regarding the carrying amount of the liabilities arising from the Bank's cash-settled share incentive schemes and the expenses recognised in profit or loss.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.7 Income taxes

The Bank is subject to direct taxation in two jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Bank recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in notes 34 and note 35, respectively, in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses 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 realised.

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and on-going developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the bank in order to utilise the deferred tax assets.

Note 34 summarises the details of the carrying amount of the deferred tax assets. Accounting policy 2.13 provides further detail regarding the Bank's deferred tax accounting policy.

3.8 Hyperinflation

The Bank previously applied hyperinflation accounting to the South Sudan Branch in accordance with IAS 29, as the South Sudanese Pound (SSP) was the functional currency and the economy met the characteristics of a hyperinflationary environment.

Following a reassessment of the Branch's operating environment and primary economic indicators, management determined that the functional currency of the South Sudan Branch is the US Dollar (USD). Although the economy of South Sudan continues to be hyperinflationary, IAS 29 is no longer applicable, as the branch's functional currency is not the currency of a hyperinflationary economy.
No hyperinflation adjustments have been applied to the balances or transactions.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.9 Provisions

During the current reporting period models have been enhanced, but, no material changes to assumptions have occurred. The operating environment placed considerable strain on our operations specifically retail, business and corporate clients, however, the Bank's risk appetite remained unchanged. As such the significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

The accounting policy for provisions is set out in accounting policy 2.12. The principal assumptions taken into account in determining the value at which provisions are recorded at, in the bank's statement of financial position, include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation.

The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the Bank's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers

During the current reporting period models have been enhanced but no material changes to assumptions have occurred.

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. During the current reporting period, models have been enhanced, but, no material changes to assumptions have occured.
The following represents the most material key management assumptions applied in preparing these financial statements.

Personal and Private Banking (PPB) and Business and commercial Banking clients (BCB)

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The impact of the lifetime loss given default (LGD) workout, being an increase in the lifetime period over which subsequent cures and re-defaults are considered.
- The IFRS 9 requirement to hold ECL on unutilised loan commitments, notably pertaining to PPB and BCB's card and other lending portfolios.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

Corporate and Investment Banking (CIB)

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

Treasury

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency. Refer to 4.2.4 (b) for Bank's rating method.

Significant increase in credit risk (SICR) and low credit risk

A lifetime ECL requirement for all exposures for which there has been SICR. This included the impact of the LGD work out, being an increase in the life time period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included where appropriate within this classification.

To determine whether a client's credit risk has increased significantly since origination, the Bank would need to determine the extent of the change in credit risk using the table below:

Bank's master rating scale	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

Personal and Private Banking (PPB) and Business and Commercial Banking (BCB)

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and, consequently, reflect an increase in credit risk.

The Bank also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

Significant increase in credit risk (SICR) and low credit risk (continued)

Personal and Private Banking (PPB) and Business and Commercial Banking (BCB) (continued)

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Forward looking economic expectations are included in the ECL by adjusting the probability of default (PD), LGD and SICR. Adjustments are made based on the Bank's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Bank's macro-economic outlook expectations.

CIB

The Bank uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the bank's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the bank's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Forward looking economic expectations are incorporated in CIB's client ratings. The client rating thus reflects the expected client risk for the Bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

Significant increase in credit risk (SICR) and low credit risk (continued)

Forward looking expectations

- The Bank's Economic Research team determines the macroeconomic outlook and a Bank view of commodities over a planning horizon of at least three years. The outlook is provided to the Bank's Chief Financial & Value Officer for review and asset and liability committee for approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, Central Bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narratives for each of the country economic outlooks, being bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed monthly.
- The forward looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

	31 December 2025			31 December 2024		
Macroeconomic factors	Base	Bear	Bull	Base	Bear	Bull
Inflation	4.4	4.5	3.9	3.7	6.3	3.3
Policy rate	9.3	10.3	8.8	11.0	11.0	9.5
3m Tbill rate	8.5	9.7	8.2	10.7	17.3	9.3
6m Tbill rate	8.7	9.9	8.5	11.5	17.9	9.9
Exchange rate (USD/KES)	129.6	157.5	119.4	129.1	152.7	118.9
Real GDP	4.9	10.3	5.4	5.4	3.6	7.6
Sovereign rating	B	B	B	B-	B-	B-

PPB and BCB

Adjustments to the PD and LGD, based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments.

CIB

Negligible impact as CIB's client ratings typically included forward looking expectations.

Lifetime LGD work out

Increased lifetime period over which subsequent cures and re-defaults are considered resulted in higher credit impairments for credit-impaired financial assets.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

Significant increase in credit risk (SICR) and low credit risk (continued)

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Partial write-off of an asset occurs when the Bank gives a concession to a debtor such that a part of the loan will not be recovered. In this case, the part that will not be recovered is written off.

For CIB products, write-offs are assessed on a case-by-case basis and approved by CIB credit governance committee based on the individual facts and circumstances.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Bank's CIB or PPB and BCB Credit Governance Committees (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset's terms and conditions.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

Curing (continued)

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively. In retail portfolios, a rehabilitation period of at least 6 months (subsequent to a customer repaying all outstanding facilities) would be needed for the customer's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

Out of the above factors that drive the ECL, the most significant source of uncertainty is credit ratings allocated to counterparties which drive this assigned probability of default. The PDs in turn incorporate assessment for significant increase in credit risk, default risk assessment, forward looking information and probability weighted scenarios. At 31 December 2025, had the average credit ratings for all counterparties shifted one notch down expected credit losses would have increased by KShs 350,033,243 (2024: KShs 491,626,968) higher whereas if the credit ratings had improved by one notch the expected credit losses would have decreased by KShs 485,414,219 (2024: KShs 589,316,449).

Off-balance sheet exposures – bankers' acceptances, guarantees and letters of credit

The requirement to hold ECL on off-balance sheet financial instruments, such as guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions.

Credit impairment losses on loans and advances

Specific loan impairments

Non-performing loans include those loans for which the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Where the net present value of estimated cash flows to differ by +/-1%, the impairment loss is to be estimated at KShs 67,811,000 higher or KShs 67,811,000 lower (2024: KShs 47,441,460 higher or KShs 47,441,460 lower) respectively.

Notes (continued)

4 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established various committees, including the Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors of the Bank on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Committees are assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

By their nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

The Bank also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds price, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Notes (continued)

4 Financial risk management (continued)

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counter-balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

4.1 Capital management

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

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

It uses two approaches of measuring capital for capital management.

a) Economic capital assessment

Economic capital is the Bank's internal measure of required capital and it incorporates granular risk assessments and portfolio concentration effects that may be absent from the regulatory capital assessment process. The bank aggregates the individual risk type economic capital measurements conservatively assuming no inter-risk diversification. Economic capital is compared to Available Financial Reserves (AFR) to perform an assessment of capital adequacy based on internal measures.

b) Regulatory capital assessment

The Bank and its South Sudan branch monitor the adequacy of its capital using ratios established by the Central Bank of Kenya (CBK) and the Bank of South Sudan (BOSS). These ratios are broadly in line with those of the Bank for International Settlements (BIS).

These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The risk-based approach applies to both on and off-statement of financial position items. The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk.

The assets are weighted according to broad categories, each being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 35%, 50%, and 100%) are applied.

The Bank is required at all times to maintain:

- A minimum level of regulatory capital of KShs 3 billion as at 31 December 2025 (2024: Kshs 1 billion);
- A core capital (tier 1) of not less than 10.5% (2024: 10.5%) of total risk weighted assets plus risk weighted off-statement of financial position items;
- A core capital (tier 1) of not less than 8% (2024: 8%) of its total deposit liabilities; and
- A total capital (tier 1 + tier 2) of not less than 14.5% (2024: 14.5%) of its total risk weighted assets plus risk adjusted off statement of financial position items.

Notes (continued)

4 Financial risk management (continued)

4.1 Capital management (continued)

Off-balance sheet credit related commitments and forwards are converted to credit risk equivalents using credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, goodwill and investments in subsidiary institutions and equity instruments of other institutions. Tier 2 capital includes the Bank's term subordinated debt and regulatory loan loss reserves and cannot exceed tier 1 capital. Regulatory loan loss reserves qualifying as tier 2 capital cannot exceed 1.25% of the risk weighted assets total value.

As at 31 December 2025, the Bank's core capital held was Kshs 61 billion against required minimum amounts Kshs 3 billion.South Sudan Branch had a core capital of 1 Million USD against required amounts of 20 Million USD per issued new capital guidelines in 2025.The capital requirements in South Sudan do not impact the regulatory requirements in Kenya.The Bank has complied with all capital requirements.

The Bank's capital adequacy level was as follows:

	2025 KShs. million	2024 KShs. million
Tier 1 capital (Core capital)		
Share capital	3 412	3 412
Share premium	3 445	3 445
Retained earnings	56 669	51 359
Less: Deferred tax asset (deductible)	(2 452)	(3 078)
Total Tier 1 capital (Core capital)	**61 074**	**55 138**
Tier 2 capital		
Qualifying subordinate borrowings (note 39)	13 025	10 482
Regulatory credit risk reserve	2 157	2 370
Total Tier 2 capital	**15 182**	**12 852**
Total capital (Tier 1 + Tier 2)	**76 256**	**67 990**
Risk - weighted assets		
Operational risk	70 110	60 675
Market risk	18 661	10 796
Credit risk on-statement of financial position	294 845	262 638
Credit risk off-statement of financial position	53 451	35 969
Total risk - weighted assets	**437 067**	**370 078**
Capital adequacy ratios		
Core capital / total deposit liabilities	15.9%	17.1%
Minimum statutory ratio	**8.0%**	**8.0%**
Core capital / total risk - weighted assets	14.0%	14.9%
Minimum statutory ratio	**10.5%**	**10.5%**
Total capital / total risk - weighted assets	17.5%	18.4%
Minimum statutory ratio	**14.5%**	**14.5%**
Total capital compliance		
Minimum regulatory capital required	**3 000**	**1 000**
Capital available	**61 251**	**55 138**
Surplus	**58 251**	**54 138**

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due.

Credit risk is composed of counterparty risk (including primary, pre-settlement risk, issuer and settlement risk) and concentration risk. These risk types are defined as follows:

- Counterparty risk: The risk of credit loss to the Bank as a result of failure by a counterparty to meet its financial and/or contractual obligations to the Bank as they fall due.

- Credit concentration risk: The risk of loss to the Bank as a result of excessive build-up of exposure to a specific counterparty or counterparty group, an industry, market, product, financial instrument or type of security, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

4.2.1 Governance committees

The primary governance committees overseeing credit risk are the Board Credit Committee (BCC) and Credit Risk Management Committee (CRMC). These committees are responsible for credit risk and credit concentration risk decision-making, and delegation thereof to Credit officers and committees within defined parameters.

Credit risk management is governed by the Bank's overall credit policy guidelines. Respective Credit Risk Management Divisions, which report into the BCC, are responsible for the implementation of these guidelines, which cover compliance with prescribed sanctioning authority levels, avoidance of a high concentration of credit risk and regular review of credit limits. Limits on facilities to counter-parties are governed by internal restraints, which restrict large exposures in relation to the Bank's capital.

The Bank has set in place comprehensive resources, expertise and controls to ensure efficient and effective management of credit risk.

4.2.2 General approach to managing credit risk

The Bank's credit risk comprises mainly corporate and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients and market counterparties.

The Bank manages credit risk through:
- maintaining strong culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across the Bank, from the level of individual facilities up to the total portfolio;
- defining, implementing and continually re-evaluating our risk appetite under actual and scenario conditions;
- monitoring the Bank's credit risk relative to limits; and
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 General approach to managing credit risk (continued)

Primary responsibility for credit risk management resides with the Bank's business lines. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported by the overarching Bank risk function.

Impairment provisions are provided for losses that have been incurred or expected at reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

The exposure to any one borrower including banks is further restricted by sub-limits covering on - and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

4.2.3 Management reporting

A number of reports are prepared as management information on credit risk. Various analysis of the data are done and a variety of reports are prepared on a monthly and quarterly basis. Some of these reports include:

- Quarterly Board Credit Committee Report;
- Quarterly Board Audit Committee Report;
- Quarterly Board Risk Committee Report;
- Monthly Credit Risk Management Committee Report;
- Regulatory returns;
- Quarterly results; and
- Annual financial statements.

These reports are distributed to management and regulators, and are available for inspection by authorised

4.2.4 Credit risk measurement

a) Loans and advances, including loan commitments and guarantees

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

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.4 Credit risk measurement (continued)

a) Loans and advances, including loan commitments and guarantees (continued)

The Bank has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. All models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low default portfolios, internal data is supplemented with external benchmarks and studies. Models are assessed frequently to ensure on-going appropriateness as business environments and strategic objectives change, and are recalibrated semi-annually using the most recent internal data.

In measuring credit risk of loans and advances to customers and to banks at a counter-party level, the Bank reflects three components:

(i) the 'probability of default' by the client or counter-party on its contractual obligations;

(ii) current exposures to the counter-party and its likely future development, from which the Bank derives the 'exposure at default'; and

(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Probability of default (PD)

The Group uses a 25-point master rating scale to quantify the credit risk for each borrower as illustrated in the table on page 64. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio. The Bank distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making and in managing credit risk exposures.

Loss given default (LGD)

Loss given default measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates and macroeconomic factors in a downturn period.

Exposure at default (EAD)

Exposure at default captures the impact of potential draw-downs against unutilised facilities and changes in counterparty risk positions due to changes in market prices. By using historical data, it is possible to estimate the average utilisation of limits of an account when default occurs, recognising that customers may use more of their facilities as they approach default.

b) Debt securities

For debt securities, external rating such as Standard & Poor's rating or their equivalents are used by Bank Treasury for management of the credit risk exposures as supplemented by the Bank's own assessment through the use of internal rating tools.

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.4 Credit risk measurement (continued)

Relationship between the bank master rating and external ratings

Stanbic Bank Kenya Limited's internal rating scale	Moody's Investor Services	Standard & Poor's	Fitch	Grading	Credit Quality
1 - 4	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-	Investment grade	Normal monitoring
5 - 7	A1, A2, A3	A+, A, A-	A+, A, A-		
8 - 12	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-		
13 - 20	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-	Sub-investment grade	
21 -25	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		Close monitoring
Default	C	D	D	D	D

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sublimit covering on-balance sheet and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.
Some other specific control and mitigation measures are outlined below:

a) Credit tailored to customer profile

There is a clear distinction between the fundamental credit characteristics of the Bank's customer base. This customer base is managed according to the following market segments:

- Corporate and Investment Banking (CIB);
- Business and Commercial Banking (BCB); and
- Personal and Private Banking (PPB)

The Bank has established separate credit management functions for each market segment except for IAM which does not actively lend.

Corporate and Investment Banking (CIB): Corporate, sovereign and bank portfolios

Corporate, sovereign and bank borrowers include large corporates, financial institutions and international counter-parties. The entities include large companies as well as small and medium enterprises that are managed on a relationship basis. Creditworthiness is assessed based on a detailed individual assessment of the financial strength of the borrower. Exposure is usually in the form of short and long-term loans and advances but may include exposures arising from derivative contracts. In these sectors, credit risk management is characterised by a close working relationship between the counter-party, the customer relationship team and an independent credit evaluation manager. The credit evaluation manager bases his lending decision on an in-depth knowledge of the counterparty and the industry in which it operates, as well as an assessment of the creditworthiness of the counter-party based on a review of the audited financial statements and underlying risk parameters.

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Risk limit control and mitigation policies (continued)

a) Credit tailored to customer profile (continued)

Corporate and Investment Banking (CIB): Corporate, sovereign and bank portfolios (continued)

CIB uses sophisticated modelling techniques combined with an in-depth knowledge and understanding of each client as essentials in properly assessing the credit risk, both initially and on an on-going basis, of each counterparty with whom it deals.

To this end CIB uses software developed by third party vendors, which is widely used by the banking industry globally in its credit management process. Expected default frequencies are an important tool in the formal credit assessment process of both new and existing business, and also form the basis for monitoring changes in counterparty credit quality on a day to day basis. Expected default frequencies will continue to be a vital component of credit risk management as the Bank continues to improve credit processes and increases focus on portfolio credit management.

Personal and Private Banking(PPB), and Business and Commercial Banking(BCB): Retail portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs. Qualifying retail revolving exposure (QRRE) relate to cheque accounts, credit cards and evolving personal loans and products, and include both drawn and undrawn exposures. Retail other covers other branch lending and vehicle finance for retail, retail small and retail medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account. Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience. The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

b) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Risk limit control and mitigation policies (continued)

c) Master netting arrangements

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

d) Derivatives

For derivative transactions, the Bank typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure, where collateral support is considered necessary. Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

e) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral taken are:

Business and Commercial Banking and Personal and Private Banking (BCB & PPB)	
Mortgage lending	First ranking legal charge over the property financed.
Vehicle and asset finance	Joint registration of vehicles.
Other loans and advances	Debentures over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.
Corporate and Investment Banking	
Corporate lending	All assets debenture over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Longer-term finance and lending to corporate entities is generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise possible credit loss the Bank seeks additional collateral from the counter-party as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

Valuation of collateral

The Bank has a panel of valuers who undertake valuation of property and other assets to be used as collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuers are required to provide the Bank with professional indemnity to cover the Bank in cases of professional negligence relating to their valuations. The Bank ensures that all properties used as collateral are adequately insured during the term of the loan. Valuation reports on properties are valid for three years after which the property and equipment is revalued.

The table on the following page shows the financial effect that collateral has on the Bank's maximum exposure to credit risk. The table includes collateral that management takes into consideration in the management of the bank's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including non-performing loans, have been included. Collateral includes:

- Financial securities that have a tradable market, such as shares and other securities;
- Physical items, such as property, plant and equipment; and
- Financial guarantees and intangible assets.

Netting agreements, which do not qualify for offset under IFRS Accounting Standards but which are nevertheless enforceable, are included as part of the bank's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions.

In the retail portfolio, 71% (2024: 67%) is fully collateralized. The total average collateral coverage for all retail mortgage exposures above 50% collateral coverage category is 100% (2024: 100%). Of the Bank's total exposure, 8% (2024: 17%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities. The total forced sale value of collateral for credit impaired loans amounted to KShs. 24,660,553,000 (2024: KShs.22,991,131,000).

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

31 December 2025						Collateral coverage - Total		
	Total exposure	Unsecured exposure	Secured exposure	Netting agreements	Secured exposure after netting	Greater than 0% to 50%	Greater than 50% to 100%	Greater than 100%
Asset class	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million
Corporate	**192 337**	11 817	180 520	-	**180 520**	-	180 520	-
Sovereign	**116 030**	116 030	-	-	-	-	-	-
Loans and advances to banks	**93 620**	**93 620**	-	-	-	-	-	-
Group	**24 796**	24 796	-	-	-	-	-	-
Other banks	**68 824**	68 824	-	-	-	-	-	-
Retail	**99 117**	**24 920**	**74 197**	-	**74 197**	-	**74 197**	-
Retail mortgage	**32 643**	10	32 633	-	32 633	-	32 633	-
Other retail	**66 474**	24 910	41 564	-	41 564	-	41 564	-
Total	**501 104**	**246 387**	**254 717**	-	**254 717**	-	**254 717**	-
Less: Impairments for loans and advances	**(18 545)**							
Total exposure	**482 559**							

31 December 2024						Collateral coverage - Total		
	Total exposure	Unsecured exposure	Secured exposure	Netting agreements	Secured exposure after netting	Greater than 0% to 50%	Greater than 50% to 100%	Greater than 100%
Asset class	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million	KShs.million
Corporate	**150 077**	21 113	128 964	-	**128 964**	-	128 964	-
Sovereign	**42 181**	42 181	-	-	-	-	-	-
Loans and advances to banks	**64 586**	**64 586**	-	-	-	-	-	-
Group	**59 424**	59 424	-	-	-	-	-	-
Other banks	**5 162**	5 162	-	-	-	-	-	-
Retail	**97 947**	**21 113**	**76 834**	-	**76 834**	-	**76 834**	-
Retail mortgage	**36 365**	-	36 365	-	36 365	-	36 365	-
Other retail	**61 582**	21 113	40 469	-	40 469	-	40 469	-
Total	**354 791**	**148 993**	**205 798**	-	**205 798**	-	**205 798**	-
Less: Impairments for loans and advances	**(17 970)**							
Total exposure	**336 821**							

The Bank holds collateral on loans and advances. The tables above represents the collateral cover held on various types of loans and advances. Other deposits and margin balances held against off balance sheet facilities are included in other liabilities in note 38(a).

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

Foreclosed collateral

Assets foreclosed during the year comprise saloon vehicles, prime movers and trailers, which had been financed by the Bank under Vehicle and Asset Finance (VAF) and residential property financed under personal markets. As at the year end, the Bank had taken possession of the following:

Nature of assets	2025 KShs. million	2024 KShs. million
Residential property	819	853
Assets financed under VAF	226	188
	1 045	**1 041**

It is the Bank's policy to dispose off foreclosed properties on the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy foreclosed properties for business use.

There were no foreclosed assets held by the Bank as at 31 December 2025 (2024:nil)

Renegotiated financial assets

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. The renegotiations resulted in the continuation of the original financial asset, with no gain or loss recognised as a consequence of the restructuring. The table below show the carrying amount of financial assets whose term have been renegotiated, by class.

	2025 KShs. million	2024 KShs. million
Vehicle and asset finance	43	135
Other loans and advances	554	2 663
	597	**2 798**

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.6 Default and provisioning policy

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets as per IFRS 9:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and
- where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

4.2.7 Credit Quality

a) Maximum exposure to credit risk before collateral held or other credit enhancements

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 22. The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the loan and advances portfolio and debt securities based on the following:

- 66% of the total maximum exposure is derived from loans and advances to customers (2024: 58%); 12% represents investments in debt securities (2024: 26%);
- 92% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2024: 88%);
- 87% of the loans and advances portfolio are considered to be neither past due nor impaired (2024: 84%); and
- 99.9% of all the debt securities, which the Bank has invested in, are issued by the Central Bank of Kenya (2024: 99.9%).

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.7 Credit Quality (continued)

b) Credit quality by class

The table below shows the credit quality by class of loans and advances, based on the Bank's credit rating system:

		SB 1 - 12		SB 13 - 20		SB 21- 25		Default							
Year ended 31 December 2025	Gross Carrying amount KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 3 KShs. million	Purchased /originated credit impaired/stage 3 KShs. million	Total gross carrying amount of default exposures KShs. million	Securities and expected recoveries on default exposures KShs. million	Interest in suspense on default exposures KShs. million	Statement of financial position expected credit loss on default exposures KShs. million	Gross default coverage %	Non-performing exposures %
Loans and advances to customers															
PPB	**74 339**	**20 663**	**-**	**22 802**	**-**	**4 366**	**11 475**	**15 034**	**-**	**15 731**	**10 729**	**1 339**	**3 662**	**33%**	**20%**
Mortgage loans	24 397	10 776	-	7 057	-	-	3 346	3 219	-	3 219	1 822	(28)	1 425	43%	13%
Vehicle and asset finance	3 930	1 167	-	2 425	-	-	174	163	-	163	13	32	118	92%	4%
Card debtors	832	-	-	701	-	-	116	15	-	15	(73)	(2)	90	576%	2%
Other loans and advances	45 180	8 720	-	12 618	-	4 366	7 839	11 636	-	12 333	8 967	1 337	2 029	29%	26%
BCB	**24 653**	**14 521**	**-**	**9 240**	**-**	**-**	**417**	**476**	**-**	**476**	**(4 633)**	**179**	**4 930**	**1074%**	**2%**
Mortgage loans	13 766	13 766	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Vehicle and asset finance	10 829	697	-	9 240	-	-	417	476	-	476	(57)	(16)	548	0%	4%
Card debtors	58	58	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	-	-	-	-	-	-	-	-	-	-	(4 576)	195	4 381	0%	0%
CIB	**192 462**	**52 984**	**-**	**127 279**	**1 017**	**1 773**	**2 304**	**7 105**	**-**	**7 105**	**1 642**	**1 068**	**4 394**	**77%**	**0%**
Corporate	192 462	52 984	0	127 279	1 017	1 773	2 304	7 105	-	7 105	1 642	1 068	4 394	77%	
	291 454	**88 168**	**-**	**159 321**	**1 017**	**6 139**	**14 196**	**22 615**	**-**	**23 312**	**7 739**	**2 587**	**12 986**	**69%**	**8%**
Loans and advances to banks															
Bank	93 620	80 714	-	10 982	1 924	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**385 074**	**168 882**	**-**	**170 303**	**2 940**	**6 139**	**14 196**	**22 615**	**-**	**23 312**	**7 739**	**2 587**	**12 986**	**62%**	**6%**
Less: Total expected credit losses for loans and advances	(18 545)														
Net carrying amount of loans & advances measured at amortised cost	**366 529**														

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.7 Credit Quality (continued)

b) Credit quality by class (continued)

The table below shows the credit quality by class of loans and advances, based on the Bank's credit rating system:

Year ended 31 December 2024	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21- 25		Default		Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Statement of financial position expected credit loss on default exposures	Gross default coverage	Non-performing exposures
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Purchased /originated credit impaired/s						
	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	%	%
Loans and advances to customers															
PPB	**59 858**	**26 879**	-	**13 664**	**5 647**	**4 661**	**1 942**	**7 065**	-	**7 065**	**1 313**	**504**	**5 248**	**81%**	**12%**
Mortgage loans	35 644	19 921	-	6 095	5 232	-	760	3 636	-	3 636	2 069	113	1 454	43%	10%
Vehicle and asset finance	5 008	1 672	-	2 041	62	-	161	1 072	-	1 072	792	52	228	26%	21%
Card debtors	882	-	-	717	-	-	133	32	-	32	6	-	26	81%	4%
Other loans and advances	18 324	5 286	-	4 811	353	4 661	888	2 325	-	2 325	(1 554)	339	3 540	167%	13%
BCB	**36 897**	-	-	**21 318**	-	-	**6 727**	**8 852**	-	**8 852**	**4 606**	**594**	**3 652**	**48%**	**24%**
Mortgage loans	722	-	-	561	-	-	161	-	-	-	-	-	-	0%	0%
Vehicle and asset finance	7 320	-	-	6 410	-	-	910	-	-	-	(115)	-	115	0%	0%
Other loans and advances	28 855	-	-	14 347	-	-	5 656	8 852	-	8 852	4 721	594	3 537	47%	31%
CIB	**151 302**	**46 398**	-	**84 382**	**10 885**	**2 592**	**1**	**7 044**	-	**7 044**	**1 681**	**1 206**	**4 157**	**76%**	**5%**
Corporate	151 302	46 398	-	84 382	10 885	2 592	1	7 044	-	7 044	1 681	1 206	4 157	76%	5%
	248 057	**73 277**	-	**119 364**	**16 532**	**7 253**	**8 670**	**22 961**	-	**22 961**	**7 600**	**2 304**	**13 057**	**67%**	**9%**
Loans and advances to banks															
Bank	**64 586**	**63 234**	-	**1 281**	71	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**312 643**	**136 511**	-	**120 645**	**16 603**	**7 253**	**8 670**	**22 961**	-	**22 961**	**7 600**	**2 304**	**13 057**	**61%**	**7%**
Less: Total expected credit losses for loans and	(17 851)														
Net carrying amount of loans & advances measured at amortised cost	**294 792**														

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.7 Credit Quality (continued)

b) Credit quality by class (continued)

Year ended 31 December 2025	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
	KShs. Million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 3 KShs. million	Purchased/originated credit impaired KShs. million
Financial investments measured at amortised									
Sovereign	18 923	15 938		2 985	-	-	-	-	-
Gross carrying amount	**18 923**	**15 938**	-	**2 985**					
Less: Total expected credit losses for financial investments at amortised cost	(57)								
Net carrying amount	**18 866**								

Year ended 31 December 2025	Gross Carrying amount	SB 1 - 12 Stage 1	SB 1 - 12 Stage 2	SB 13 - 20 Stage 1	SB 13 - 20 Stage 2	SB 21- 25 Stage 1	SB 21- 25 Stage 2	Default Stage 3	Default Purchased/originated credit impaired
Financial investments at fair value through OCI									
Corporate	-	-	-	-	-	-	-	-	-
Sovereign	33 202	33 202	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-
Mutual funds and unit-linked investments	-	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-	-
Gross carrying amount	**33 202**	**33 202**	-	-					
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(35)								
Net carrying amount	**33 167**								

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.7 Credit Quality (continued)

b) Credit quality by class (continued)

Year ended 31 December 2024	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
		Stage 1 KShs. million	Stage 2* KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 1 KShs. million	Stage 2 KShs. million	Stage 3 KShs. million	Purchased/originated credit impaired
	KShs. million								KShs. million
Financial investments measured at amortised									
Sovereign	29 198	17 776	8 827	2 595	-	-	-	-	-
Gross carrying amount	**29 198**	**17 776**	**8 827**	**2 595**					
Less: Total expected credit losses for financial investments at amortised cost	(119)								
Net carrying amount	**29 079**								

Financial investments at fair value through OCI									
Corporate	-	-	-	-	-	-	-	-	-
Sovereign	15 476	15 476	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-
Mutual funds and unit-linked investments	-	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-	-
Gross carrying amount	**15 476**	**15 476**	**-**	**-**					
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(14)								
Net carrying amount	**15 462**								

* The Banks credit policies requires that financial instruments which experience more than 3 notches downgrade since inception be reviewed for significant increase in credit
The part of sovereign exposures classified as stage 2 in the table above were assessed over four years time.
The sovereign rating has since been revised resulting in a 3 notch downgrade.This is also in line with external credit ratings against ratings of the sovereign.

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.7 Credit Quality (continued)

b) Credit quality by class (continued)

		SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
Year ended 31 December 2025	Gross Carrying amount	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Purchased/originated credit impaired
	KShs. Million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Off-balance sheet exposure									
Letters of credit and bankers' acceptances	**22 373**	18 027	-	4 344	2	-	-	-	-
Guarantees	**110 794**	101 821	1	8 646	326	-	-	-	-
Unutilised facilities	**23 653**	23 653	-	-	-	-	-	-	-
Gross carrying amount	**156 820**	**143 501**	**1**	**12 990**	**328**	**-**	**-**	**-**	**-**
Less: Total expected credit losses	**(88)**								
Net carrying amount of off-balance sheet exposure	**156 732**								

Off-balance sheet exposure									
Year ended 31 December 2024									
Letters of credit and bankers' acceptances	**3 480**	-	-	3 225	101	154	-	-	-
Guarantees	**76 362**	58 630	-	16 071	1 500	2	-	159	-
Unutilised facilities	**19 345**	16 152	86	3 107	-	-	-	-	-
Gross carrying amount	**99 187**	**74 782**	**86**	**22 403**	**1 601**	**156**	**-**	**159**	**-**
Less: Total expected credit losses	**(62)**								
Net carrying amount of off-balance sheet exposure	**99 125**								

Notes (continued)

4 Financial risk management (continued)

4.2 Credit risk (continued)

4.2.7 Credit Quality (continued)

c) Ageing analysis of past due but not impaired financial assets

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary.

The table below shows the ageing of financial assets that are past due at the reporting date but not credit impaired, per class.

	Performing (Early arrears)			Non - performing		Total
31 December 2025	1 to 29 days KShs. million	30 to 59 days KShs. million	60 to 89 days KShs. million	90 to 180 days KShs. million	More than 180 days KShs. million	KShs. million
PPB	**4 072**	**1 064**	**573**	-	-	**5 709**
Mortgage lending	2 790	678	379	-	-	3 847
Vehicle and asset finance	441	40	26	-	-	507
Other loans and advances	841	346	168	-	-	1 355
BCB	**3 602**	**396**	**95**	-	-	**4 093**
Mortgage lending	46		8	-	-	54
Vehicle and asset finance	1 585	128	26	-	-	1 739
Other loans and advances	1 971	268	61	-	-	2 300
Corporate and Investment Banking (CIB)	**37**	-	-	-	-	**37**
Corporate lending	37	-	-	-	-	37
Total recognised financial instruments	**7 711**	**1 460**	**668**	-	-	**9 839**
31 December 2024						
PPB	**4 678**	**1 354**	**1 020**	-	-	**7 052**
Mortgage lending	2 929	822	727	-	-	4 478
Vehicle and asset finance	634	75	36	-	-	745
Other loans and advances	1 115	457	257	-	-	1 829
BCB	**4 341**	**3 743**	**3 208**	-	-	**11 292**
Mortgage lending	187	2 984	-	-	-	3 171
Vehicle and asset finance	1 416	280	55	-	-	1 751
Other loans and advances	2 738	479	3 153	-	-	6 370
Corporate and Investment Banking	**2 786**	-	-	-	-	**2 786**
Corporate lending	2 786	-	-	-	-	2 786
Total recognised financial instruments	**11 805**	**5 097**	**4 228**	-	-	**21 130**

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk

Market risk is the risk of a change in market value, earnings (actual or effective) or future cash-flows of a portfolio of financial instruments (including commodities), caused by moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these measures.

4.3.1 Governance committees

The Bank's policy is that all trading activities are undertaken within the Bank's trading operations. The Board grants general authority to take on market risk exposure to the Bank's Assets and Liabilities Committee (ALCO).

Market risk management process is required to measure, monitor and control market risk exposures. The Bank manages market risk through following four principles.

Identification of market risks in the trading and banking books

This process entails analysis of new business plans, new products, new pricing models, new risk models and regular reviews by Market Risk staff of financial and management accounts statement of financial position, statement of profit or loss, portfolio structure hierarchies, accounting classification and accounting elections, jointly with financial control, Risk Self Assessments jointly with operational risk, price testing reports and profit and loss decomposition reports.

ii) Measurement of market risk

Measurement of market risks deals specifically and separately with normal market conditions and stress market conditions. Measurement of trading exposures under stress market conditions is effected by subjecting the portfolios to stress testing, e.g. historical scenarios, hypothetical scenarios on individual asset classes and across different asset classes. In order to highlight 'points of weakness' and identify particular sources of trading book exposure vulnerability, these stress tests capture the effects of abnormal movements in market variables (yield curves including basis curves, volatility surfaces, spot and/or rate moves, credit spread curves, recovery rate sensitivities etc.).

iii) Management of market risk

The Bank manages market risk through a specification of risk appetite in form of market risk limits. It uses a suite of risk measurement techniques, including Value at Risk (VaR), Stress Value at Risk (SVar), stress testing, stop loss triggers, back-testing and specific business unit and product controls.

iv) Reporting of market risk

Market Risk has reporting procedures that highlight for attention within Market Risk or by management all forms of exposures i.e. limit breaches or other reports that will periodically be required to submit to different stakeholders e.g. Local ALCO, Local Board, Shareholders, Rating agencies, Central Bank of Kenya and Internal Capital Adequacy Assessment Process (ICAAP) stakeholders.

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.2 Market risk exposure on banking operations

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on net interest income and the economic value of equity that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. They include endowment risk, repricing risk, basis risk, optionality risk and yield curve risk. The Bank's approach to managing Interest Rate Risk in Banking Book (IRRBB) is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. Treasury and Capital Management team monitors banking book interest rate risk together with the country ALCO.

The market risk function is independent of trading operations and it is accountable to ALCO. It is responsible for identifying, measuring, managing, controlling and reporting market risk as outlined in the market risk governance standard, with support from the central market risk function. The market risk function also has the ability to set individual trader mandates. Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk management unit to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

4.3.3 Approved regulatory capital approaches

The Bank applies the Standardised approach for calculating market risk capital. The standardised method uses a "building block" approach, with the capital charge for each risk category calculated separately.

Market risk qualifying assets includes interest rate risk assets in the trading book and foreign currency risk assets throughout the Bank.

4.3.4 Trading book market risk

Trading book market risk is represented by financial instruments held on the trading book, arising out of normal global markets' trading activity.

4.3.5 Approach to managing market risk in the trading book

The Stanbic Bank policy is that all trading activities are undertaken within the Bank's trading operations. The market risk functions are independent of trading operations and accountable to ALCO. All Value at Risk (VaR) and stressed VaR (SVaR) limits require prior approval from ALCO. The market risk functions have the authority to set limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.5 Approach to managing market risk in the trading book (continued)

a) VaR and SVaR

The Bank uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions.

For risk management purposes VaR is based on 250 days of unweighted recent historical data, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- Calculate 250 daily market price movements based on 250 days' historical data.
- Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

Where the Bank has received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a 10-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully.
- The use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intraday exposures.
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2023 aggregate normal VaR, and aggregate SVaR.

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.5 Approach to managing market risk in the trading book (continued)

a) VaR and SVaR (continued)

Normal VaR Exposures

31 December 2025	Normal VAR			
Desk name	Maximum	Minimum	Average	Closing
	KShs (Million)	KShs (Million)	KShs (Million)	KShs (Million)
FX trading	106	5	33	62
Money market trading	27	6	16	11
Fixed income trading	13	-	3	3
Diversification benefits**	-	-	(12)	(14)
Total Trading	**108**	**13**	**40**	**62**
Money market banking(FVOCI)	5	1	2	2

31 December 2024	Normal VAR			
Desk name	Maximum	Minimum	Average	Closing
	KShs (Million)	KShs (Million)	KShs (Million)	KShs (Million)
FX trading	96	3	17	22
Money market trading	33	4	16	9
Fixed income trading	25	5	13	13
Diversification benefits2	-	-	(16)	(17)
Total Trading	**88**	**9**	**30**	**27**
Money market banking(FVOCI)	16	5	9	15

SVaR Exposures

31 December 2025	SVAR			
Desk name	Maximum	Minimum	Average	Closing
FX trading	229	10	86	66
Money market trading	540	83	333	517
Fixed income trading	388	19	116	214
Diversification benefits*	-	-	(148)	(133)
Total Trading	**688**	**104**	**387**	**664**
Money market banking(FVOCI)	681	57	285	503

31 December 2024				
Desk name	Maximum	Minimum	Average	Closing
FX trading	286	28	110	88
Money market trading	250	16	125	117
Fixed income trading	179	23	88	54
Diversification benefits*	-	-	(121)	(98)
Total Trading	**351**	**84**	**202**	**160**
Money market banking(FVOCI)	134	66	92	84

** The maximum and minimum VaR figures reported for each desk do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual desk VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.*
*** Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual desk VaRs and the VaR of the whole trading portfolio.*

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.5 Approach to managing market risk in the trading book (continued)

b) Back-testing

The Bank back-tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Back-testing compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of hedges and risk-mitigation instruments.

c) Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

d) Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical and hypothetical simulations. Daily losses experienced during the year ended 31 December 2018 did not exceed the maximum tolerable losses as represented by the Bank's stress scenario limits.

e) Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

4.3.6 Foreign exchange risk

Definition

The Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the bank's net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Approach to managing foreign currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily risk according to existing legislation, and accounting parameters. It takes into account naturally offsetting risk positions and manages the bank's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.6 Foreign exchange risk (continued)

Gains or losses on derivatives are reported in profit or loss.

The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2025.

Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Kenya Shillings):

At 31 December 2025	USD	GBP	EUR	Others	Total
Assets					
Cash and bank balances with banks abroad	12 547	536	3 912	1 743	**18 738**
Loans and advances	87 278	1 256	10 602	37	**99 173**
Investment in Government Securities	6 608	-	-	-	**6 608**
Balances due from Group Companies	33 968	1 584	1 685	708	**37 944**
Other foreign currency assets	1 288	5	2 812	502	**4 607**
Total foreign denominated financial assets	**141 689**	**3 381**	**19 011**	**2 990**	**167 070**
Liabilities					
Amounts due to banking institutions abroad	13 681	0	582	0	**14 264**
Deposits	141 221	4 687	13 713	1 680	**161 301**
Loans and advances	13 089	-	-	-	**13 089**
Balances due to Group Companies	8 548	0	1 659	2	**10 209**
Other foreign currency liabilities	3 734	60	622	1 325	**5 741**
Total foreign denominated financial liabilities	**180 273**	**4 747**	**16 576**	**3 007**	**204 603**
Net on balance sheet financial position	(38 583)	(1 367)	2 436	(18)	**(37 532)**
Off balance sheet net notional position	37 525	1 405	(2 392)	(153)	**36 385**
Overall net position	**(1 058)**	**38**	**44**	**(171)**	**(1 147)**

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.6 Foreign exchange risk (continued)

At 31 December 2024	USD	GBP	Euro	Others	Total
Assets					
Cash and bank balances with banks abroad	11 380	266	3 160	965	**15 771**
Loans and advances	66 061	672	3 849	16	**70 598**
Investment in Government Securities	26 005	-	-	-	**26 005**
Balances due from Group Companies	59 646	3 964	4 395	703	**68 708**
Other foreign currency assets	1 276	1	-	161	**1 438**
Total foreign denominated financial assets	**164 368**	**4 903**	**11 404**	**1 845**	**182 520**
Liabilities					
Amounts due to banking institutions abroad	8 387	-	2 090	-	**10 477**
Deposits	120 860	4 913	10 497	928	**137 198**
Borrowings	10 482	-	-	-	**10 482**
Balances due to Group Companies	9 147	15	206	23	**9 391**
Other foreign currency liabilities	7 015	18	294	1 358	**8 685**
Total foreign denominated financial liabilities	**155 891**	**4 946**	**13 087**	**2 309**	**176 233**
Net on balance sheet financial position	8 477	(43)	(1 683)	(464)	**6 287**
Off balance sheet net notional position	(8 100)	92	2 018	161	**(5 829)**
Overall net position	**377**	**49**	**335**	**(303)**	**458**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. The Board sets limit on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored daily. The table indicates the extent to which the bank was exposed to currency risk as at 31 December on its monetary assets and liabilities denominated in foreign currency. It shows the sensitivity analysis for each currency to which the bank has significant exposure and the effect of the change in exchange rate on the income statement. Percentage exchange rate changes represent the average of the largest 1 and 10 days increase/decrease for the year.

Year ended 31 December 2025	Increase in currency rate in %	Effect on profit before tax	Effect on equity	Decrease in currency rate in %	Effect on profit before tax	Effect on equity
	2025	2025	2025	2025	2025	2025
Currency		KShs. million	KShs. million		KShs. million	
USD	10.00%	(106)	(75)	(10.00%)	106	74
GBP	10.00%	4	3	(10.00%)	(4)	(3)
EUR	10.00%	4	3	(10.00%)	(4)	(3)

Year ended 31 December 2024	Increase in currency rate in %	Effect on profit before tax	Effect on equity	Decrease in currency rate in %	Effect on profit before tax	Effect on equity
	2024	2024	2024	2024	2024	2024
Currency		KShs. million	KShs. million		KShs. million	
USD	10.00%	38	26	(10.00%)	(38)	(26)
GBP	10.00%	5	3	(10.00%)	(5)	(3)
EUR	10.00%	34	23	(10.00%)	(34)	(23)

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.7 Interest rate risk

Interest rate risk in the banking book (IRRBB)

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

IRRBB is further divided into the following sub risk types:

- **Repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- **Yield curve risk:** shifts in the yield curves that have adverse effects on the Bank's income or underlying economic value.
- **Basis risk:** hedge price not moving in line with the price of the hedged position. Examples include bonds/swap basis, futures/ underlying basis.
- **Optionality risk:** options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
- **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets, interest rate insensitive liabilities such as non-paying liabilities, and equity.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The Bank's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The Bank's Treasury and Capital Management team monitors banking book interest rate risk operating under the oversight of ALCO.

The Treasury team is responsible for measuring the impact on earnings and economic value as well as monitoring and reporting against the stated limits and guidelines to the various entity ALCO and board committees.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes account of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

Limits

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

Notes (continued)

4 Financial risk management (continued)

4.3 Market risk (continued)

4.3.7 Interest rate risk (continued)

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity.

The endowment risk is hedged using liquid instruments as and when it is considered opportune. Where permissible, hedge accounting is adopted using the derivatives. The interest rate view is formulated through ALCO processes, following meetings of the monetary policy committees, or notable market developments.

Non-endowment IRRBB (repricing, yield curve, basis and optionality) is managed within the treasury and the global markets portfolios.

The table below indicates the KShs equivalent sensitivity of the Bank's banking book earnings (net interest income and banking book mark-to-market profit or loss) and other comprehensive income (OCI) given a parallel yield curve shock. A floor of 0% is applied to all interest rates under the decreasing interest rate scenario. Hedging transactions are taken into account while other variables are kept constant.

	Increase in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income	Decrease in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income
Currency		2025 KShs. million	2025 KShs. million	2025 KShs. million	2025 KShs. million	2025 KShs. million
KShs	250	348	(201)	(200)	(17)	160
Others*	100	59	-	(100)	86	-

	Increase in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income	Decrease in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income
Currency		2024 KShs. million	2024 KShs. million	2024 KShs. million	2024 KShs. million	2024 KShs. million
KShs	250	946	(30)	(200)	(984)	24
Others*	100	1	-	(100)	-	-

** These are any other currencies held by the Bank not denominated in KShs.*

Notes (continued)

4 Financial risk management (continued)

4.4 Liquidity risk

Liquidity risk arises when the Bank, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms. This inability to maintain or generate sufficient cash resources may arise where counterparties who provide the Bank with short-term funding withdraw or do not rollover that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The nature of banking and trading activities results in a continuous exposure to liquidity risk. The Bank manages liquidity in accordance with applicable regulations and within the Bank's risk appetite. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity at various levels to ensure that all payment obligations can be met by the Bank under both normal and stressed conditions. Liquidity risk management ensures that the Bank has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Bank's liquidity risk management framework differentiates between:

- **Tactical (shorter-term) risk management:** managing intra-day liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by ALCO.
- **Structural (long-term) liquidity risk management:** ensuring a structurally sound statement of financial position, a diversified funding base and prudent term funding requirements.
- **Contingent liquidity risk management:** monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

Governance committees

The primary governance committee overseeing this risk is the Bank Asset Liability Committee (ALCO), which is chaired by the Chief Executive. There is independent risk oversight of all liquidity limits and guidelines by Market Risk, Finance and Asset Liability Management units. ALCO reports to the Board Risk Committee.

Approach to managing liquidity risk

There is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures. The following elements are incorporated as part of a cohesive liquidity management process:

- **Maintaining a structurally sound statement of financial position;**
  With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

  Structural liquidity mismatch analysis are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Bank's defined liquidity risk thresholds.

- **Foreign currency liquidity management;**
  A specific number of indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

Notes (continued)

4 Financial risk management (continued)

4.4 Liquidity risk (continued)

- **Ensuring the availability of sufficient contingency liquidity;**
  Funding markets are evaluated on an on-going basis to ensure appropriate Bank funding strategies are executed depending on the market, competitive and regulatory environment. The Bank employs a diversified funding strategy.

- **Preserving a diversified funding base;**
  Concentration risk limits are used within the Bank to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital.

- **Undertaking regular liquidity stress testing;**
  Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the funding profiles and liquidity positions of the Bank. The crisis impact is typically measured over a two month period, as this is considered the most crucial time horizon for a liquidity event. Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Bank's ability to maintain sufficient liquidity under adverse conditions.

- **Maintaining adequate liquidity contingency plans or liquidity buffer;**
  Portfolios of highly marketable securities over and above regulatory and stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO defined limits on the basis of diversification and liquidity.

- **Short-term and long-term cash flow management;**
  Active liquidity and funding management is an integrated effort across a number of functional areas. Short-term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

  The Bank's long term funding strategy is derived from the projected net asset growth which includes consideration of Personal and Private Banking (PPB), Business and Commercial Banking (BCB) and Corporate and Investment Banking (CIB) asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenure and currency exposure, as well as the availability and pricing of alternative liquidity sources.

  Liquidity contingency plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator process supported by a clear and decisive crisis response strategy. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

  Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

  The cumulative impact of the above elements is monitored on a monthly basis by the Bank's ALCO and the process is underpinned by a system of extensive internal and external controls. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

  To ensure integrity of the process there is use of application of purpose built technology, documented processes and procedures; independent oversight by risk management and regular independent reviews and evaluations of the effectiveness of the system. The total amount of liquidity held is adequate to meet all internal stress tests as well as regulatory requirements.

Notes (continued)

4 Financial risk management (continued)

4.4 Liquidity risk (continued)

Exposure to liquidity risk

The key measure by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and financial investment debt securities for which there is an active and liquid market less any deposits from banks. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2025 %	2024 %
At 31 December	**55.3**	50.5
Average for the year	**52.1**	51.1
Maximum for the year	**57.8**	55.9
Minimum for the year	**48.3**	46.7
Statutory minimum requirement	**20.0**	20.0

The tables below present the remaining contractual maturities of the Bank's non-derivative financial liabilities; it includes a maturity analysis for financial assets that the Bank holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

Notes (continued)

4 Financial risk management (continued)

4.4 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities

	Carrying value	Gross nominal inflow/(outflow)	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing After 5 years
	2025	2025	2025	2025	2025	2025	2025	2025
	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Non- derivative financial assets								
Cash and balances to banks	**30 116**	**30 116**	30 116	-	-	-	-	-
Financial assets at FVTPL	**55 987**	**57 495**	-	-	20 233	20 351	10 754	6 157
Financial assets at FVOCI	**33 167**	**33 512**	-	-	18 688	5 858	3 966	5 000
Financial assets at amortised cost	**18 866**	**20 633**	-	-	707	3 250	12 176	4 500
Loans and advances to banks	**93 610**	**94 543**	26 725	41 527	26 291			-
Loans and advances to customers	**272 919**	**313 756**	2 725	23 777	49 264	24 084	112 174	101 732
Other assets	**9 319**	**9 319**	9 319	-	-	-	-	-
	513 984	**559 374**	**68 885**	**65 304**	**115 183**	**53 543**	**139 070**	**117 389**
Derivative assets:	**674**							
- Inflows		**(2 353)**	-	(1 899)	(454)	-	-	-
- Outflows		**232 963**	-	11 830	221 133	-	-	-
	674	**230 609**	**-**	**9 931**	**220 679**	**-**	**-**	**-**
Non- derivative financial liabilities								
Amounts due to banks	**(44 893)**	**(48 705)**	(4 648)	(8 722)	(331)	(16 262)	(18 742)	-
Customer deposits	**(375 090)**	**(379 504)**	(295 961)	(55 861)	(9 993)	(11 210)	(6 479)	-
Trading liabilities	**(16 036)**	**(16 698)**		(5 449)	(4 617)	(1 553)	(3 058)	(2 021)
Borrowings	**(13 025)**	**(17 754)**	-	(191)	(956)	(1 147)	(9 175)	(6 285)
Other liabilities	**(6 680)**	**(6 680)**	(6 680)	-	-	-	-	-
	(455 724)	**(469 340)**	**(307 289)**	**(70 223)**	**(15 897)**	**(30 172)**	**(37 454)**	**(8 306)**
Derivative liabilities:	**(1 161)**							
- Inflows		**10 334**	-	11 179	(1 014)	25	143	-
- Outflows		**(215 426)**	-	(214 827)	(477)	(14)	(107)	-
	(1 161)	**(205 092)**	**-**	**(203 648)**	**(1 491)**	**12**	**36**	**-**

Notes (continued)

4 Financial risk management (continued)

4.4 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

	Carrying value	Gross nominal inflow/(outflow)	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing After 5 years
	2024	2024	2024	2024	2024	2024	2024	2024
	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Non- derivative financial assets								
Cash and balances to banks	**24 677**	24 677	24 677	-	-	-	-	-
Financial assets at FVTPL	**54 597**	55 759	-	3 756	21 959	19 571	5 778	4 695
Financial assets at FVOCI	**15 462**	19 193	-	-	8 897	9 269	1 027	-
Financial assets at amortised cost	**29 079**	30 255	-	-	4 915	4 866	9 499	10 975
Loans and advances to banks	**64 574**	67 930	5 494	13 076	13 918	16 692	18 750	-
Loans and advances to customers	**230 218**	326 972	28 854	5 392	27 843	32 352	200 164	32 367
Other assets	**8 239**	8 239	8 239	-	-	-	-	-
	426 846	**533 025**	**67 264**	**22 224**	**77 532**	**82 750**	**235 218**	**48 037**
Derivative assets:	**2 095**							
- Inflows	-	**(4 439)**	-	(2 876)	(1 563)	-	-	-
- Outflows	-	**19 293**	-	3 736	15 557	-	-	-
	2 095	**14 854**	-	**860**	**13 994**	-	-	-
Non-derivative financial liabilities								
Amounts due to banks	**(19 510)**	**(20 453)**	(4 114)	(7 417)	(528)	(120)	(8 274)	-
Customer deposits	**(320 586)**	**(324 341)**	(166 366)	(53 515)	(14 238)	(83 269)	(6 952)	(1)
Trading liabilities	**(16 322)**	**(16 914)**		(5 686)	(4 285)	(921)	(3 138)	(2 884)
Borrowings	**(10 482)**	**(15 617)**	-	(153)	(767)	(921)	(7 364)	(6 412)
Other liabilities	**(7 566)**	**(7 566)**	(7 566)	-	-	-	-	-
	(374 466)	**(384 891)**	**(178 046)**	**(66 771)**	**(19 818)**	**(85 231)**	**(25 728)**	**(9 297)**
Derivative liabilities:	(2 746)							
- Inflows	-	(20 897)	-	**(6 279)**	**(14 786)**	**25**	**143**	-
- Outflows	-	2 009	-	**1 921**	**211**	**(14)**	**(107)**	(2)
	(2 746)	(18 888)	-	**(4 358)**	**(14 575)**	**11**	**36**	**(2)**

Notes (continued)

4 Financial risk management (continued)

4.4 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows which include interest payments.
Derivative financial liabilities and financial assets held for risk management purpose	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

The maturity analysis for the below financial guarantee contracts, and unrecognised loan commitments have been disclosed under note 44

Type of financial instrument	Basis on which amounts are compiled
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and debt securities issued by sovereigns which can be readily sold to meet liquidity requirements. In addition the Bank maintains lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks.

4.5 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

The following table sets out the impact of offset, as well as financial assets and financial liabilities that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they have been offset in accordance with IAS 32, as required by IFRS 7.13C disclosure requirements. The gross amounts of financial asset and financial liabilities and their net amounts disclosed in the table below have been measured in the statement of financial position on the following bases:

- Derivative asset and liabilities – fair value;
- Loans and advances – amortised cost; and
- Customer deposits – amortised cost.

Notes (continued)

4 Financial risk management (continued)

4.5 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

The ISDA* and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the bank or the counterparties following other predetermined events. In addition the bank and its counterparties do not intent to settle on a net basis or to realise the assets and the liabilities simultaneously.

The Bank receives collateral in the form of cash in respect of lending.

The table below sets out the nature of agreement, and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement or similar agreement.

instrument	Nature of agreement	Basis on which amounts are compiled
Derivative assets and liabilities	ISDAs*	The agreement allows for offset in the event of default.
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default.
Loans and advances to banks	Banking Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to meeting Banking Act requirements.
Deposits and current accounts	Banking Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to meeting Banking Act requirements.

IFRS 9 Financial Instruments requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the bank has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

** An ISDA master agreement is a standard agreement used in over-the-counter derivatives transactions. The ISDA Master Agreement, published by the International Swaps and Derivatives Association (ISDA), is a document that outlines the terms applied to a derivatives transaction between two parties.*

4.6 Interest rate benchmarks and reference interest rate reform

Interest rate benchmark reform is a global initiative to replace interbank offered rates (IBORs) with alternative risk-free rates. In Kenya, the Kenyan Shilling Overnight Index Average (KESONIA) has been introduced as an alternative benchmark. The reform affects financial instruments that reference benchmark interest rates, primarily through contractual modifications or fallback provisions incorporating KESONIA. Management has assessed the entity's exposure to the reform and does not expect the transition to have a material impact on the entity's financial position, financial performance or cash flows. Any remaining exposures continue to be monitored.

Notes (continued)

4.7 Climate-related emerging risks

The Bank recognises the scale of the present and future expected environmental, social and economic impacts of climate change. In support of Africa's fair-share contribution to the Paris Agreement goal of limiting global warming to less than 2°C above pre-industrial levels by 2050, the Bank has committed to achieving net zero carbon emissions from its own operations for newly built facilities, for existing facilities, and from its portfolio of financed emissions.

Exposure to the risks associated with climate change arise for the Bank both in respect of its own activities and operations, but more materially through the transmission of climate risks into credit, market, reputational and other risk exposures from lending to, investing in and otherwise transacting with clients and counterparties.

The Bank recognises transition and physical climate risk across all presence countries and operations, with varying levels of intensity across all presence countries and operations. Physical climate risk includes the risk of financial loss arising through increasing severity and frequency of weather events such as storms, floods and fires, droughts and other physical hazards, all of which are evident in our countries of operation. Physical climate risk also includes chronic longer-term changes in climate, such as changing precipitation patterns, rising sea levels and average temperature rises.

Transition risk includes the risk of financial loss arising through changes associated with microeconomic (individual and corporate level) and macroeconomic (economy and country level) adjustments made in transitioning to a lower carbon emissions economy and business operating model. Such drivers include changes in policies, legislation and regulations to reduce emissions and support decarbonisation, changes due to technology improvements that support transition to a lower carbon economy, changes in market demand for products and services that support or delay the transition, and reputational risks associated with changing customer preferences. The current and future expected costs, including for possible stranded assets that do not deliver an economic return because of changes associated with a transition to a lower carbon economy, are higher for clients and counterparties of the group that operate in sectors that are more vulnerable to these transition risk drivers.

Governance

The Bank climate policy guides both the management of exposures to businesses in sectors that are vulnerable to climate-related risks and the direction of finance towards qualifying transactions that seek to address energy poverty, achieve fair employment opportunities, and support the just transition to net zero. The board and its committees are responsible for overseeing both the implementation of the bank's climate policy and supporting sector-specific strategies for driving sustainable and transition finance, and the management of climate-related financial risks associated with the bank's lending and investing activities, wherever they are identified.

The board and its supporting committees are responsible for:

- Overseeing implementation of the Climate Policy including monitoring of progress made to meet targets and commitments.
- Reviewing outputs of internal scenario analysis and regulatory climate risk stress tests, as well as other related risk matters.
- Assessing executive performance in relation to climate policy commitments and targets.

Notes (continued)

4 Financial risk management (continued)

4.7 Climate-related emerging risks (Continued)

Governance (Continued)

The Bank's risk management committee, chaired by the Chief Risk Officer, oversees financial and non-financial related risk, including climate-related risk, and is responsible for overseeing the embedment of climate-related risk-identification, classification, analysis, monitoring and reporting in the enterprise-wide risk management system.The Bank portfolio risk management committee assesses composition of the Bank's portfolio including for lending to sectors more vulnerable to climate-related risks, the implications thereon of stressed scenarios (including going forward for climate-related risk scenarios) and sets concentration limits or thresholds of portfolios and risk appetite indicator guidelines for bank. The refinement of quantified limits and thresholds for exposures to climate-related risks is ongoing across impacted portfolios.

Strategy

The Bank supports a just energy transition that prioritises environmental sustainability in a manner that creates work opportunities and social inclusion, addresses Kenya and South Sudan's energy needs and acknowledges their very limited contribution to global emissions. As part of the efforts to achieve this transition, the Bank has committed to reducing its financed emissions while responsibly managing its exposure to fossil fuels. Strategic interventions include the mobilisation of sustainable finance, introduction of new products and services to support climate risk mitigation and adaptation and use of exclusions and restrictions on lending and investing in specific high-emissions sectors

The Bank's approach to climate risk and opportunities is primarily sector-led across all countries, with business teams developing their climate targets, commitments and climate risk appetite as part of their sector-specific business strategies. Country-specific climate risk assessment capabilities are under development.

Risk management

The Bank Sustainability is driving the establishment of standards for climate data management and assurance. Work is underway to automate the reporting of climate related exposures in selected sectors. The bank continues refining data and reporting structures within which our counterparties and their activities are classified. The objective, is to enhance sector classifications to more accurately reflect the extent to which the sectors are, or may be, vulnerable to climate-related risks. This will support reporting for climate metric purposes, as well as the bank's internal and external portfolio-level scenario analysis.

Notes (continued)

4 Financial risk management (continued)

4.7 Climate-related emerging risks (continued)

Risk management (continued)

Our capacity to identify and assess climate-related risks using scenario analysis continues to improve. The Bank invested in new Bank-wide climate risk analytics technology in 2025 and partnered with a global ratings, research and data provider to significantly enhance our ability to measure, model, manage and report our climate-related risk exposure. Using data on the locations of our clients' climate sensitive operations and assets, as well as information on the nature of their sensitivity to transition risk, we are now better able to estimate the credit and market risk-related impacts of transition and physical risks in our banking and trading portfolios. Analysis in 2025 included:

- Carbon emissions modelling.
- Physical risk impacts scores and damage rates.
- Scenario specific climate adjusted probabilities of default and loss given default.
- Value impact assessments for traded instruments.

The overall impact to our banking and trading portfolio was assessed as low

Transition risks

- Exposure to policy risk over the medium to long term associated with uncertain long-term demand for fossil fuels, especially coal, and other high emitting sectors. Key drivers for this risk include expected policy actions such as more onerous carbon-pricing regulations to limit emissions on business activities. Such action could lead to higher risks of stranded assets and the related financial risks for the bank arising from an impairment in value of clients' operating assets pledged as collateral and leading therefore to an increase in the probability risk of client defaults.
- Market risk primarily over the short to medium term related to changing client expectations for greener products and services, potentially impacting on some of our clients' future business opportunities. Likewise, expectations from investors will also adjust to an appetite for lower financed emissions, applying pressure on the bank to align with low emissions pathways.
- Higher reputational risk including in the immediate short term negative stakeholder sentiment and adverse media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.

Notes (continued)

4 Financial risk management (continued)

4.7 Climate-related emerging risks (continued)

Physical risks

Acute physical risks such as more frequent and more intense extreme weather events, pose a risk to the Bank's own operations and those of its customers in sectors the Bank has identified as being vulnerable, including agriculture and others. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the Bank's clients in affected sectors including mining, industrial, manufacturing and agriculture through water shortages, labour productivity, economic output and occupational health.

Opportunities

The Bank continues to work with its clients and partners to help them address their climate impacts, lower their emissions and improve their resilience. The Bank continues to expand its offering of sustainability linked lending solutions, green and social bonds. The Bank supports sustainable agricultural practices that promote reduced carbon emissions and improved resilience to climate risk. The Bank supports sustainable agricultural practices that promote reduced carbon emissions and improved resilience to climate risk.

Metrics and targets

In setting its targets for reducing exposure concentrations to affected sectors, setting future origination goals and driving its offerings, the bank referenced the NGFS Net Zero 2050 scenario, publicly available national research and statistics, including electricity planning forecasts (where available) and internal economic forecasts and research obtained from credible external sources. Detailed information in this regard can be found in the bank's climate-related disclosures report and the climate policy.

Notes (continued)

5 Assets and liabilities at fair value

5.1 Fair value hierarchy of instruments measured at fair value

Valuation process

All financial instruments carried at fair value, regardless of classification, are marked to market using models that have been validated independently by the Bank's model validation unit and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Bank. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the market risk unit. Such price validation is performed on at least a monthly basis and daily where possible given the liquidity of the underlying price inputs. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to market, are carefully validated and tabled at the monthly price validation forum to ensure these are reasonable and used consistently. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis to the market risk committee and ALCO.

Level hierarchy

The table on Note 5.2 shows the analyses of financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the assets and liabilities.

Significant unobservable inputs

The fair value of level 3 assets and liabilities is determined using valuation techniques that include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. These inputs include credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates and other illiquid risk drivers. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- raising day one profit provisions in accordance with IFRS;
- quantifying and reporting the sensitivity to each risk driver; and
- limiting exposure to such risk drivers and analysing this exposure on a regular basis.

Notes (continued)

5 Assets and liabilities at fair value (continued)

5.2 Assets and liabilities measured at fair value on a recurring basis

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy:

At 31 December 2025	Note	Level 1 KShs. million	Level 2 KShs. million	Level 3 KShs. million	Total KShs. million
Assets					
Cash and balances with the Central Bank (minimum regulatory reserve)	19	21 377	-	-	21 377
Financial assets –FVTPL	21	-	55 987	-	55 987
Financial assets – FVOCI	22	12 527	20 640	-	33 167
Equity investments	29	-	-	18	18
Derivative assets	24	-	674	-	674
		33 904	**77 301**	**18**	**111 223**
Liabilities					
Trading liabilities	21	-	16 036	-	16 036
Derivative liabilities	24	-	1 161	-	1 161
		-	**17 197**	**-**	**17 197**
At 31 December 2024					
Assets					
Cash and balances with the Central Bank (minimum regulatory reserve)	19	18 955	-	-	18 955
Financial assets – FVTPL	21	-	54 597	-	54 597
Financial assets – FVOCI	22	9 330	6 132	-	15 462
Equity investments	29	-	-	18	18
Derivative assets	24	-	2 095	-	2 095
		28 285	**62 824**	**18**	**91 127**
Liabilities					
Trading liabilities	21	-	16 322	-	16 322
Derivative liabilities	24	-	2 746	-	2 746
		-	**19 068**	**-**	**19 068**

There were no transfers between levels in 2025 and 2024.

Fair value of level 2 financial instruments

The fair value of level 2 financial instruments is determined using valuation techniques which incorporate assumptions that are indirectly supported by prices from observable current market transactions in the same instruments and are based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

Notes (continued)

5 Assets and liabilities at fair value (contined)

5.2 Assets and liabilities measured at fair value on a recurring basis (continued)

Level 2 financial assets and financial liabilities

	Valuation basis/technique	Main assumptions[1]
Derivative instruments	Discounted cash flow model Black-Scholes model Multiple valuation technique	Discount rate Risk-free rate, volatility rate Valuation multiples
Trading assets	Discounted cash flow model Black-Scholes model	Discount rate, liquidity discount Risk-free rate, volatility rate
Pledged assets	Discounted cash flow model	Discount rate, liquidity discount
Financial instruments	Discounted cash flow model Multiple valuation technique Quoted exit price adjusted for notice period	Discount rate, liquidity discount Valuation multiples Discount rate
Cash with Central Bank of Kenya	Prevailing exchange rate	Exchange rate
Investment in equities	Sale price	Discount rate

[1] *The main assumptions for all instruments include applicable credit spreads.*

Notes (continued)

5 Assets and liabilities at fair value (continued)

5.3 Assets and liabilities not measured at fair value

Financial assets and financial liabilities

Assets and liabilities not measured at fair value for which fair value is disclosed are as shown in the table below:

At 31 December 2025	Level 1 KShs. million	Level 2 KShs. million	Level 3 KShs. million	Fair value KShs. million	Carrying value KShs. million
Assets					
Cash and balances with the Central Bank of Kenya (Note 19)	8 739	-	-	8 739	8 739
Financial investments – Amortised cost	-	18 941	-	18 941	18 866
Loans and advances to banks	-	-	87 761	87 761	93 610
Loans and advances to customers	-	-	288 537	288 537	272 919
Other assets	-	-	9 319	9 319	9 319
	8 739	**18 941**	**385 617**	**413 297**	**403 453**
Liabilities					
Deposits from customers (note 36)	-	-	(352 191)	(352 191)	(375 090)
Deposits from banks (note 37)	-	-	(44 965)	(44 965)	(44 893)
Subordinated borrowings	-	-	(16 285)	(16 285)	(13 025)
Other liabilities	-	-	(6 680)	(6 680)	(6 680)
	-	**-**	**(420 121)**	**(420 121)**	**(439 688)**
At 31 December 2024					
Assets					
Cash and balances with the Central Bank of Kenya (Note 19)	5 722	-	-	5 722	5 722
Financial investments – amortised cost	-	19 197	-	19 197	29 079
Loans and advances to banks	-	-	49 456	49 456	64 574
Loans and advances to customers	-	-	217 141	217 141	230 218
Other assets	-	-	8 239	8 239	8 239
	5 722	**19 197**	**274 836**	**299 755**	**337 832**
Liabilities					
Deposits from banks	-	-	(242 065)	(242 065)	(320 586)
Customer deposits	-	-	(13 438)	(13 438)	(19 510)
Borrowings	-	-	(7 289)	(7 289)	(10 482)
Other liabilities	-	-	(7 566)	(7 566)	(7 566)
	-	**-**	**(270 358)**	**(270 358)**	**(358 144)**

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2 and level 3.

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 2 and level 3 assets and liabilities not measured at fair value but for which fair value is disclosed in table 5.3 above:

2024	Valuation basis/technique	Main assumptions
Loans and advances to banks Loans and advances to customers Deposits from banks Customer deposits Subordinated debt Other financial assets	Discounted cash flow model	Discount rate, liquidity discount rate

Notes (continued)

6 Segment information

The Bank is required to disclose information to the users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates in compliance with IFRS 8.

An operating segment is a component of the Bank engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Identification of segments and the measurement of segment results is based on the Bank's internal reporting to management.

The Chief Executive with the assistance of the Executive Committee (EXCO) and the Asset and Liability Committee (ALCO) is the Bank's chief operating decision-maker. The directors have determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Management considers the business from client turnover perspective.

The Bank has therefore segmented its business as IAM, PPB, BCB and CIB. This is in line with Bank reporting and decision-making reports.

Insurance and Asset Management (IAM)

The Insurance & Asset Management (IAM) business unit offers partnerships for the sale of the Bank's insurance agency offerings within the Bank's banking sales channels. The clients, who range from individual customers to corporate and institutional clients, can leverage Bank's extensive market leading range of propositions and services to help build and protect their wealth and lifestyle.

Personal and Private Banking

PPB provides banking services to individual customers and small to medium sized enterprises. The products offered include:

- Mortgage Lending – provides residential accommodation loans to individual customers.
- Instalment Sales and Finance Leases – comprises two areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.
- Card Products – provides card facilities to individuals and businesses.
- Transactional and Lending Products – transactions in products associated with the various points of contact channels such as Automated Teller Machines (ATMs), Internet, and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.

Business and Commercial Banking (BCB)

The BCB business unit provides broad based client solutions for a wide spectrum of small and medium-sized businesses as well as large commercial enterprises. Our client coverage extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth. The products offered include:

- Transactional products associated with payments such as salaries, suppliers and bill payments and collections for cash, cheques and electronic money as well as all foreign currency requirements.
- Lending solutions: Pre & post shipment financing, Working capital financing, Asset Finance, capex and expansion loans and Insurance financing.
- Savings and Investment

Notes (continued)

6 Segment information (Continued)

Corporate and Investment Banking (CIB)

CIB provides commercial and investment banking services to larger corporates, financial institutions, and international counter-parties. The products offered include:

- Global Markets – includes foreign exchange and debt securities trading.
- Transactional banking services – includes transactional banking and investor services.
- Investment Banking – includes project finance, advisory, structured finance, structured trade finance, corporate lending, primary markets and property finance.

Major Customers

The Bank does not have any customer that contributes more than 10% of its revenue nor a customer that constitutes more than 10% of deposits or loans (2024: None).

Notes (continued)

6 Segment information (continued)

The segment financial results and financial position

Statement of profit and loss	**Total 2025 KShs Million**	**Total 2024 KShs Million**	**CIB 2025 KShs Million**	**CIB 2024 KShs Million**	**BCB 2025 KShs Million**	**BCB 2024 KShs Million**	**PPB 2025 KShs Million**	**PPB 2024 KShs Million**	**IAM 2025 KShs Million**	**IAM 2024 KShs Million**
Interest income	37 211	48 166	24 713	33 608	4 497	5 140	8 001	9 418	-	-
Interest expense	(13 205)	(23 939)	(13 331)	(22 095)	952	1 275	(827)	(3 118)	1	-1
Net interest income	**24 006**	**24 227**	**11 382**	**11 513**	**5 449**	**6 415**	**7 174**	**6 300**	**1**	**-1**
Fees and commission income	6 060	5 391	3 665	2 857	1 226	1 181	1 169	1 352	-	1
Fees and commission expense	(1 251)	(1 058)	(263)	(226)	(353)	(317)	(635)	(515)	-	-
Net fees and commission income	**4 809**	**4 333**	**3 402**	**2 631**	**873**	**864**	**534**	**837**	**-**	**1**
Trading revenue	7 608	7 501	6 239	5 821	766	834	469	752	134	94
Net income from financial instruments at fair value through profit or loss	1 006	2 849	1 006	2 849	-	-	-	-	-	-
Other operating income	50	65	23	39	22	15	5	11	-	-
Other gains and losses on financial instruments	27	(32)	27	(32)	-	-	-	-	-	-
Trading and other income	**8 691**	**10 383**	**7 295**	**8 677**	**788**	**849**	**474**	**763**	**134**	**94**
Total income	**37 506**	**38 943**	**22 079**	**22 821**	**7 110**	**8 128**	**8 182**	**7 900**	**135**	**94**
Credit impairment losses	(1 627)	(3 099)	(176)	(909)	(352)	(901)	(1 099)	(1 289)	-	-
Net income before operating expenses	**35 879**	**35 844**	**21 903**	**21 912**	**6 758**	**7 227**	**7 083**	**6 611**	**135**	**94.00**
Employee benefits expense	(8 723)	(8 684)	(3 850)	(3 846)	(2 434)	(2 397)	(2 386)	(2 401)	(53)	(40)
Depreciation and amortisation expense	(773)	(697)	(221)	(254)	(213)	(189)	(335)	(254)	(4)	-
Depreciation on right-of use assets	(317)	(324)	(76)	(74)	(119)	(114)	(121)	(136)	(1)	
Other operating expenses	(7 464)	(7 326)	(3 415)	(3 445)	(1 815)	(1 687)	(2 198)	(2 173)	(36)	(21)
Finance costs	(12)	(9)	(11)	(9)	(1)	-	-	-	-	-
Profit before income tax	**18 590**	**18 804**	**14 330**	**14 284**	**2 176**	**2 840**	**2 043**	**1 647**	**41**	**33**
Income tax expense	(5 085)	(5 154)	(3 781)	(3 778)	(716)	(882)	(576)	(476)	(12)	(18)
Profit for the year	**13 505**	**13 650**	**10 549**	**10 506**	**1 460**	**1 958**	**1 467**	**1 171**	**29**	**15**

Notes (continued)

6 Segment information (continued)

Statement of financial position	Total 2025 KShs Million	Total 2024 KShs Million	CIB 2025 KShs Million	CIB 2024 KShs Million	BCB 2025 KShs Million	BCB 2024 KShs Million	PPB 2025 KShs Million	PPB 2024 KShs Million	IAM 2025 KShs Million	IAM 2024 KShs Million
Assets										
Cash and balances with Central Banks	30 116	24 677	27 273	21 779	1 782	1 856	1 061	1 042	-	-
Financial assets – (FVTPL)	55 987	54 597	55 987	54 597	-	-	-	-	-	-
Financial assets – (FVOCI)	33 167	15 462	33 167	15 462	-	-	-	-	-	-
Financial assets – (amortised cost)	18 866	29 079	18 866	29 079	-	-	-	-	-	-
Derivative assets	674	2 095	674	2 095	-	-	-	-	-	-
Current tax asset	1 243	1 379	1 243	1 379	-	-	-	-	-	-
Loans and advances to banks	93 610	64 574	90 814	62 504	1 813	1 310	983	760	-	-
Loans and advances to customers	272 919	230 218	185 933	146 696	36 225	32 312	50 761	51 210	-	-
Other assets and prepayments	11 308	10 326	3 802	1 707	3 571	3 595	3 911	5 010	24	14
Other equity investments	18	18	12	12	3	3	3	3	-	-
Property and equipment	2 376	2 231	794	719	845	721	716	791	21	-
Right of use assets - Land	27	30	14	15	6	7	7	8	-	-
Intangible assets	885	970	140	333	256	150	487	487	2	-
Right-of use assets	1 586	693	871	205	365	249	348	239	2	-
Deferred tax asset	8 805	8 899	5 896	5 942	2 000	1 978	909	979		-
Total assets	**531 587**	**445 248**	**425 486**	**342 524**	**46 866**	**42 181**	**59 186**	**60 529**	**49**	**14**
Liabilities										
Derivative liabilities	1 161	2 746	1 161	2 746	-	-	-	-	-	-
Financial liabilities – (FVTPL)	16 036	16 322	16 036	16 322	-	-	-	-	-	-
Current tax liability	99	20	99	20	-	-	-	-	-	-
Amounts due to banks	44 893	19 510	43 274	17 702	1 258	1 477	361	331		-
Customer deposits	375 090	320 586	209 877	158 506	79 803	73 975	85 410	88 105	-	-
Subordinated borrowings	13 025	10 482	9 409	7 275	1 849	1 531	1 766	1 676	1	-
Other liabilities and accruals	9 667	9 453	5 096	3 432	2 962	3 362	1 506	2 647	103	12
Lease liabilities	1 505	713	1 066	447	280	214	157	52	2	-
Total liabilities	**461 476**	**379 832**	**286 018**	**206 450**	**86 152**	**80 559**	**89 200**	**92 811**	**106**	**12**
Equity	70 111	65 416	52 496	45 162	7 569	9 760	10 040	10 492	6	2
Inter-divisional funding	-	-	86 972	90 912	(46 855)	(48 138)	(40 054)	(42 774)	(63)	-
Total equity and liabilities	**531 587**	**445 248**	**425 486**	**342 524**	**46 866**	**42 181**	**59 186**	**60 529**	**49**	**14**

-

Notes (continued)

6 Segment information (continued)

The Bank is domiciled in Kenya and South Sudan and the revenue and non-current assets by country of domicile are included in the sections below:

Statement of profit or loss	Total 2025	Total 2024	Kenya 2025	Kenya 2024	South Sudan 2025	South Sudan 2024
Interest income	37 211	48 166	37 204	48 162	7	4
Interest expense	(13 205)	(23 939)	(13 180)	(23 918)	(25)	(21)
Net interest income	**24 006**	**24 227**	**24 024**	**24 244**	**(18)**	**(17)**
Fees and commission income	6 060	5 391	5 336	4 539	724	852
Fees and commission expense	(1 251)	(1 058)	(1 246)	(1 047)	(5)	(11)
Net fees and commission income	**4 809**	**4 333**	**4 090**	**3 492**	**719**	**841**
Trading revenue and net income from financial assets at FVOCI	8 614	10 350	7 473	9 586	1 141	764
Other gains/(losses) on financial instruments	27	(32)	27	(32)	-	-
Net other operating income	50	65	47	65	3	-
Trading and other income	**8 691**	**10 383**	**7 547**	**9 619**	**1 144**	**764**
Total income	**37 506**	**38 943**	**35 661**	**37 355**	**1 845**	**1 588**
Credit impairment losses	(1 627)	(3 099)	(1 629)	(3 081)	2	(18)
Employee benefits expense	(8 723)	(8 684)	(8 024)	(7 888)	(699)	(796)
Depreciation and amortisation	(773)	(697)	(749)	(685)	(24)	(12)
Depreciaiton on right-of use assets	(317)	(324)	(289)	(304)	(28)	(20)
Other operating expenses	(7 464)	(7 326)	(6 750)	(6 821)	(714)	(505)
Finance costs	(12)	(9)	-	-	(12)	(9)
Profit before income tax	**18 590**	**18 804**	**18 220**	**18 576**	**370**	**228**
Income tax expense	(5 085)	(5 154)	(4 948)	(5 101)	(137)	(53)
Profit for the year	**13 505**	**13 650**	**13 272**	**13 475**	**233**	**175**

Statement of financial position	Total 2025	Total 2024	Kenya 2025	Kenya 2024	South Sudan 2025	South Sudan 2024
Assets						
Cash and balances with Central Banks	30 116	24 677	20 523	17 806	9 593	6 871
Financial investments	108 020	99 138	108 020	99 138	-	-
Derivative assets	674	2 095	674	2 095	-	-
Loans and advances to banks	93 610	64 574	85 234	55 271	8 376	9 303
Loans and advances to customers	272 919	230 218	272 872	230 188	47	30
Other investments	18	18	18	18	-	-
Property, equipment and intangibles	3 288	3 231	3 238	3 162	50	69
Right-of use assets	1 586	693	1 212	651	374	42
Current tax asset	1 243	1 379	1 243	1 379	-	-
Deferred tax asset	8 805	8 899	8 759	8 874	46	25
Other assets and prepayments	11 308	10 326	11 233	10 212	75	114
Total assets	**531 587**	**445 248**	**513 026**	**428 794**	**18 561**	**16 454**
Liabilities						
Customer deposits	375 090	320 586	361 223	306 531	13 867	14 055
Amounts due to banks	44 893	19 510	43 230	19 498	1 663	12
Lease liability	1 505	713	1 155	640	350	73
Current tax liability	99	20	-	-	99	20
Trading liabilities	16 036	16 322	16 036	16 322	-	-
Derivative liabilities	1 161	2 746	1 161	2 746	-	-
Borrowings	13 025	10 482	13 025	10 482	-	-
Other liabilities	9 667	9 453	7 758	7 613	1 909	1 840
Total liabilities	**461 476**	**379 832**	**443 588**	**363 832**	**17 888**	**16 000**
Shareholders' equity	**70 111**	**65 416**	**69 438**	**64 962**	**673**	**454**
Total equity and liabilities	**531 587**	**445 248**	**513 026**	**428 794**	**18 561**	**16 454**

Notes (continued)

7 Interest income

Effective interest rate income	2025 KShs. million	2024 KShs. million
Loans and advances to customers	26 913	35 868
Financial investments – (FVOCI)	3 217	3 100
Financial investments – (amortised cost)	2 749	3 016
Loans and advances to banks	4 332	6 182
Total interest income	**37 211**	**48 166**

Interest expense

Effective interest rate expense		
Current accounts	(4 153)	(4 502)
Savings and term deposit accounts	(7 265)	(17 203)
Deposits and placements from other banks	(605)	(1 056)
Interest on borrowed funds (Note 39)	(1 050)	(1 062)
Interest expense on lease liabilities (Note 33)	(132)	(116)
Total interest expense	**(13 205)**	**(23 939)**
Net interest income	**24 006**	**24 227**

All interest income reported above relates to financial assets not carried at fair value through profit or loss and all interest expense reported relates to financial liabilities not carried at fair value through profit or loss.

8 Fees and commission income

	2025 KShs. million	2024 KShs. million
Points of representation transaction fees	1 330	1 409
Documentation and administration fees	121	91
Electronic banking fees	1 107	1 201
Knowledge based and client administration fees*	2 035	1 323
Card based commission	594	631
Foreign service fees	623	659
Other bank related fees and commission	250	77
	6 060	**5 391**

*The net fees and commission earned by the Bank on trust and fiduciary activities where the Bank holds or invests assets on behalf of its customers is KShs. 630,781,489 (2024: KShs 450,725,479).

9 Fees and commission expense

	2025 KShs. million	2024 KShs. million
Card based commission expenses	(569)	(476)
Brokerage fees	(110)	(74)
Other bank related fees and commission expenses	(572)	(508)
	(1 251)	**(1 058)**

Notes (continued)

10 Trading revenue

	2025 KShs. million	2024 KShs. million
Net foreign exchange income	7 608	7 590
Loss in monetary value	-	(89)
	7 608	**7 501**

11 a) Net gains from financial instruments at fair value through profit or loss

	2025 KShs. million	2024 KShs. million
Fixed gain -financial instruments-(FVTPL)	1 006	2 849
	1 006	**2 849**

11 b) Other gains/(losses) on financial instruments

	2025 KShs. million	2024 KShs. million
Net gain/(loss) on disposal of financial instruments - FVTPL	27	(32)
	27	**(32)**

12 Other operating income

	2025 KShs. million	2024 KShs. million
Other income	47	41
Gain on disposal of property and equipment	3	24
	50	**65**

13 Employee benefits expense

	2025 KShs. million	2024 KShs. million
Salaries and wages	7 887	8 025
Retirement benefit costs	836	659
	8 723	**8 684**
Included in retirement benefit costs are:		
Defined contribution scheme	774	623
National Social Security Fund	62	36
	836	**659**
Average staff numbers		
Management	469	447
Supervisory	463	465
Clerical and other categories	250	253
Total	**1 182**	**1 165**

Notes (continued)

14 Breakdown of expenses by nature

	Note	2025 KShs. million	2024 KShs. million
Profit before tax has been arrived at after charging:			
Employees benefits expense	13	8 723	8 684
Depreciation of property and equipment	30 (a)	464	455
Depreciation on right-of use assets	32	317	324
Depreciation on right-of use assets - Land	30 (b)	3	3
Amortisation of intangible assets	31	306	239
Finance costs	15	12	9
Other operating expenses			
Audit fees		30	33
Directors' fees	45.5.2	63	55
Franchise fees	45.8	1 116	1 148
Information technology and Communication costs		1 827	1 443
Consultancy, legal and professional fees		722	1 403
Marketing and advertising costs		463	416
Deposit protection scheme contribution		547	499
Travel and accomodation costs		281	240
Other expenses		2 415	2 089
Total Other operating Expenses		**7 464**	**7 326**
Total		**17 289**	**17 040**

* Included in the consultancy, legal and pofessional fees is an amount of KShs 10,754,700 that relates to non-audit services offered by the current auditor to the Bank.This includes Kshs 4,624,700 for regulatory IT review and Kshs 6,130,000 for other non audit services.

**Other expenses mainly includes operational expenses such as insurance,security and administration costs

15 Finance costs

	2025 KShs. million	2024 KShs. million
Bank charges	12	9
	12	**9**

16 Income tax expense

	2025	2024
Current income tax	**4 999**	**5 060**
Current income tax charge (Note 35 (a))	4 972	5 606
Previous year current income tax under/(over) provision	27	(546)
Deferred income tax	**86**	**94**
Current year charge Kenya operations (Note 34 (a))	117	101
Current year credit -foreign operations (Note 34 (b))	(31)	(7)
Income tax expense	**5 085**	**5 154**

Reconciliation of tax expense to expected tax base based on accounting profit:

The tax on the profit before tax differs from the theoretical amount using the statutory income tax rate as follows:

	2025 KShs. million	2024 KShs. million
Profit before income tax	**18 590**	**18 804**
Tax at statutory tax rate of 30% (2024: 30%)	5 577	5 641
Tax effect of:		
Income not subjected to tax	(867)	(699)
Expenses not deductible for tax purposes	396	832
Previous year current income tax under/(over) provision	27	(546)
Tax paid in other jurisdiction	(48)	(74)
Income tax expense	**5 085**	**5 154**

Notes (continued)

17 Earnings per share – basic and diluted

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2025	2024
Earnings (Profit after tax)		
Earnings for the purposes of basic earnings per share (KShs. million)	13 505	13 650
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('million)	171	171
Earnings per share (KShs) basic and diluted	**78.98**	**80.02**

There were no dilutive potential ordinary shares as at 31 December 2025 or 31 December 2024. Therefore, diluted earnings per share are the same as basic earnings per share.

18 Dividend

	2025	2024
The calculation of dividends per share is based on:		
Dividends for the year attributable to ordinary shareholders:		
Interim dividend paid (KShs. million)	1 504	727
Final proposed dividend (KShs. million)	7 315	7 313
	8 819	**8 040**
Number of ordinary shares in issue (million)	171	171
Dividend per share-interim	8.80	4.25
Dividend per share-final	42.88	42.87
Total dividends per share – KShs	**51.68**	**47.12**

Proposed dividends are presented within retained earnings until they have been approved at an Annual General Meeting.

During the year interim dividend of KShs 8.82 (2024: KShs. 4.25) per share was paid translating to KShs 1,503,680,619 (2024: KShs. 726,821,936).

A final dividend per share in respect of the year ended 31 December 2025 of KShs 42.88 (2024: KShs 42.87) per share amounting to a total of KShs 7,314,621,350 (2024: KShs 7,312,773,464) is to be proposed at the next Annual General Meeting. These financial statements do not reflect this as a dividend payable.

Total dividend for the year is therefore KShs 51.70 (2024: KShs 47.12) per share translating to KShs 8,818,301,969 (2024: KShs 8,039,595,400).

Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 15% for non-resident shareholders. Dividend paid to resident shareholders who own more than 12.5% shareholding are exempt from withholding tax. Dividends payable to South African residents as a shareholder are subjected to 10% withholding tax.

Notes (continued)

19 Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below categorises the Bank's assets and liabilities as at 31 December 2025 between those that are financial and non-financial.

All financial assets and liabilities have been classified according to their measurement category with disclosure and their fair value.

	Fair value through profit and loss - default	Fair value through profit or loss - designated	Amortised cost	Fair value through OCI	Other non-financial assets/liabilities	Total carrying amount	Fair value
Year ended 31 December 2025	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**		**KShs. million**	**KShs. Million**
Assets							
Cash and balances with Central Banks	21 377	-	8 739	-	-	30 116	30 116
Financial assets –FVTPL	55 987	-	-	-	-	55 987	55 987
Financial assets – (FVOCI)	-	-	-	33 167	-	33 167	33 167
Financial assets – amortised cost	-	-	18 866	-	-	18 866	18 941
Derivative assets	674	-	-	-	-	674	674
Loans and advances to banks	-	-	93 610	-	-	93 610	87 761
Loans and advances to customers	-	-	272 919	-	-	272 919	288 537
Other financial assets	-	-	10 562	-	-	10 562	10 562
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	15 668	15 668	-
	78 056	**-**	**404 696**	**33 167**	**15 668**	**531 587**	**525 763**
Liabilities							
Deposits from customers	-	-	(375 090)	-	-	(375 090)	(352 191)
Deposits from banks	-	-	(44 893)	-	-	(44 893)	(44 965)
Derivative liabilities	(1 161)	-	-	-	-	(1 161)	(1 161)
Trading liabilities	(16 036)	-	-	-	-	(16 036)	(16 036)
Borrowings	-	-	(13 025)	-	-	(13 025)	(16 285)
Other financial liabilities	-	-	(8 185)	-	-	(8 185)	(8 185)
Other non - financial liabilities	-	-	-	-	(3 086)	(3 086)	-
	(17 197)	**-**	**(441 193)**	**-**	**(3 086)**	**(461 476)**	**(438 823)**

Notes (continued)

19 Classification of assets and liabilities (continued)

Accounting classifications and fair values of assets and liabilities (continued)

	Fair value through profit and loss - default	Fair value through profit or loss - designated	Amortised cost	Fair value through OCI	Other non-financial assets/liabilities	Total carrying amount	Fair value
Year ended 31 December 2024	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Assets							
Cash and balances with Central Banks	18 955	-	5 722	-	-	24 677	24 677
Financial assets – FVTPL	54 597	-	-	-	-	54 597	54 597
Financial assets – (FVOCI)	-	-	-	15 462	-	15 462	15 462
Financial assets – amortised cost	-	-	29 079	-	-	29 079	19 197
Derivative assets	2 095	-	-	-	-	2 095	2 095
Loans and advances to banks	-	-	64 574	-	-	64 574	49 456
Loans and advances to customers	-	-	230 218	-	-	230 218	217 141
Other financial assets	-	-	10 326	-	-	10 326	10 326
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	14 202	14 202	-
	75 665	-	339 919	15 462	14 202	445 248	392 969
Liabilities							
Deposits from customers	-	-	(320 586)	-	-	(320 586)	(242 065)
Deposits from banks	-	-	(19 510)	-	-	(19 510)	(13 438)
Derivative liabilities	(2 746)	-	-	-	-	(2 746)	(2 746)
Trading liabilities	(16 322)	-	-	-	-	(16 322)	(16 322)
Borrowings	-	-	(10 482)	-	-	(10 482)	(7 289)
Other financial liabilities	-	-	(6 963)	-	-	(6 959)	(6 963)
Other non - financial liabilities	-	-	-	-	(3 227)	(3 227)	-
	(19 068)	-	(357 541)	-	(3 227)	(379 832)	(288 823)

Notes (continued)

20 Cash and balances with Central Banks

	2025 KShs. million	2024 KShs. million
Cash in hand	6 041	3 795
Balances with Central Banks	24 075	20 882
	30 116	**24 677**

The Bank is required to maintain a prescribed minimum cash reserve ratio (CRR) including cash in hand and balances with Central Bank of Kenya. The minimum cash reserve is non-interest earning and is based on the value of deposits as adjusted for Central Bank of Kenya requirements. At 31 December 2025, the cash reserve requirement was 3.25% of the eligible deposits (2024: 4.25%).

The cash reserve requirement balance for the year ended 31 December 2025 was KShs.11,362,520,032 (2024: KShs 12,759,987,712).The Central Bank of Kenya allows a daily minimum of 2% (2024: 3%) of eligible deposits as long as the average total reserving for the month is above the CRR. The applicable daily minimum for the Bank therefore was Kshs 6,755,143,160 as at 31 December 2025 (2024: KShs 9,007,050,150). The Bank complied with the CRR requirement throughout the reporting period.

The Bank also holds bank balances with the Bank of South Sudan which includes a minimum cash reserve ratio for the South Sudan Branch.

21 Financial assets and liabilities at fair value through profit and loss (FVTPL)

a) **Financial assets – (FVTPL)**	2025 KShs. million	2024 KShs. million
Government treasury bills and bonds	52 718	32 815
Trading Assets	3 269	21 782
	55 987	**54 597**
Maturity analysis		
Maturing within 1 month	-	3 874
Maturing after 1 month but within 6 months	17 730	22 595
Maturing after 6 months but within 12 months	20 329	19 643
Maturing after 12 months but within 5 years	13 003	4 657
Maturing after 5 years	4 925	3 828
	55 987	**54 597**

The maturities represent periods to contractual redemption of financial assets fair value through profit or loss recorded. Financial assets at fair value through profit or loss had a redemption value at 31 December 2025 of KShs 53,221,458,000 (2024: KShs 51,293,475,000). The weighted average effective interest yield on debt securities held for trading as at 31 December 2025 was 10.59% (2024: 11.45%).

b) **Financial liabilities - (FVTPL)**	2025 KShs. million	2024 KShs. million
Trading Liabilities	16 036	16 322
	16 036	**16 322**
Maturity analysis		
Maturing within 1 month	5 358	5 545
Maturing after 1 month but within 6 months	4 562	4 122
Maturing after 6 months but within 12 months	1 536	887
Maturing after 12 months but within 5 years	2 794	3 018
Maturing after 5 years	1 786	2 750
	16 036	**16 322**

The maturities represent periods to contractual redemption of trading liabilities recorded. Dated trading liabilities had a redemption value at 31 December 2025 of KShs.15,266,740,000 (2024:KShs 15,730,899,000). The weighted average effective interest cost on debt securities held for trading at 31 December 2025 was 9.64% (2024: 10.84%).

Notes (continued)

22 Financial investments – (FVOCI)

	2025 KShs. million	2024 KShs. million
Financial investments – (FVOCI)	33 167	15 462
	33 167	**15 462**

22 (a) Financial assets – (FVOCI)

	2025 KShs. million	2024 KShs. million
Debt securities – at FVOCI:		
Listed	12 527	9 330
Unlisted	20 675	6 146
	33 202	**15 476**
Comprising:		
Government bonds	12 527	9 330
Government treasury bills	20 675	6 146
Corporate Bonds	-	-
	33 202	**15 476**
Allowances for impairments		
Expected credit loss for debt securities measured at fair value through OCI (IFRS 9)	(35)	(14)
Credit impairment losses(Note 22.1)	**(35)**	**(14)**
Net financial assets – (FVOCI)	**33 167**	**15 462**
Maturity analysis		
Maturing within 1 month		
Maturing after 1 month but within 6 months	18 163	8 766
Maturing after 6 months but within 12 months	4 558	5 688
Maturing after 12 months but within 5 years	4 802	1 008
Maturing after 5 years	5 644	-
	33 167	**15 462**

Financial investment securities had a redemption value at 31 December 2025 of KShs. 33,511,801,000 (2024: KShs 18,306,251,000). The weighted average effective interest cost on debt securities available for sale at 31 December 2025 was 8.66% (2024: 10.46%).

Notes (continued)

22.1 Reconciliation of expected credit losses for debt financial investments measured at fair value through OCI:

	Opening ECL 1 January 2025	Total transfers between stages	Statement of profit or loss movements			Net ECL raised/ (released)[1]	Exchange and other movements	Closing ECL 31 December 2025
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition			
Financial investments at FVOCI	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Debt securities	14	-	64	-	(12)	52	(31)	35
Stage 1	14	-	64		(12)	52	(31)	35
Total	14	-	64	-	(12)	52	(31)	35

1 Net impairments raised/(released) less recoveries of amounts written off in previous years equals statement of profit or loss impairment charge (refer credit impairment charges note).

Reconciliation of fair value through OCI reserve for debt financial investments measured at fair value through OCI

31 December 2025	Balance at beginning of the year	Reclassificat ions	Net change in fair value	Realised fair value adjustments and reversal to profit or loss	Total fair value movements	Exchange and other movements	Balance at end of the year
	million	million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Financial investments	(309)	-	(21)	-	(21)	76	(254)
Debt securities	(309)	-	(21)	-	(21)	76	(254)

Notes (continued)

22.1 Reconciliation of expected credit losses for debt financial investments measured at fair value through OCI (continued)

	Opening ECL 1 January 2024	Total transfers between stages	Statement of profit or loss movements: ECL on new exposure raised	Statement of profit or loss movements: Subsequent changes in ECL	Statement of profit or loss movements: Change in ECL due to derecognition	Net ECL raised/ (released)[1]	Impairment accounts written-off	Closing ECL 31 December 2023
		million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Financial investments at FVOCI								
Debt securities	6	-	10	(2)	(2)	6	2	14
Stage 1	6	-	10	(2)	(2)	6	2	14
Total	6	-	10	(2)	(2)	6	2	14

Reconciliation of fair value through OCI reserve for debt financial investments measured at fair value through OCI

31 December 2024	Balance at beginning of the year	Reclassificat ions	Net change in fair value	Realised fair value adjustments and reversal to profit or loss	Total fair value movements	Exchange and other movements	Balance at end of the year
	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Financial investments	189	-	(422)	-	(422)	(76)	(309)
Debt securities	189	-	(422)	-	(422)	(76)	(309)

Notes (continued)

23 Financial investments – (amortised cost)

	2025 KShs. million	2024 KShs. million
Pledged assets – (amortised cost)	704	6 222
Financial assets – (amortised cost)	18 162	22 857
	18 866	**29 079**

a) Pledged assets – (amortised cost)

	2025 KShs. million	2024 KShs. million
Amortised cost debt securities	704	6 305
Expected credit losses	-	(83)
	704	**6 222**
Maturity analysis		
Maturing after 1 months but within 6 months	-	642
Maturing after 6 months but within 12 months	704	3 113
Maturing after 12 months but within 5 years	-	-
Maturing after 5 years	-	2 467
	704	**6 222**

Dated pledged assets at amortized cost had a redemption value at 31 December 2025 of KShs. 506,903,000 (2024: KShs 6,025,600,000).The weighted average effective interest yield on pledged assets on 31 December 2025 was 5.6% (2024: 14.01%).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

b) Financial assets - (amortised cost)

	2025 KShs. million	2024 KShs. million
Debt securities:		
Listed	18 219	22 893
Gross financial investments at amortised cost	**18 219**	**22 893**
Allowances for impairments		
Expected credit loss for financial investments measured at amortised cost (IFRS 9)	(57)	(36)
Credit impairment allowances	**(57)**	**(36)**
Net financial investments at amortised cost	**18 162**	**22 857**
Comprising:		
Government bonds	15 181	22 893
Government treasury bills	3 038	-
	18 219	**22 893**
Maturity analysis:		
Maturing within 1 month	-	-
Maturing after 1 month but within 6 months	190	3 487
Maturing after 6 months but within 12 months	2 739	4 532
Maturing after 12 months but within 5 years	11 018	9 520
Maturing after 5 years	4 272	5 354
	18 219	**22 893**

Dated held to collect assets had a redemption value at 31 December 2025 of KShs 15,741,849,000 (2024: KShs 20,589,148,000).

The weighted average effective interest yield on held to collect investment securities at 31 December 2025 was 12.88% (2024: 12.41%).

Notes (continued)

23 Financial investments – (amortised cost) (continued)

Reconciliation of expected credit losses for debt financial investments measured at amortised cost

	Opening ECL 1 January 2025	Total transfers between stages	Statement of profit or loss movements: ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition	Net ECL raised/ (released)[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2025
	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Financial Investments									
Amortised cost									
Sovereign	32	82	46	-	(3)	43	-	(102)	55
Stage 1	32	82	46		(3)	43	-	(102)	55
Pledged assets	83	(82)	-	-	-	-	-	-	1
Stage 2	83	(82)	-			-	-	-	1
	-	-	-	-	-	-	-	-	-
Corporate	4	-	-	-	(3)	(3)	-	-	1
Stage 1	4	-	-		(3)	(3)	-	-	1
Total	119	-	46	-	(6)	40	-	(102)	57

1 Net impairments raised/(released) less recoveries of amounts written off in previous years equals statement of profit or loss impairment charge (refer to the credit impairment charges note).

Notes (continued)

23 Financial investments – (amortised cost) (continued)

Reconciliation of expected credit losses for debt financial investments measured at amortised cost (continued)

	Opening ECL 1 January 2024	Total transfers between stages	Statement of profit or loss movements			Net ECL raised/ (released)[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition				
Financial Investments Amortised cost	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million	KShs' million
Sovereign	**10**	**-**	**30**	**(1)**	**(7)**	**22**	**-**	**-**	**32**
Stage 1	10	-	30	(1)	(7)	22	-	-	32
Pledged assets	**71**	**-**	**-**	**17**	**(5)**	**12**	**-**	**-**	**83**
Stage 1	71	-	-	17	(5)	12	-	-	83
Corporate	**3**	**-**	**-**	**2**	**(1)**	**1**	**-**	**-**	**4**
Stage 1	3	-	-	2	(1)	1	-	-	4
Stage 2	-	-	-	-	-	-	-	-	-
Total	**84**	**-**	**30**	**18**	**(13)**	**35**	**-**	**-**	**119**

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

*The note has been enhanced to disclose the respective categories of financial assets at amortised costs into corporate, sovereign and pledged assets.

Notes (continued)

24 Derivative assets and derivative liabilities

All derivatives are classified as held-for-trading.

24.1 Use and measurement of derivative instruments

In the normal course of business, the Bank enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation and for credit exposures. Derivative instruments used by the Bank in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swap transactions undertaken by the Bank are as follows:

a) **Interest rate swap** contracts which generally entail the contractual exchange of fixed and floating interest payments in a single currency, based on a notional amount and an interest reference rate.

b) **Options** are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded Over The Counter (OTC) or on a regulated exchange.

c) **Forwards and futures** are contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

24.2 Derivatives held-for-trading

The Bank transacts derivative contracts to address client demand both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The Bank also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

a) Foreign exchange derivatives

Foreign exchange derivatives are primarily used to economically hedge foreign currency risks on behalf of clients and for the bank's own positions. Foreign exchange derivatives primarily consist of foreign exchange forwards and swaps, foreign exchange futures and foreign exchange options.

b) Interest rate derivatives

Interest rate derivatives are primarily used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of clients and for the Bank's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, forwards, options, swaps and swap options.

Notes (continued)

24 Derivative assets and derivative liabilities (continued)

24.3 Day one profit or loss

Where the fair value of an instrument differs from the transaction price, and the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation model whose variables include only data from observable markets, the difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If the fair value of the financial instrument can not be evidenced by comparison with other observable current market transactions in the same instrument or non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the valuation model is deferred and subsequently recognised in accordance with the Bank's accounting policies (refer to accounting policy 2.5 – Financial instruments).

24.4 Fair values

The fair value of a derivative financial instrument represents, for quoted instruments in an active market, the quoted market price and, for an unquoted instrument, the present value of the positive and/or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at the reporting date.

24.5 Notional amount

The contract/notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing exchange rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the bank's participation in derivative contracts.

	2025			2024		
	Fair values			Fair values		
	Notional contract amount KShs. million	Assets KShs. million	Liabilities KShs. million	Notional contract amount KShs. million	Assets KShs. million	Liabilities KShs. million
Foreign exchange derivatives						
Currency forwards	5 241	123	236	7 186	779	983
Currency swaps	13 769	303	502	32 651	1 184	1 297
Currency options	2 203	55	89	7 137	62	106
Total over-the-counter derivatives	**21 213**	**481**	**827**	**46 974**	**2 025**	**2 386**
Interest rate derivatives						
Cross currency interest rate swaps	2 510	193	334	2 510	70	360
Total over-the-counter derivatives	**2 510**	**193**	**334**	**2 510**	**70**	**360**
Total derivative assets/liabilities held for trading	**23 723**	**674**	**1 161**	**49 484**	**2 095**	**2 746**
Current	21 212	-	-	46 974	1 962	2 338
Non-current	2 511	674	1 161	2 510	133	408
Total	**23 723**	**674**	**1 161**	**49 484**	**2 095**	**2 746**

Notes (continued)

25 Loans and advances to banks

	Note	2025 KShs. million	2024 KShs. million
Balances due from banks		68 824	5 162
Balances due from group banks	45.1	24 796	59 424
Gross loans and advances to banks		**93 620**	**64 586**
Impairment Stages 1 & 2 (performing loans)	25.1	(10)	(12)
Impairment Stage 3 (non-performing loans)	25.1	-	-
Credit impairment allowances		**(10)**	**(12)**
Net loans and advances to banks		**93 610**	**64 574**
Maturity analysis:			
Redeemable on demand		26 725	5 582
Maturing within 1 month		41 202	31 029
Maturing after 1 month but within 12 months		25 683	27 963
Maturing after 12 month but within 5 years		-	-
Maturing after 5 years		-	-
Net loans and advances to banks		**93 610**	**64 574**

The weighted average effective interest rate on loans and advances to banks as at 31 December 2025 was 4.56% (2024: 9.45%)

* The Group holds balances with well rated commercial banks categorised under stage 1 and stage 2.
* Included in the balances, is a short term placement with Central Bank of Kenya of Kes 51,531,068,493 (2024:Nil)

Notes (continued)

25 Loans and advances to banks (continued)

25.1 Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost:

	Opening ECL 1 January 2025	Total transfers between stages	Statement of profit or loss movements				Net ECL (raised)/ released[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2025
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Bank	(12)	-	(13)	-	-	7	(5)	-	7	(10)
Stage 1	(1)	-	(1)	-		-	(1)	-		(2)
Stage 2	(11)	-	(12)	-	1	7	(4)	-	7	(8)
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	(12)	-	(13)	-	1	7	(5)	-	7	(10)

1 *Net impairments raised/(released) less recoveries of amounts written off in previous years equals statement of profit or loss impairment charge (refer credit impairment charges note).*

	Opening ECL 1 January 2024	Total transfers between stages	Statement of profit or loss movements				Net ECL (raised)/ released[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Bank	(1)	-	(13)	-	1	(7)	(19)	(1)	9	(12)
Stage 1	(1)	-	(1)	-	1	-	-	(1)	1	(1)
Stage 2	-	-	(12)			(7)	(19)		8	(11)
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	(1)	-	(13)	-	1	(7)	(19)	(1)	9	(12)

Notes (continued)

26 Loans and advances to customers

26.1 Net loans and advances

		2025 KShs. million	2024 KShs. million
Home loans/mortgages		38 163	36 366
Vehicle and asset finance	(Note 26.5)	14 759	13 920
Overdraft and other demand lending		32 200	28 854
Term lending		205 442	168 034
Card lending		890	883
Gross loans and advances to customers		**291 454**	**248 057**
Allowances for impairments			
Expected credit loss for loans and advances measured at amortised cost (IFRS 9) (note 26.3)		(18 535)	(17 839)
Credit impairment allowances		**(18 535)**	**(17 839)**
Net loans and advances		**272 919**	**230 218**
Maturity analysis:			
Redeemable on demand		8 260	16 430
Maturing within 1 month		11 772	17 057
Maturing after 1 month but within 6 months		65 414	32 396
Maturing after 6 months but within 12 months		16 744	12 933
Maturing after 12 months but within 5 years		116 903	83 301
Maturing after 5 years		53 826	68 101
Net loans and advances		**272 919**	**230 218**

The weighted average effective interest rate on loans and advances to customers as at 31 December 2025 was 8.78% (2024: 12.35%). The Bank extends advances to personal, commercial and corporate sectors as well as to the public sector. Advances made to individuals are mostly in the form of mortgages, instalment sales and overdrafts.

Notes (continued)

26 Loans and advances to customers (Continued)

26.2 Net loans and advances (Continued)

Loans and advances to customers at amortised cost

In millions of KShs	Stage 1 12 month	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance at 1 January 2025	**218 462**	**10 193**	**19 402**	**248 057**
Transfer to stage 1	5 447	(4 071)	(1 376)	-
Transfer to stage 2	(11 754)	13 011	(1 257)	-
Transfer to stage 3	(4 815)	(4 943)	9 758	-
New financial assets originated or purchased	149 701	-	-	**149 701**
Financial assets that have been derecognised	(102 150)	(207)	(589)	**(102 946)**
Write-offs	-	-	(2 530)	**(2 530)**
Foreign exchange and other movements	(534)	(188)	(106)	**(828)**
Balance at 31 December 2025	**254 357**	**13 795**	**23 302**	**291 454**

In millions of KShs	Stage 1 12 month	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance at 1 January 2024	**233 868**	**19 387**	**26 468**	**279 723**
Transfer to stage 1	1 324	(1 267)	(57)	-
Transfer to stage 2	(2 106)	2 281	(175)	-
Transfer to stage 3	(1 592)	(1 305)	2 897	-
New financial assets originated or purchased	127 732	-	-	**127 732**
Financial assets that have been derecognised	(127 426)	(6 867)	(1 655)	**(135 948)**
Write-offs	-	-	(5 507)	**(5 507)**
movements	(13 338)	(2 036)	(2 569)	**(17 943)**
Balance at 31 December 2024	**218 462**	**10 193**	**19 402**	**248 057**

Notes (continued)

26 Loans and advances to customers (continued)

26.3 Net loans and advances (Continued)

Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost:

	Opening ECL 1 January 2025	Total transfers between stages	Statement of profit or loss movements			Net ECL raised/ (released)[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024	Interest in suspense movement	Total
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition						
Customers	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**	**KShs. million**
Mortgage loans	**2 094**	**-**	**32**	**311**	**-**	**343**	**(233)**	**(566)**	**1 981**	**141**	**2 122**
Stage 1	78	56	27	(112)	-	(29)	-	21	41	-	41
Stage 2	482	(69)	2	87	-	20	-	(359)	163	-	163
Stage 3	1 534	13	3	336	-	352	(233)	(228)	1 777	141	1 918
Vehicle and asset finance	**1 057**	**-**	**70**	**89**	**-**	**159**	**(111)**	**(287)**	**977**	**35**	**1 012**
Stage 1	92	12	50	(62)	-	-	-	(5)	87	-	87
Stage 2	334	(26)	7	(43)	-	(62)	-	(207)	3	-	3
Stage 3	631	14	13	194	-	221	(111)	(75)	887	35	922
Card debtors	**71**	**-**	**8**	**64**	**-**	**72**	**-**	**63**	**278**	**3**	**281**
Stage 1	24	4	5	(14)	-	(5)	-	(1)	13	-	13
Stage 2	28	6	3	(14)	-	(5)	-	(3)	15	-	15
Stage 3	19	(10)	-	92	-	82	-	67	250	3	253
Other loans and advances	**8 560**	**-**	**519**	**748**	**-**	**1 267**	**(2 159)**	**229**	**9 164**	**(599)**	**8 565**
Stage 1	520	17	312	(394)	-	(65)	-	89	479	-	479
Stage 2	786	(127)	58	(133)	-	(202)	-	370	752	-	752
Stage 3	7 254	110	149	1 275	-	1 534	(2 159)	(230)	7 933	(599)	7 334
Corporate	**6 057**	**-**	**454**	**(17)**	**(199)**	**238**	**-**	**(115)**	**6 418**	**137**	**6 555**
Stage 1	868	(58)	434	(106)	(197)	73	-	(7)	1 007	-	1 007
Stage 2	653	58	20	(614)	(2)	(538)	-	7	(416)	-	(416)
Stage 3	4 536	-	-	703	-	703	-	(115)	5 827	137	5 964
Total	**17 839**	**-**	**1 083**	**1 195**	**(199)**	**2 079**	**(2 503)**	**(676)**	**18 818**	**(283)**	**18 535**

1 Net impairments raised/(released) less recoveries of amounts written off in previous years equals statement of profit or loss impairment charge (refer credit impairment charges note).

Notes (continued)

26 Loans and advances to customers (continued)

26.3 Net loans and advances (continued)

Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost (continued)

	Opening ECL 1 January 2024	Total transfers between stages	Statement of profit or loss movements			Net ECL raised/ (released)[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2023	Interest in suspense movement	Total
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition						
Customers	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Mortgage loans	**2 376**	**-**	**29**	**135**	**-**	**164**	**(254)**	**109**	**2 395**	**(301)**	**2 094**
Stage 1	77	61	8	(68)	-	1	-	-	78	-	78
Stage 2	392	(73)	15	39	-	(19)	-	109	482	-	482
Stage 3	1 907	12	6	164	-	182	(254)	-	1 835	(301)	1 534
Vehicle and asset finance	**968**	**-**	**74**	**33**	**-**	**107**	**(179)**	**171**	**1 067**	**(10)**	**1 057**
Stage 1	91	8	39	(46)	-	1	-	-	92	-	92
Stage 2	472	(15)	17	(49)	-	(47)	-	(91)	334	-	334
Stage 3	405	7	18	128	-	153	(179)	262	641	(10)	631
Card debtors	**79**	**-**	**3**	**76**	**-**	**79**	**(83)**	**(4)**	**71**	**-**	**71**
Stage 1	19	6	1	(2)	-	5	-	-	24	-	24
Stage 2	34	(7)	2	3	-	(2)	-	(4)	28	-	28
Stage 3	26	1	-	75	-	76	(83)	-	19	-	19
Other loans and advances	**9 510**	**-**	**1 227**	**974**	**-**	**2 201**	**(3 661)**	**469**	**8 519**	**41**	**8 560**
Stage 1	482	35	249	(291)	-	(7)	-	45	520	-	520
Stage 2	1 078	(183)	169	(207)	-	(221)	-	(71)	786	-	786
Stage 3	7 950	148	809	1 472	-	2 429	(3 661)	495	7 213	41	7 254
Corporate	**6 282**	**-**	**576**	**639**	**(253)**	**962**	**(175)**	**(894)**	**6 175**	**(118)**	**6 057**
Stage 1	757	(35)	430	(119)	(206)	70	-	41	868	-	868
Stage 2	53	35	6	764	(13)	792	-	(192)	653	-	653
Stage 3	5 472	-	140	(6)	(34)	100	(175)	(743)	4 654	(118)	4 536
Total	**19 215**	**-**	**1 909**	**1 857**	**(253)**	**3 513**	**(4 352)**	**(149)**	**18 227**	**(388)**	**17 839**

Notes (continued)

26 Loans and advances to customers (continued)

26.4 Loans impairment charge

	2025 KShs. million	2024 KShs. million
Loans impairment charge for financial assets	92	43
Loans impairment for customer loans (note 26.3)	2 079	3 513
Loans impairment charge/(credit) for performing bank loans (Note 25.1)	5	19
Loans impairment for performing off balance sheet letters of credit and guarantees (Note 44.3)	22	(39)
Amounts recovered and cured during the year	(571)	(437)
Net impairment charge on loans and advances	**1 627**	**3 099**

The Directors are of the opinion that net recoverable amounts are reasonable and are expected to be realised based on past experience.

26.5 Vehicle and asset finance

The Bank holds contracts with customers where the Bank finances the purchase of assets under a series of contracts which transfer title to the Bank as security for the loan. The Bank receives the loan repayments and sets off the repayments against the principal loan and interest.

	2025 KShs. million	2024 KShs. million
Maturity analysis:		
Not later than 1 year	887	1 053
Later than 1 year and not later than 5 years	12 752	12 200
Later than 5 years	1 120	667
	14 759	**13 920**

The weighted average effective interest rate on vehicle and asset finance loans as at 31 December 2025 was 14.90% (2024: 17.61%).

Notes (continued)

26 Loans and advances to customers (continued)

26.6 Loans and advances to employees

The aggregate amount of loans and advances to employees on the statement of financial position is:

	2025 KShs. million	2024 KShs. million
At start of year	4 592	3 898
New loans issued	1 155	2 024
Interest	642	623
Loan repayments	(1 864)	(1 953)
At end of year	**4 525**	**4 592**

27 Other assets and prepayments

	2025	2024
Uncleared effects	7 924	6 767
Other assets and prepayments	898	811
Off market loan adjustment	1 008	1 409
Due from group companies (Note 45.6)	1 095	1 053
Other receivables	383	286
	11 308	**10 326**

The off-market loan adjustment relates to the prepaid benefit granted to staff, being the difference between the fair value of the staff loans and the initial cash outflow. The fair value of future cash flows are discounted at a market related rate. The asset represents the Bank's right to receive future service from employees.

28 Investment in subsidiaries

Investment in subsidiary relates to 100% ownership of Stanbic Bank Nominees Limited and Stanbic Kenya Foundation Limited.

Stanbic Nominees ownership amounts to kes 2,000. The entity was dormant during the two financial years.

The principal place of business for the subsidiaries is Stanbic Bank Centre, Chiromo Road.

There were no significant restrictions on the Bank's ability to access the assets and settle liabilities of the subsidiaries. The total amount disclosed as investment in a subsidiary is a non-current asset.

29 Other investments

	2025 KShs. million	2024 KShs. million
Unquoted:		
Equity investment at fair value through profit or loss	18	18
At 31 December	**18**	**18**

The investment is in Anglo African Property Holding Limited where the Bank holds a beneficial interest of 1%. The investment is unquoted and its carrying value (cost) is estimated to approximate the fair value.

30 a) Property and equipment

	Premises KShs. million	Equipment Furniture & Fittings KShs. million	Motor Vehicles KShs. million	Work in Progress (WIP) KShs. million	Total KShs. million
31 December 2025					
Opening net carrying amount	189	1 968	8	66	**2 231**
Additions	-	150	-	460	**610**
Disposals	-	(3)	-	-	**(3)**
Depreciation charge on disposal	-	3	-	-	**3**
Translation differences	-		(1)	-	**(1)**
Depreciation charge	(13)	(446)	(5)	-	**(464)**
Closing net carrying amount	**176**	**1 672**	**2**	**526**	**2 376**
At 31 December 2025					
Cost	388	6 107	16	526	**7 037**
Accumulated depreciation	(212)	(4 435)	(14)	-	**(4 661)**
Net carrying amount	**176**	**1 672**	**2**	**526**	**2 376**

**South Sudan ceased hyperinflation accounting during the year ended 31 December 2025*

Notes (continued)

30 a) Property and equipment (continued)

	Premises KShs. million	Equipment Furniture & Fittings KShs. million	Motor Vehicles KShs. million	Work in Progress (WIP) KShs. million	Total KShs. million
31 December 2024					
Opening net carrying amount	**202**	**1 826**	**25**	**25**	**2 078**
Additions	-	633	-	41	**674**
Disposals	-	(195)	(82)	-	**(277)**
Depreciation charge on disposal	-	195	82	-	**277**
Translation differences	-	(98)	(11)	-	**(109)**
Depreciation charge	(13)	(436)	(6)	-	**(455)**
Hyperinflation Impact	-	43	-	-	**43**
Closing net carrying value	**189**	**1 968**	**8**	**66**	**2 231**
At 31 December 2024					
Cost	388	5 960	17	66	**6 431**
Accumulated depreciation	(199)	(3 992)	(9)	-	**(4 200)**
Net carrying amount	**189**	**1 968**	**8**	**66**	**2 231**

Work in progress is composed of refurbishments and equipment for branches and projects that had not been completed as at year-end. The total amount disclosed as property and equipment is non-current. As at 31 December 2025 and 31 December 2024, there were no items of property and equipment pledged by the Bank to secure liabilities.

Revaluation of land and buildings

The revaluation reserve in equity relates to the value of the Stanbic office in Chiromo at the point of merger between CfC Bank and Stanbic Bank in 2008. The fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer were based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

30 b) Right-of-use-assets leasehold land

	2025 KShs. million	2024 KShs. million
Cost		
At start and end of year	85	85
Amortisation		
At start of year	(55)	(52)
Charge for the year	(3)	(3)
At end of year	(58)	(55)
Net carrying amount as at 31 December	27	30

This relates to land leased by the Bank from the Government of Kenya for a lease term period of 99 years.

Notes (continued)

31 Intangible assets

Year ended 31 December 2025	Work in progress KShs. million	Computer Software KShs. million	Total KShs. million
Cost			
At start of year	93	**4 365**	**4 458**
Additions	160	60	**220**
Transfer from work in progress	(1)	1	-
Translation differences	-	-	-
At end of year	**252**	**4 426**	**4 678**
Amortisation			
At start of year	-	(3 488)	**(3 488)**
Amortisation for the year	-	(306)	**(306)**
At end of year	-	**(3 793)**	**(3 793)**
Net carrying amount at end of year	**252**	**633**	**885**
At 31 December 2025			
Cost	252	4 426	**4 678**
Accumulated amortisation	-	(3 793)	**(3 793)**
Net carrying amount	**252**	**633**	**885**
Year ended 31 December 2024			
Cost			
At start of year	**185**	3 793	**3 978**
Additions	-	484	**484**
Transfer from work in progress	(92)	92	-
Translation differences	-	(4)	**(4)**
At end of year	**93**	**4 365**	**4 458**
Amortisation			
At start of year	-	(3 249)	**(3 249)**
Amortisation for the year	-	(239)	**(239)**
At end of year	-	**(3 488)**	**(3 488)**
Net carrying amount	**93**	**877**	**970**
At 31 December 2024			
Cost	93	4 365	**4 458**
Accumulated amortisation	-	(3 488)	**(3 488)**
Net carrying amount	**93**	**877**	**970**

Notes (continued)

31 Intangible assets (continued)

The total amount disclosed as intangible assets is non-current and relates to computer software. Work in progress relates to computer software for upgrades and development of banking systems that had not been completed as at year end.

As at 31 December 2025, the intangible assets had an average remaining useful life of 2 years.

32 Right-of-use assets

31 December 2025	Buildings KShs. million	Branches KShs. million	ATM Space KShs. million	Others KShs. million	Total KShs. million
Cost					
At start of year	342	1 816	112	257	2 527
Additions	67	1 002	16	138	1 223
Translation difference	(1)	(12)	(1)	-	(14)
At end of year	**408**	**2 806**	**127**	**395**	**3 736**
Depreciation					
At start of year	260	1 303	84	187	1 834
Depreciation charge for the year	38	217	17	45	317
Translation difference	-	(1)	-	-	(1)
At end of year	**298**	**1 519**	**101**	**232**	**2 150**
Right-of-use assets	**110**	**1 287**	**26**	**163**	**1 586**
31 December 2024					
Cost					
At start of year	314	1 874	95	220	2 503
Additions	38	62	19	37	156
Translation difference	(10)	(120)	(2)	-	(132)
At end of year	**342**	**1 816**	**112**	**257**	**2 527**
Depreciation					
At start of year	218	1 211	75	142	1 646
Depreciation charge for the year	52	215	12	45	324
Translation difference	(10)	(123)	(3)	-	(136)
At end of year	**260**	**1 303**	**84**	**187**	**1 834**
Right-of-use assets	**82**	**513**	**28**	**70**	**693**

The Bank leases property for use as branches, offices, ATMs and parking spaces. The leases of offices and ATM spaces are typically for periods of between 2 and 10 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

Notes (continued)

33 Lease liabilities

	2025 KShs. million	2024 KShs. million
Non-current	1 098	498
Current	407	215
	1 505	**713**

Reconciliation of lease liabilities arising from financing activities:

31 December 2025	Buildings KShs. million	Branches KShs. million	ATM Space KShs. million	Others KShs. million	Total KShs. million
At start of year	42	517	81	73	713
Additions	67	1 002	16	138	1 223
Interest charged to profit or loss	19	79	7	27	132
Translation difference	(2)	(51)	(7)	-	(60)
Foreign exchange movement on lease liability	3	25	8	-	36
Cash flows:					
- Operating activities (interest paid)	(19)	(79)	(7)	(27)	(132)
- Payments under leases	(58)	(293)	(17)	(39)	(407)
At end of year	**52**	**1 200**	**81**	**172**	**1 505**

31 December 2024	Buildings KShs. million	Branches KShs. million	ATM Space KShs. million	Others KShs. million	Total KShs. million
At start of year	113	782	34	79	1 008
Additions	38	62	19	37	156
Interest charged to profit or loss	14	82	6	14	116
Translation difference	(13)	(108)	(2)	-	(123)
Foreign exchange movement on lease liability	5	39	43	-	87
Cash flows:					
- Operating activities (interest paid)	(14)	(82)	(6)	(14)	(116)
- Payments under leases	(101)	(258)	(13)	(43)	(415)
At end of year	**42**	**517**	**81**	**73**	**713**

	2025 %	2024 %
Weighted average effective interest rates at the reporting date was:	13.07%	15.60%

Maturity analysis of lease liabilities is as follows	2025 KShs' million	2024 KShs' million
Within 1 year	447	361
From 1 year to 5 years	1 161	558
More than 5 years	388	14
	1 996	**933**

The maturity analysis disclosed refers to undiscounted amounts as required by IFRS 7. Lease liabilities do not face a significant liquidity risk and/or foreign currency risk.

Notes (continued)

34 a) i) Deferred income tax asset

	Note	2025 KShs. million	2024 KShs. million
At start of year		8 899	9 262
Charge to statement of profit or loss (note 16)		(117)	(101)
Credit to statement of profit or loss - Foreign operations (note 16)		31	7
Debit/(credit) to other comprehensive income (note 34 (a) (ii))		2	(206)
Exchange differences on translation		(10)	(63)
At end of year		8 805	8 899

Deferred income tax (assets)/liabilities and deferred income tax (credit)/charge in the statement of profit or loss and statement of other comprehensive income are attributable to the following items:-

a) ii) Deferred income tax asset

	01.01.2025	(Credited)/ charged to statement of profit or loss	Credited to OCI	Translation difference	31.12.2025
Year ended 31 December 2025	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Arising from:					
Property and equipment	976	(116)	-	-	**860**
Expected credit loss charges	6 673	631	-	-	**7 304**
Right-of-use assets	(25)	(22)	-	-	**(47)**
Unrealised gain on bonds – FVOCI	(280)	-	2	-	**(278)**
Unrealised gain on bonds –FVTPL	(117)	(86)	-	-	**(203)**
Other provisions	1 647	(524)	-	-	**1 123**
Exchange difference on translation	(73)	-	-	(10)	**(83)**
South Sudan deffered tax asset	98	31	-		**129**
Net deferred income tax asset	**8 899**	**(86)**	**2**	**(10)**	**8 805**

	01.01.2024	(Credited)/ charged to statement of profit or loss	Credited to OCI	Translation difference	31.12.2024
Year ended 31 December 2024	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Arising from:					
Property and equipment	1 058	(82)	-	-	**976**
Expected credit loss charges	6 480	193	-	-	**6 673**
Right-of-use assets	155	(180)	-	-	**(25)**
Unrealised gain on bonds – FVOCI	(74)	-	(206)	-	**(280)**
Unrealised gain on bonds – FVTPL	220	(337)	-	-	**(117)**
Other provisions	1 342	305	-	-	**1 647**
Exchange difference on translation	(10)	-	-	(63)	**(73)**
South Sudan deferred tax asset	91	7	-	-	**98**
Net deferred income tax asset	**9 262**	**(94)**	**(206)**	**(63)**	**8 899**

Notes (continued)

34 b) Deferred income tax liability

Foreign Operations	2025 KShs. million	2024 KShs. million
At start of year	25	81
Debit to statement of profit or loss (Note 16)	31	7
Translation difference	(10)	(63)
At end of year	**46**	**25**

The total amount disclosed as deferred income tax liability is a non-current liability.

Year ended 31 December 2025	01.01.2025 KShs. million	(Credited)/ charged to statement of profit or loss KShs. million	Translation Difference KShs. million	31.12.2025 KShs. million
Arising from:				
Property and equipment	(10)	3	-	(7)
Impact of Hyperinflation on Fixed Assets	16	-	-	16
Exchange difference on translation	(67)	-	(10)	(77)
Other provisions	106	41	-	147
Right-of-use assets	(20)	(13)	-	(33)
Net deferred income tax liability	**25**	**31**	**(10)**	**46**

Year ended 31 December 2024	01.01.2024 KShs. million	(Credited)/ charged to statement of profit or loss KShs. million	Translation Difference KShs. million	31.12.2024 KShs. million
Arising from:				
Property and equipment	3	(13)	-	(10)
Impact of Hyperinflation on Fixed Assets	-	16		16
Effect of tax rate change	3	(3)	-	-
Exchange difference on translation	(4)	-	(63)	(67)
Other provisions	69	37	-	106
Right-of-use assets	10	(30)	-	(20)
Net deferred income tax liability	**81**	**7**	**(63)**	**25**

35 Current income tax

The current income tax payable and current income tax receivable have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off current tax.

a) Current income tax payable/(receivable)

	2025 KShs. million	2024 KShs. million
As at 1 January	(1 359)	2 168
Current income tax charge (Note 16)	4 972	5 606
Income tax paid	(4 777)	(8 495)
Prior year under/(over) provision (Note 16)	27	(546)
Exchange difference on translation	(7)	(92)
As at 31 December	**(1 144)**	**(1 359)**
Made up of		
Tax payable	**99**	**20**
Tax recoverable	**(1 243)**	**(1 379)**
	(1 144)	**(1 359)**

The amount above relates to current income tax recoverable in Kenya and is current.

Notes (continued)

35 b) Current income tax payable/(recoverable)

Foreign Operations

	2025 KShs. million	2024 KShs. million
As at 1 January	-	-
Opening balance	(20)	(47)
Current tax charge	(160)	(119)
Tax paid	86	67
Prior year over Under provision	(9)	(13)
Transfer to tax payable account	99	20
Exchange difference on translation	4	92
As at 31 December	-	-

The amount above relates to current income tax recoverable in South Sudan and is current.

36 Customer deposits

	2025 KShs. Million	2024 KShs. million
Current accounts	246 645	178 496
Call deposits	27 705	16 073
Savings accounts	71 324	76 650
Term deposits	27 862	39 007
LC acceptances	1 554	10 360
	375 090	**320 586**
Maturity analysis:		
Redeemable on demand	294 407	245 411
Maturing within 1 month	55 861	52 092
Maturing after 1 month but within 6 months	15 166	13 859
Maturing after 6 months but within 12 months	4 418	4 430
Maturing after 12 months	5 238	4 794
	375 090	**320 586**

Deposit products include current accounts, savings accounts, call deposits and fixed deposits. The weighted average interest rate on customer deposits as at 31 December 2025 was 4.42% (2024: 4.81%).

37 Amounts due to other banks

	2025 KShs. million	2024 KShs. million
Deposits from banks	14 100	10 869
Balances due to group companies (45.2)	30 793	8 641
	44 893	**19 510**

The weighted average interest rate for deposits from banks is 5.32% (2024: 6.71%).

Maturity analysis:		
Redeemable on demand	4 648	4 114
Maturing within 1 month	8 722	7 417
Maturing after 1 month but within 6 months	318	515
Maturing after 6 months but within 12 months	15 624	117
Maturing after 12 months	15 581	7 347
	44 893	**19 510**

Notes (continued)

38 a) Other liabilities and accruals

	2025 KShs. million	2024 KShs. million
Accruals	3 544	4 106
Deferred bonus scheme (Note 38 (b))	822	840
Unpresented bank drafts	63	70
Margin on guarantees and letters of credit	1 840	1 499
Items in transit	6	8
Due to group companies (Note 45.7)	553	1 044
Sundry creditors	2 751	1 824
Expected credit losses provision on off balance sheet items (note 44.3)	88	62
	9 667	**9 453**

Sundry creditors relate to credits in transit, PAYE and VAT payables.

b) Deferred bonus scheme (DBS)-Share based incentive schemes

It is essential for the Bank to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the Bank and employees, as well as to attract and retain skilled, competent people.

The Bank has implemented a schemes to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

The schemes include Deferred Bonus Scheme (DBS) and the Cash-Settled Deferred Bonus Scheme (CS-DBS), through which short-term incentives such as annual performance awards are deferred and settled on vesting. The Group also has a Performance Reward Plan (PRP), a performance-driven share plan that rewards employees based on value delivered against specific performance targets, as well as an Equity Growth Scheme, an equity-settled arrangement comprising appreciation rights allocated to eligible employees.

All awards are indexed to Standard Bank Group's (SBG) share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to SBG's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to KShs 822,067,000 at 31 December 2025 (2024: KShs 840,004,730) and the amount charged for the year was KShs 508,253,288 (2024: KShs 962,489,787).

	2025 KShs. Million	2024 KShs. Million
Cash Settled Deferred Bonus Scheme (CS DBS)	343	367
Deferred Bonus Scheme (DBS)	83	87
Performance Reward Plan (PRP)	289	269
Equity Growth Scheme (EGS)	-	2
Standard Bank Asset Manager Deferred Bonus Scheme (SARP)	107	115
Balance at end of the year	**822**	**840**

	Units	
Units outstanding at beginning of the year	85 167	67 837
Granted	41 454	46 427
Exercised	(34 901)	(33 810)
Lapsed	(23 402)	-
Transfers	11 260	4 713
Units outstanding at end of the year	**79 578**	**85 167**

Weighted average fair value at grant date (ZAR)*	208.52	165.94
Expected life (years)	2.51	2.51

** South African Rand*

Notes (continued)

39 Subordinated borrowings

At 31 December 2025	Notional value KShs. million	Carrying value KShs. million	Interest Rate	Date of Issue	Maturity date
Subordinated debt - USD 30M	3 869	3 894	7.47%	1-Mar-23	1-Mar-33
Subordinated debt - USD 40M	5 158	5 261	8.51%	31-Mar-25	25-Oct-34
Subordinated debt - USD 30M	3 869	3 870	8.19%	28-Sep-22	30-Sep-32
Total	**12 896**	**13 025**			

At 31 December 2024	Notional value KShs. million	Carrying value KShs. million	Interest Rate	Date of Issue	Maturity date
Subordinated debt - USD 30M	3 875	3 902	9.21%	1-Mar-23	1-Mar-33
Subordinated debt - USD 20M	2 583	2 703	10.89%	25-Oct-24	25-Oct-34
Subordinated debt - USD 30M	3 875	3 877	9.97%	28-Sep-22	30-Sep-32
Total	**10 333**	**10 482**			

There were no charges placed on any of the Bank's assets in relation to these borrowings. The borrowings are unsecured subordinated debt instruments.

The difference between the carrying and notional value represents, accrued interest and the unamortised issue costs.

Interest expense incurred in the above borrowings was KShs 1,050,147,109 (2024: KShs 1,061,891,971). The weighted average effective interest rate on borrowings as at 31 December 2025 was 8.22% (2024: 9.96%) on the back of a lower SOFR rate year on year.

The Bank has borrowed three subordinated debt facilities as follows:

a) USD 30 million obtained from the Standard Bank of South Africa in 2023. There are no covenants relating to this facility.

b) USD 20 million obtained from the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) in 2019. During the year ,there was an additional drawdown of USD 20 million.The Bank complied with all covenants relating to this facility throughout the reporting year.

c) USD 30 million obtained from Standard Bank of South Africa in 2022. There are no covenants relating to this financing.

Reconciliation of liabilities arising from financing activities:	**2025 KShs' million**	**2024 KShs' million**
At start of year	10 482	12 713
Interest charged to profit or loss (note 7)	1 050	1 062
Foreign exchange gain	(129)	(2 263)
Cash flows:		
- Operating activities (interest paid)	(964)	(1 030)
- Proceeds from borrowings	2 586	-
At end of year	**13 025**	**10 482**

40 Share capital

Authorised share capital	**2025 Number of Shares (million)**	**2025 Share Capital KShs. million**	**2024 Number of Shares (million)**	**2024 Share Capital KShs. million**
Authorised share capital at Kshs 20 each	187	3 745	187	3 745
At 31 December	**187**	**3 745**	**187**	**3 745**

Issued share capital	**2025 Number of Shares (million)**	**2025 Share Capital KShs. million**	**2024 Number of Shares (millions)**	**2024 Share Capital KShs '000**
Balance as at 01 January	171	3 412	171	3 412
At 31 December	**171**	**3 412**	**171**	**3 412**
Unissued shares	**16**	**333**	**16**	**333**

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at annual and general meetings of the company. All ordinary shares rank equally with regard to the Bank's residual assets.

Notes (continued)

41 Share premium

	2025 KShs. million	2024 KShs. million
At 01 January	3 445	3 445
At 31 December	**3 445**	**3 445**

42 Nature and purpose of reserves

42.1 Fair value reserve on financial assets at fair value through other comprehensive income (FVOCI)

The fair value reserve comprises the cumulative net change in the fair value of FVOCI financial assets until the investment is derecognised or impaired. The reserve is non-distributable.

42.2 Revaluation reserve on land and buildings

The revaluation reserve represents solely the surplus on the revaluation of buildings and freehold land net of deferred income tax and is non-distributable. This reserve arose from the merger between CfC Bank Limited and Stanbic Bank Limited in 2008.

42.3 Foreign currency translation reserve

Currency translation reserve comprises all the foreign exchange differences arising from the translation of the financial results of foreign operations.

42.4 Regulatory credit risk reserve

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

Notes (continued)

43 Share-based payment reserve

The Bank's share incentive scheme enables key management personnel and senior employees of the Bank to benefit from the performance of Standard Bank Group (SBG) shares.

The Bank has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. The share appreciation rights granted during the year were valued using Black Scholes pricing model. Each grant was valued separately.

At 31 December 2025, the total amount included in staff costs for Group Share Incentive Scheme was KShs. Nil (2024: Nil) and for Equity Growth Scheme was KShs. Nil (2024: 893).

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 Years
Type B	5, 6, 7	50, 75, 100	10 Years
Type C	2, 3, 4	50, 75, 100	10 Years
Type D	2, 3, 4	33, 67, 100	10 Years
Type E	3, 4, 5	33, 67, 100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below.

The weighted average SBG share price for the year to 31 December 2025 was ZAR 208.52. For the year 2024 was ZAR 209.74.

43 Share-based payment reserve (continued)

Equity Growth Scheme	Number of rights 2025	2024
Rights outstanding at beginning of the year	893	38 251
Transfers	-	-
Exercised	(893)	(37 358)
Rights outstanding at end of the year	**-**	**893**

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
-	208.52	208.52	Year to 31 December 2025

All rights granted to employees had been exercised as at 31 December 2025

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
893	209.74	209.74	Year to 31 December 2024

Notes (continued)

44 Contingent liabilities

Commitments were with respect to:

	2025 KShs. million	2024 KShs. million
Letters of credit and acceptances	22 373	3 481
Guarantees	110 794	76 362
Unutilised facilities	23 653	19 346
	156 820	**99 189**

Maturity analysis of contingent liabilities

31 December 2025	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Total carrying value
Letters of credit and acceptances	154	15	7 569	11 669	2 966	-	**22 373**
Guarantees	104	2 200	26 652	32 445	49 323	70	**110 794**
Unutilised facilities	-	350	9 413	13 890	-	-	**23 653**
31 December 2024							
Letters of credit and acceptances	4	49	3 376	52	-	-	**3 481**
Guarantees	4	951	22 539	29 407	23 405	56	**76 362**
Unutilised facilities	152	1 548	4 568	13 078	-	-	**19 346**

44.1 Nature of contingent liabilities

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

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 customers' default.

An acceptance is an undertaking by the Bank to pay a bill of exchange drawn on a customer. The Bank expects most of the acceptances to be presented, and to be reimbursed by the customer almost immediately.

The off balance sheet facilities are classified based on their credit quality as determined using the Bank's internal credit rating and scoring models.

44.2 Segmental analysis of off-balance sheet liabilities

	2025 KShs. million	%	2024 KShs. million	%
Agriculture	1 673	1%	972	1%
Manufacturing	23 228	14%	4 358	4%
Construction	28 463	18%	25 067	25%
Energy	169	0%	165	0%
Transport and communication	7 071	5%	2 981	3%
Distribution/wholesale	29 798	19%	23 862	24%
Financial services	64 162	41%	40 476	41%
Other activities and social service	2 257	2%	1 308	2%
	156 820	**100%**	**99 189**	**100%**

Notes (continued)

44 Contingent liabilities (continued)

44.3 Expected credit losses on off-balance sheet items

			Statement of profit or loss movements						
	Opening ECL 1 January 2025	Total transfers between stages	ECL on new exposure raised	Derecognition	Subsequent changes in ECL	Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2025
Off balance sheet	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions
Stage 1	**57**	**2**	**46**	**(14)**	**(9)**	**23**	**-**	**4**	**86**
Letters of credit	2	-	13	(2)	(1)	**10**	-	2	14
Guarantees	55	2	33	(12)	(8)	**13**	-	2	72
Stage 2	**5**	**(2)**	**1**	**(1)**	**(1)**	**(1)**	**-**	**-**	**2**
Letters of credit	-	-	-	-	-	**-**	-	-	-
Guarantees	5	(2)	1	(1)	(1)	**(1)**	-		2
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Letters of credit	-	-	-	-	-	**-**		-	-
Guarantees	-	-	-	-	-	**-**	-	-	-
Total ECL	**62**	**-**	**47**	**(15)**	**(10)**	**22**	**-**	**4**	**88**

Notes (continued)

44 Contingent liabilities (continued)

44.3 Expected credit losses on off balance sheet items (continued)

	Opening ECL 1 January 2024	Total transfers between stages	Statement of profit or loss movements			Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024
			ECL on new exposure raised	Derecognition	Subsequent changes in ECL				
Off balance sheet	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions	KShs Millions
Stage 1	**88**	**1**	**18**	**(31)**	**(19)**	**(32)**	**-**	**-**	**57**
Letters of credit	21	-	2	(20)	(1)	(19)	-	-	2
Guarantees	67	1	16	(11)	(18)	(13)	-	-	55
Stage 2	**5**	**(1)**	**3**	**(2)**	**(8)**	**(7)**	**-**	**8**	**5**
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	5	(1)	3	(2)	(8)	(7)	-	8	5
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-	-	-	-
Total ECL	**93**	**-**	**21**	**(33)**	**(27)**	**(39)**	**-**	**8**	**62**

44.4 Legal proceedings and Tax assesments

Legal contigencies

In the conduct of its ordinary course of business, the Bank is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims arising, that the Bank has adequate insurance programmes and provisions in place to meet such claims. The amounts provided for in other liabilities are KShs 263,185,298 (2024: KShs 1,081,595,734).

Tax assesments

The Bank has received tax assessments pertaining tax interpretations on its business activities from the Kenya Revenue Authority, which it has challenged on various principles and continues to engage the Revenue authority to resolve. Management is confident that no material liabilities will crystallise from these assessments, beyond the provisions already recorded.

Notes (continued)

45 Related party transactions and balances

The Bank is a wholly owned subsidiary of Stanbic Holdings Plc, which is in turn a subsidiary of Stanbic Africa Holdings Limited (SAHL), incorporated in South Africa. The ultimate parent of the Bank is Standard Bank Group Limited, which is incorporated in the United Kingdom.

There are other companies which are related to Stanbic Bank Kenya Limited through common shareholdings or common directorships.

In the normal course of business, nostro and vostro accounts are operated and placings of both foreign and local currencies are made with the parent company and other group companies including bank deposits from group non bank companies at interest rates in line with the market. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party balances.

For the year ended 31 December 2025, the Bank has not made provision for doubtful debts relating to long outstanding amounts owed by related parties (2024: Nil) as indicated on Note 45.6.

The relevant balances are as shown below:

45.1 Loans and advances to group banks

	2025 KShs. million	2024 KShs. million
Stanbic Bank Uganda Limited	1 417	1 239
Stanbic Bank Tanzania Limited	299	134
Standard Bank of South Africa Limited	802	15 768
Standard Bank Isle of Man	22 278	42 283
	24 796	**59 424**
Interest income earned on the above is:	**1 635**	**5 429**

45.2 Deposits due to group banks

	2025 KShs. Million	2024 KShs. Million
Standard Bank of South Africa Limited	29 566	500
Stanbic Bank Uganda Limited	508	1 075
Stanbic Bank Botswana Limited	7	3
Standard Bank Isle of Man Limited	582	7 009
Stanbic Bank Tanzania Limited	127	47
Stanbic Bank Malawi Limited	1	-
Stanbic Zimbabwe Limited	1	1
Standard Bank (Mauritius) Limited	1	6
	30 793	**8 641**
Interest expense incurred on the above is:	**1 502**	**644**

The weighted average effective interest rate on loans and advances to group companies as at 31 December 2025 was 4.84% (2024: 6.13%) and on amounts due to group companies was 2.12% (2024: 2.91%).

Notes (continued)

45 Related party transactions (continued)

45.3 Deposits due to group companies non-bank

	2025 KShs. million	2024 KShs. million
Stanbic Holdings Plc	115	159
SBG Securities Limited	769	565
The Heritage Insurance Company Limited	154	-
Liberty Life Assurance Kenya Limited	852	280
Stanbic Bancassurance Intermediary Limited	104	11
Stanbic Africa Holdings Limited	9	149
Stanbic Nominees Kenya Limited	24	-
Stanbic Foundation	120	237
	2 147	**1 401**

The interest earned on above deposits is Ksh 6,318,820 (2024:Ksh 5,927,962).The weighted average effective interest rate on the non bank deposits is 4.35% (2024:4.21%).

45.4 Due to subsidiary

Amounts due to subsidiary relates to deposit by Stanbic Nominees Limited and Stanbic Kenya Foundation Limited (note 45.3).

45.5 Key management compensation

Key management personnel include the members of the Stanbic Bank Kenya Limited board of directors and prescribed officers effective for 2025 and 2024. Non-executive directors are included in the definition of key management personnel as required by IAS 24 Related Party Disclosures. The definition of key management includes the close family members of key management personnel and any entity over which key management exercise control or joint control. Close members of family are those family members who may be expected to influence, or be influenced by that person in their dealings with the bank. They include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

45.5.1 Loans and advances to key management

The aggregate amount of loans to directors, affiliates and their families as at 31 December 2025 is Kshs nil (2024: KShs nil).

Loans include mortgage loans, instalment sale and finance leases and credit cards. No specific credit impairments have been recognised in respect of loans granted to key management (2024: Nil).

Notes (continued)

45 Related party transactions (continued)

45.5.2 Key management remuneration

	2025 KShs. million	2024 KShs. million
Fees for services as a director	63	55
Salaries and other short term employment benefits	107	100
Post-employment pension	6	6
Share-based payments	32	13
	208	**174**

45.6 Other receivable from related companies

	2025	2024
SBG Securities Limited	12	37
Standard Bank Jersey Limited	3	3
Stanbic Holdings Plc	54	101
Stanbic Bank Uganda Limited	2	57
Stanbic Uganda Holdings Limited	6	6
Stanbic Bank Tanzania Limited	1	-
Standard Bank of South Africa Limited	942	793
Stanbic Bancassurance Intermediary Limited	51	47
Standard Advisory London Ltd	1	1
Standard Bank Isle of Man Limited	15	-
Stanbic Foundation	8	8
	1 095	**1 053**
Provisions on regional costs balances	-	-
	1 095	**1 053**

Movement analysis

	2025	2024
At 1 January	1 053	558
Additions	2 246	2 428
Receipts	(2 204)	(1 933)
Closing Balance	**1 095**	**1 053**
Provisions on regional costs balances	-	-
At 31 December	**1 095**	**1 053**

There is no interest accruing for these outstanding receivables.

Notes (continued)

45 Related party transactions (continued)

45.7 Other payables due to related companies

	2025 KShs. million	2024 KShs. million
Standard Bank of South Africa Limited	541	1 033
Stanbic Bank Uganda Limited	11	11
SBG Securities Kenya	1	-
	553	1 044

There is no interest accruing for these outstanding liabilities.

45.8 Related party expenses

The Bank incurred the following related party expenses payable to the Standard Bank of South Africa:

	2025 KShs. million	2024 KShs. million
Franchise fees	1 116	1 148
Information technology	825	687
Other operating costs	210	345
	2 151	2 180

46 Notes to the statement of cash flow

46.1 Cash flows from operations

	Note	2025 KShs. million	2024 KShs. million
Reconciliation of profit before income tax to cash flows from operations			
Profit before income tax		18 590	18 804
Adjusted for:			
-Interest income	7	(37 211)	(48 166)
- Interest expense		12 155	22 877
- Credit impairment losses excluding recoveries		2 198	3 536
- Amortisation of intangible assets	31	306	239
- Depreciation - property and equipment	30(a)	464	455
- Depreciation - right of use asset - land	30(b)	3	3
- Depreciation - right of use asset	32	317	324
- Change in fair value of derivatives		(164)	331
- Interest charged on borrowings	39	1 050	1 062
- Gain on disposal of property and equipment		(3)	(24)
Cash flow from operations		(2 295)	(559)

45 Notes to the cash flow statement (continued)

46.2 Analysis of cash and cash equivalents

	2025 KShs. million	2024* KShs. million
Cash and balances with Central Banks	30 116	24 677
Treasury bills	766	-
Loans and advances to banks	93 610	64 574
Amounts due to banks	(13 688)	(12 979)
Cash and cash equivalents at year end	**110 804**	**76 272**

*The 2024 amounts have been restated.Refer to note 2.4.2

For the purpose of presentation of cash flows in the financial statements, the cash and cash equivalents include balances with Bank regulators , net of balances from banking institutions and treasury bills with a maturity period of three months or less from the contract date. Cash equivalent are held to meet short-term cash commitments.

During the year, management reviewed the classification of restricted balances held with the Central Bank of Kenya (CBK) and Bank of South Sudan(BOSS).Based on this assessment, these balances were determined to meet the definition of cash and cash equivalents for cash flow reporting purposes as the balances are available for use in the Bank's day-to-day liquidity and cash management activities. As a result, the prior-year comparative figures for cash and cash equivalents have been restated to include cash reserve balances held.

47 Capital commitments

Capital commitments for the acquisition of property and equipment are summarised below:

	2025 KShs. million	2024* KShs. million
Authorised and contracted for	399	1 632
Authorised but not contracted for	1 598	1 364

48 Short term leases and low value leases

The Bank has entered into a number of low value and short term leases that it has elected not to apply the requirements of IFRS 16. The Bank recognises the lease payments associated with these leases directly to the statement of profit and loss.

At 31 December, the future minimum undiscounted lease payments under the short term and leases of low value were as follows:

	2025 KShs. million	2024* KShs. million
Less than one year	90	100
Between one and five years	31	90
	121	**190**

49 Fiduciary activities

The assets held on behalf of individuals, trusts, retirement benefit plans and other institutions:

	2025 KShs. million	2024* KShs. million
Assets held on behalf of individual's trusts and other institutions	**775,056**	**736 333**

50 Subsequent events

There have been no events or transactions subsequent to 31 December 2025 to the date of these financial statements that would have a material effect on these financial statements and that would require adjustment of, or disclosure in the financial statements or notes thereto in accordance with IAS 10 Events After the Balance Sheet Date.