



SMEP Microfinance Bank Ltd
Annual Report and
Financial Statements
2025



OWN A PEACEFUL HOME!

Jenga pole pole, we've got you...



by **SMEP**
Microfinance Bank

Dreaming of renovating, expanding, or finally completing your home project?

SMEP BANK brings you Nyumba Poa – a flexible housing solution tailored to help you build, improve, and furnish your home, including acquisition of essential household items such as water tanks, TVs, gutters, toilets, and more.



SMEP Microfinance Bank Limited is a public limited company incorporated under the companies Act (Cap 486) and licensed under the Microfinance Act (Cap 493D) regulated by The Central Bank of Kenya to offer microfinance banking services focusing on Group, SME & Church banking. SMEP has a subsidiary company, SMEP Insurance Agency, which provides insurance services to diverse customer insurance needs.



GROWTH



ANALYSIS



INVESTMENT



REPORT



STRATEGY

VISION

We aspire to be a Christ Centered provider of financial solutions that transform lives.

MISSION

To empower families in Kenya's underserved communities with impactful financial solutions as we live and proclaim the Gospel of Jesus Christ.

CORE VALUES (PASSION)

Prayer: Matthew 6:10
Allegiance: Joshua 24:15
Service: John 13:14
Stewardship: Luke 12:48
Innovation: Genesis 1:27
Optimism: Lamentations 3:22-24
Naturing: John 13:34

OUR MOTIVATION

The love of Jesus Christ motivates us to identify with those living in poverty and be His hands and feet as we strive to glorify God.

KEY STAKEHOLDERS



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CORPORATE INFORMATION

Board of directors

Dr. Nelson Kuria	-	Chairperson
Rev. Canon Chris Kinyanjui		
Mr. John Thiong'o		
Mr. James Nyokangi		
Mr. Micah Jeffrey Crist		
Mr. Gideon Maniragaba		
Mr. Paul Munhuwaani Nyachiwowa		
Mr. Stanley Tsikirayi		
Mr. Emmanuel Efili Wuver		
Mr. Symon Kamore	-	Managing Director and Chief Executive Officer (upto 29/12/2025)
Mr. Isaiah Munguti	-	Ag.Chief Executive Officer

Credit Committee

Mr. Stanley Tsikirayi	-	Chairperson
Mr. James Nyokangi		
Mr. Paul Munhuwaani Nyachiwowa		
Mr. Gideon Maniragaba		

Audit and Risk Committee

Mr. John Thiong'o	-	Chairperson
Mr. Paul Munhuwaani Nyachiwowa		
Mr. Emmanuel Efili Wuver		
Mr. Stanley Tsikirayi		

Finance and Strategy Committee

Mr. Micah Jeffrey Crist	-	Chairperson
Dr. Nelson Kuria		
Mr. Emmanuel Efili Wuver		
Mr. Stanley Tsikirayi		
Mr. James Nyokangi		
Mr. John Thiong'o		
Rev. Canon Chris Kinyanjui		
Mr. Isaiah Munguti		

Human Resource and Spiritual Integration Committee

Rev. Canon Chris Kinyanjui	-	Chairperson
Mr. Micah Jeffrey Crist		
Mr. Gideon Maniragaba		
Mr. Isaiah Munguti		

Staff Retirement Scheme

Rev. Canon Chris Kinyanjui	-	Chairperson
Mr. Isaiah Munguti	-	Trustee
Mr. James Nyokangi	-	Trustee

Registered office

Kirichwa Road
L.R 2/187
P.O. Box 64063 - 00620
Nairobi.

Company Secretary

Image Registrars
Certified Public Secretaries
5th Floor, Barclays Plaza, Loita Street
Nairobi.

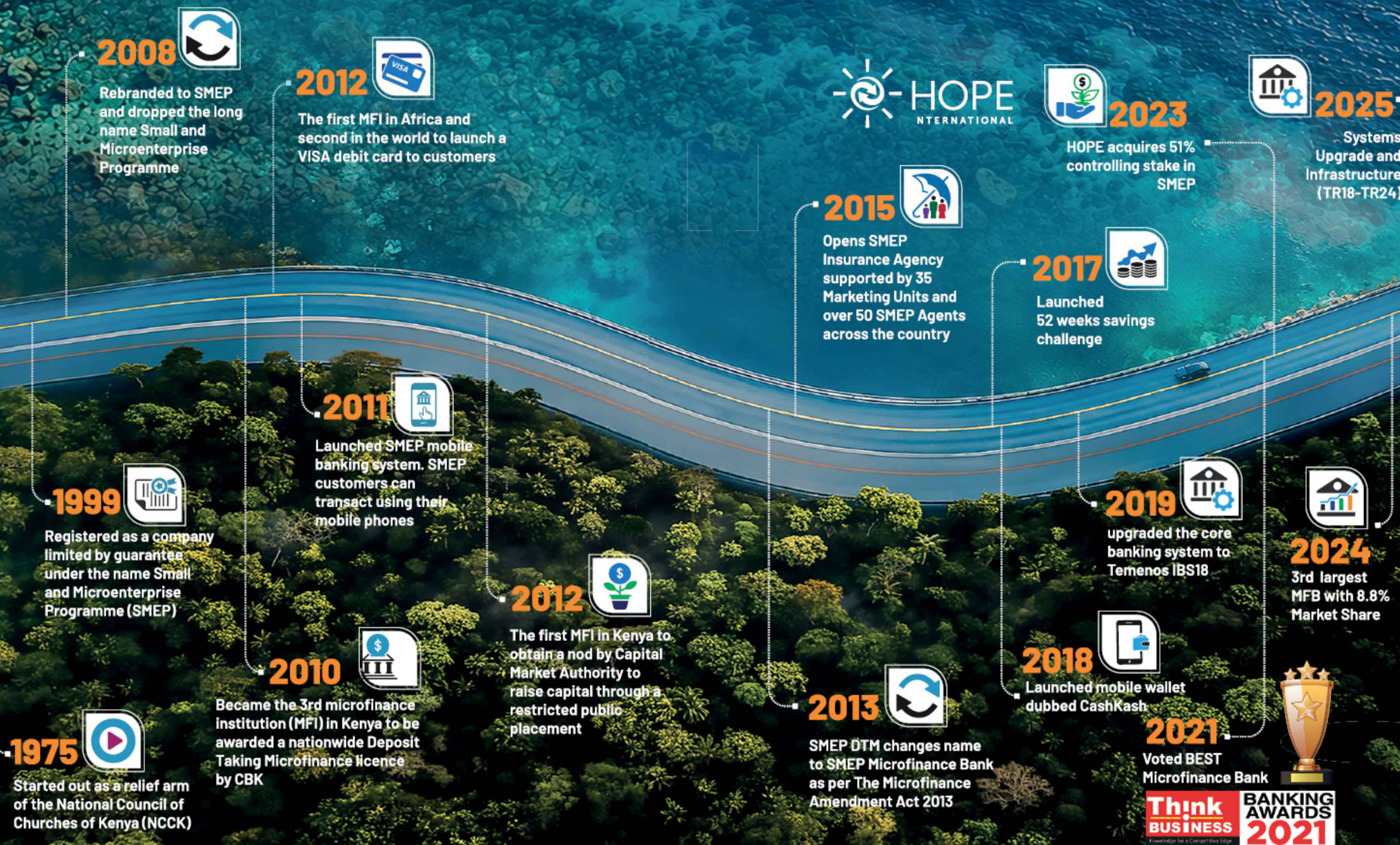
Principal bankers

Co-operative Bank of Kenya, China Centre, Ngong Road, P.O. Box 48231 - 00200, Nairobi.	Kingdom Bank Limited, Koinange Street Branch, P. O. Box 22741 - 00400, Nairobi.
KCB Group Limited, Moi Avenue Branch, P.O. Box 30081 - 00200, Nairobi.	Middle East Kenya Bank Limited Millmani Branch P. O. Box 47387 - 00100, Nairobi.
Sidian Bank Limited Kilimani Branch P. O. Box 25363 - 00603, Nairobi.	

Independent auditor

Forvis Mazars LLP,
Certified Public Accountants (K),
3rd Floor, The Green House, NAIROBI.
Ngong Road,
P.O. Box 61120 - 00200,
City Square, Nairobi.
KENYA.
Telephone : +254 (020) 3861175/76/79
Wireless : +254 (020) 2517101/3
Mobile : +254 722 440270
Fax : +254 (02) 3861169
Email : contact@forvismazars.com
Website : www.forvismazars.com/ke

OUR MILESTONES





NOTICE OF THE 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the shareholders of SMEP Microfinance Bank PLC ("Company") will be held via electronic communication, on Friday 26th June 2026 at 2.30 p.m. when the business set out below will be transacted.

ORDINARY BUSINESS

1. To read the notice convening the Meeting and determine if a quorum is present
2. To receive, consider and if approved, adopt the Company's audited financial statements for the year ended 31st December 2025, together with the reports of the Chairman, Directors and Auditors thereon.
3. To note that the Directors do not recommend the payment of a dividend for the Financial Year ended 31st December 2025.
4. Election of Directors
 - a) Rotation of Directors
In accordance with Article 118 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election
 - (i). Mr. Stanley Tsikirayi
 - (ii). Mr. Paul Nyachiwowa Munhuwani
 - b) To note the resignation of Mr. Emmanuel Efili Mordey Wuver with effect from 9th March 2026.
5. To consider and, if thought fit, appoint external auditors in accordance with the provisions of Section 721(2) of the Companies Act, 2015 subject to the approval of the Central Bank of Kenya and to authorize the Directors to fix their remuneration for the ensuing financial year.
6. To approve the remuneration of Directors for the period ended 31st December 2025.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following Resolutions:

As Special Resolutions:

- a) THAT subject to the approval by the relevant authorities including, the Central Bank of Kenya and the Registrar of Companies as applicable, consider and, if thought fit, approve the change of the name of the Company to "HOPE Microfinance Bank PLC".
- b) THAT Article 3 of the Articles of Association of the Company be and is hereby amended by deleting the existing Article 3 in its entirety and substituting it with the following:
"The share capital of the Company is Kenya Shillings One Billion Three Hundred and Thirty-Four Million Two Hundred and Ninety-Seven Thousand Five Hundred and Sixty (KShs. 1,334,297,560) divided into:
 - i. One Hundred and Eleven Million Six Hundred and Fifty-One Thousand One Hundred and Sixty-One (111,651,161) Ordinary Shares of Kenya Shillings Five (KShs. 5.00) each; and
 - ii. One Hundred and Fifty-Five Million Two Hundred and Eight Thousand Three Hundred and Fifty-One (155,208,351) Class A Ordinary Shares of Kenya Shillings Five (KShs. 5.00) each"

As Ordinary Resolutions:

- c) THAT the authorized share capital of the Company be and is hereby increased from Kenya Shillings One Billion One Hundred and Thirty-Nine Million Two Hundred and Ninety-Seven Thousand Five Hundred and



Sixty (KShs. 1,139,297,560) divided into One Hundred and Eleven Million Six Hundred and Fifty-One Thousand One Hundred and Sixty-One (111,651,161) Ordinary Shares of Kenya Shillings Five (KShs. 5.00) each and One Hundred and Sixteen Million Two Hundred and Eight Thousand Three Hundred and Fifty-One (116,208,351) Class A Ordinary Shares of Kenya Shillings Five (KShs. 5.00) each, to:

Kenya Shillings One Billion Three Hundred and Thirty-Four Million Two Hundred and Ninety-Seven Thousand Five Hundred and Sixty (KShs. 1,334,297,560) divided into:

- i. One Hundred and Eleven Million Six Hundred and Fifty-One Thousand One Hundred and Sixty-One (111,651,161) Ordinary Shares of Kenya Shillings Five (KShs. 5.00) each; and
 - ii. One Hundred and Fifty-Five Million Two Hundred and Eight Thousand Three Hundred and Fifty-One (155,208,351) Class A Ordinary Shares of Kenya Shillings Five (KShs. 5.00) each, by the addition thereto of 39,000,000 Class A Ordinary Shares.
- d) THAT pursuant to section 329 of the Companies Act, 2015 (the "Act") and subject to receipt of all the necessary regulatory approvals, the Directors be and are hereby generally and unconditionally authorized to exercise all the powers of the Company to allot and issue shares in the Company and to grant rights to subscribe for, or convert any security or indebtedness into, shares in the Company, provided that the maximum number of shares that may be allotted pursuant to this authority shall not exceed Thirty Nine Million (39,000,000) Class A Ordinary Shares. The shares may be allotted, and such rights may be granted, on such terms and conditions and at such subscription price or conversion price as the Directors may determine to be fair, reasonable and in the best interests of the Company. This authority shall expire on the date falling five (5) years after the date of passing this Resolution, unless previously renewed, varied or revoked by the Company in accordance with the Companies Act.

As Special Resolutions

- e) THAT pursuant to section 348 of the Companies Act, 2015 and subject to the authority granted under Resolution (d) above and further subject to the receipt of all regulatory approvals including those of the Central Bank of Kenya, the Directors be and are hereby empowered to allot and issue such number of Class A Ordinary Shares to HOPE Advancement Inc. as may be necessary in consideration of an aggregate subscription amount of up to United States Dollars One Million Five Hundred Thousand (USD 1,500,000) (or the Kenya Shilling equivalent thereof), at such subscription price per share and on such terms as the Directors may determine, and such shares shall rank pari passu in all respects with the existing Class A Ordinary Shares and shall be credited as fully paid upon receipt or capitalization of the relevant consideration. Such allotment shall be made as if the pre-emption provisions contained in Section 338 of the Companies Act, 2015 and the Articles of Association did not apply to such allotment
- f) THAT the Directors and the Company Secretary be and are hereby authorized to do all such acts and things, execute all such documents, make all requisite filings and lodgments, obtain all regulatory approvals including those of the Central Bank of Kenya, and take all such steps as may be necessary or desirable to give effect to the foregoing resolutions, including updating the register of members and filing all prescribed returns with the Registrar of Companies.

ANY OTHER BUSINESS

8. To consider any other business of which due notice has been received.

By Order of the Board

CATHERINE KAWIRA
COMPANY SECRETARY June 4, 2026



AGM NOTICE NOTES

NOTES:

1. Shareholders will not be able to attend the meeting in person but will be able to register for, access relevant information, follow the meeting in the manner detailed below and vote electronically or by proxy. Shareholders may ask questions in advance of the meeting as detailed in the instructions below.
2. Any shareholder wishing to participate in the meeting should register for the Annual General Meeting (AGM) by dialing *483*824# for all networks and following the various prompts regarding the registration process.
3. To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which were used to purchase their shares. For assistance shareholders should dial the following helpline number: (+254)709 170 000/15 from 8:00 a.m. to 5:00 p.m. from Monday to Friday. Shareholders outside Kenya should dial the helpline number or send an email to SMEPAGM@image.co.ke for assistance during registration.
4. Registration for the AGM opens on Friday, 5th June 2026 at 9:00 am and will close on Wednesday, 24th June 2026 at 5:00pm.
5. The following documents may be viewed on the Company's website www.smepp.co.ke : A copy of the proxy form, the Directors' Statement Issued pursuant to Section 348 of the Companies Act and the Audited Financial Statements of the Company for the year ended 31 December 2025.
6. Any shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. Such proxy need not be a member of the Company.
7. The proxy form can also be obtained from the Company's website www.smepp.co.ke or from Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P.O. Box 9287 – 00100, Nairobi, Kenya. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the proxy form to Image Registrars Limited, or alternatively to the Registered Office of the Company so as to arrive not later than 2.30 p.m. on 24th June 2026.
8. Duly signed proxy forms may also be emailed to SMEPAGM@image.co.ke in PDF format. A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate.
9. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by: (a) sending their written questions by email to SMEPAGM@image.co.ke; or (b) to the extent possible, physically delivering or posting their written questions with a return physical, postal or email address to the registered office of the Company or P.O. Box 63063, 00620, Nairobi, or to Image Registrars offices at the address above.
10. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/ USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, as a reminder that the AGM will begin in an hours' time and providing a link to the live stream.
11. Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote (when prompted by the chairman) via the USSD prompts.
12. Results of the resolutions voted on will be published on the Company's website i.e., www.smepp.co.ke within 48 hours following conclusion of the AGM.

SMART FINANCIAL SOLUTIONS FOR PURPOSE-DRIVEN ORGANIZATIONS.

SECURE • RELIABLE • PURPOSE-DRIVEN
We're here to help you make a lasting impact.



INSTITUTION ACCOUNT

Tailored Institutional Banking Services
Designed to help Churches, Schools,
NGOs, and other organizations securely
manage their finances and access
development loans.

A major milestone during the year was the successful upgrade of our core banking system from T24 Release 18 to the newest top in class Release 24, which went live in September 2025.

CHAIRMAN'S STATEMENT

Theme: Stabilising the Foundation, Accelerating Sustainable Growth and Impact

(Sub-theme: Governance, Stability, and Stewardship in a Year of Jubilee)

Dear Shareholders,

Distinguished Shareholders, Fellow Board Members, outgoing CEO Mr. Isaiah Munguti, incoming CEO Mr. Bernard Kivava, Management, Partners, and Invited Guests,

Good morning.

It is my distinct honour and profound privilege to welcome you to this year's Annual General Meeting of SMEP Microfinance Bank PLC.

This year's AGM is particularly significant as it comes at a defining moment in our institutional journey—a period where we have deliberately stabilised our foundation while positioning the Bank for accelerated sustainable growth and impact. It is also a Jubilee reflection point, marking 50 years of steadfast commitment to our Christ-centred mission of transforming lives through inclusive financial solutions.

Economic Context: A Challenging Operating environment

The operating environment in Kenya and globally has remained a challenging one marked with economic uncertainties. In Kenya, the year 2025 had a fair share of fiscal policy shifts on taxation, high levels of unemployment due to insufficient job creation, slow private sector growth and high public debt burden with spiraling debt servicing costs among others. The 2025 economic landscape was also characterized by elevated inflation which continued to push cost of living through increased food prices, high energy costs and higher taxes. This affected businesses as well as household incomes.

This environment demands **disciplined repositioning and strategic growth**, which SMEP has actively pursued.

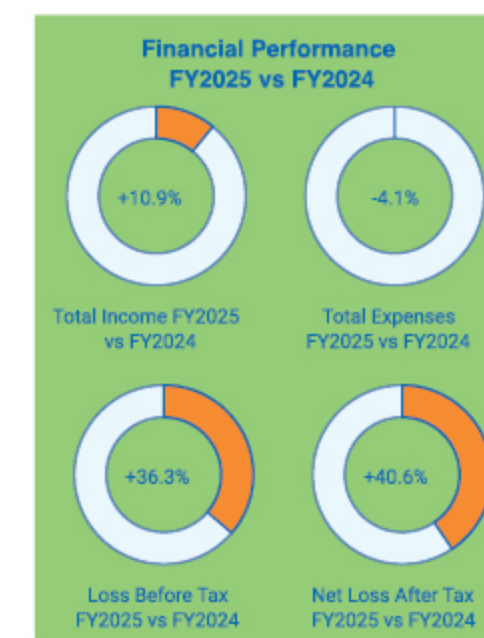
FY2025: Stabilising the Foundation

The financial year 2025 was not merely one of performance it was a year of intentional stabilisation, governance discipline, and structural correction.

Allow me to highlight key audited outcomes:

Performance Highlights (Bank Level)

Indicator	FY2025 (KES '000)	FY2024 (KES '000)	Movement
Total Income	725,698	654,319	+10.9%
Total Expenses	923,562	962,737	-4.1%
Loss Before Tax	(257,719)	(404,531)	+36.3% improvement
Net Loss After Tax	(269,838)	(454,316)	+40.6% improvement



These results reflect a clear and measurable reduction in losses, affirming that our recovery strategy is working.

Strengthening Asset Quality and Risk Position

A key pillar of stabilising the foundation has been cleaning and strengthening the balance sheet:

- Gross Non-Performing Loans: reduced to KShs.48.9 million (from KShs.112.0 million)
- Net NPL Exposure: reduced to KSh 9.97 million (from KShs.60.15 million)

This significant improvement reflects:

- Stronger credit discipline
- Loan restructuring and write-offs
- Enhanced risk and impairment frameworks

Beyond the numbers, these improvements demonstrate the Bank's deliberate shift toward a more disciplined risk culture. Through strengthened credit appraisal, closer portfolio monitoring, prudent provisioning, and enhanced governance over the risk and impairment framework, SMEP has improved the quality of its loan book while safeguarding stakeholder confidence. This reinforces our broader stability narrative: that sustainable growth must be anchored in sound risk management, responsible lending, and strong institutional oversight.

However, we remain transparent and accountable in noting that:

- Certain regulatory ratios remain below regulatory thresholds as highlighted below, necessitating expedited intervention

Key Ratios	Bank 12/31/2024	Bank 12/31/2025	Statutory Benchmark 12/31/2025	Variance
Core Capital/ Total Deposit Liabilities	13.43%	5.70%	8.00%	-2.30%
Core Capital/ Total Risk Weighted Assets	12.90%	3.59%	10.00%	-6.41%
Total Capital/ Total Risk Weighted Assets	14.54%	4.70%	12.00%	-7.30%
Liquidity Ratio	50.00%	33.81%	20.00%	13.81%

This is an area of strategic importance, and the Board has already initiated:

- Repair of the capital box through driving sustainable growth
- Balance sheet restructuring initiatives
- Capital injection programmes

Systems Upgrade and Infrastructure

In line with SMEP's Strategic Plan 2024–2026, particularly the pillar on Technology and Automation, the Bank continued to invest in strengthening its ICT systems and infrastructure to enhance efficiency, reliability, operational resilience, and customer experience.

A major milestone during the year was the successful upgrade of our core banking system from T24 Release 18 to the newest top in class Release 24, which went live in September 2025. This upgrade has improved business processes, strengthened system capability, and positioned the Bank to better support digital transformation, service delivery, and future growth.

Governance and Stewardship: Anchoring the Turnaround

Your Board has remained unwavering in its commitment to strong governance, accountability, and stewardship.

During the year, we:

- Strengthened Board oversight across all committees
- Reinforced internal controls and risk management frameworks
- Ensured compliance with CBK regulations and IFRS standards
- Closely monitored the Bank's restructuring and recovery path

- Strengthened management capacity through recruitment of a new Head of Finance and a new CEO for the Bank, two critical positions necessarily in delivering strategic imperatives.

We recognize that **governance is the foundation upon which sustainable growth is built**—and this has been our guiding principle.

Leadership and Strategic Direction

I am pleased to introduce to you the incoming new CEO of the Bank, **Mr. Bernard Kivava**. Mr. Kivava is an experienced CEO in the microfinance industry with a track record of previously turning around financial institutions. He is capable hands to drive the business in the next phase of growth.

I also wish to acknowledge Mr. Isaiah Munguti, who provided leadership as Acting Chief Executive Officer from October 2025 to mid-May 2026 during an important period of transition and institutional stabilisation. We appreciate his stewardship and contribution during this period.

The Board remains confident that under his leadership, management will:

- Restore profitability
- Strengthen capital adequacy
- Expand responsible lending
- Accelerate digital transformation

Accelerating Sustainable Growth and Impact

Having stabilised the foundation, our next phase is clear:

Our Strategic Focus Moving Forward will be:

- A **planned rebranding** of the Bank in keeping with the new strategic direction

- Growth of **quality loan assets**, not volume-driven expansion
- Deepening **MSME and Church Banking segments**
- Enhancing **digital financial services access**
- Improving **operational efficiency and cost discipline**
- Strengthening **capital position and investor confidence**
- Initiation of **organizational culture change** for high performance and productivity.

This is how we will accelerate **not just growth—but sustainable, impactful growth**.

Faith, Values, and Jubilee Reflection

As we reflect in this Jubilee season, we reaffirm our identity as a **Christ-centred institution**.

Our values of **PASSION**—

Prayer, Allegiance, Service, Stewardship, Innovation, Optimism, and Nurturing—continue to guide us.

We remain committed to:

- Serving with integrity
- Stewarding resources responsibly
- Transforming communities sustainably

Conclusion

Distinguished shareholders,

FY2025 was a year of **discipline, courage, and deliberate stabilisation**.

We have:

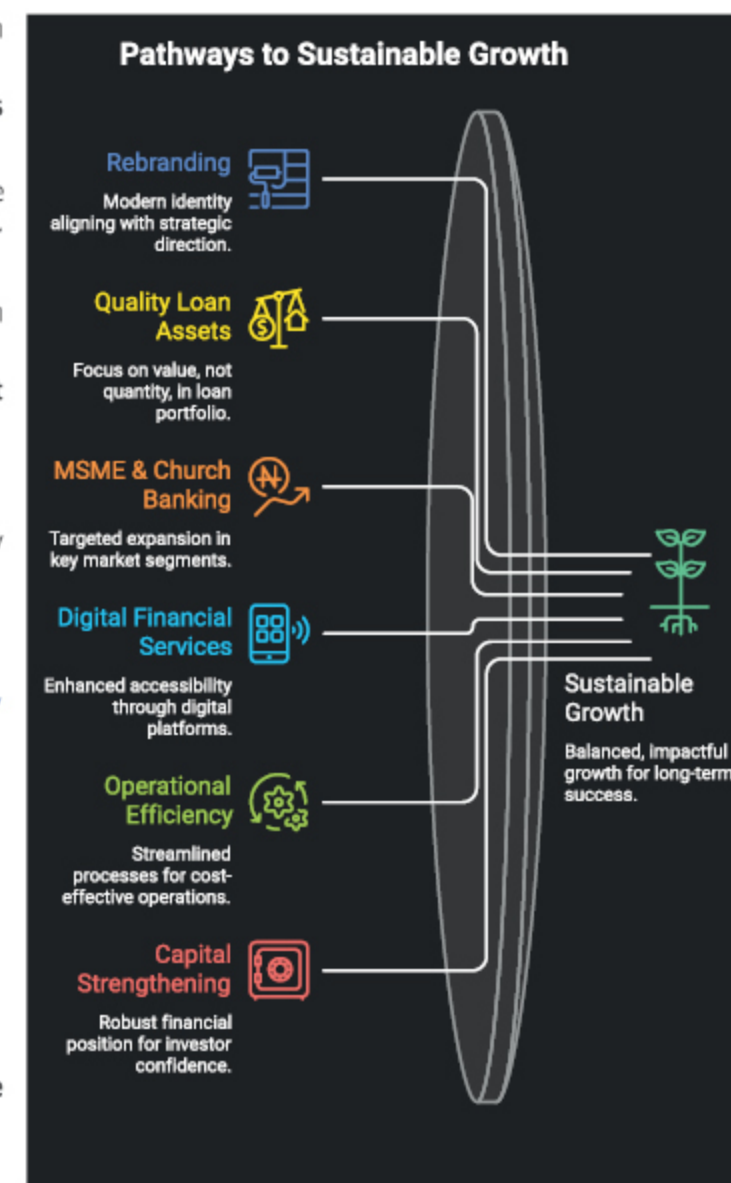
- Reduced losses
- Strengthened asset quality
- Reinforced governance
- Positioned the Bank for recovery

Now, we move forward with clarity of purpose—to **accelerate sustainable growth and deepen our impact across Kenya**.

On behalf of the Board, I thank you for your unwavering support and trust.

May God bless you, and may God bless SMEP Microfinance Bank PLC.

Dr. (H.C) Nelson C. Kuria, MBS, OGW, F.IoDK
Chairman of the Board
SMEP Microfinance Bank PLC





**SUCCESS STARTS WITH,
SMART FINANCING!**

EMBRACE THE LIMITLESS OPPORTUNITIES

TAILORED FOR WISE MEN WITH A VISION.

**KING
SOLOMON**
account

At SMEP we recognise the role of men in the family and community. As vision bearers, we support you realise your goals. Our team and service module will provide what you need to PROSPER.

BOARD OF DIRECTORS



Dr. Nelson Kuria
Chairman



**Rev. Canon
Chris Kinyanjui**
General Secretary, NCKK



**James
Nyokangi**
Non Executive Director



Micah Crist
Non Executive Director



**Gideon
Maniragaba**
Non Executive Director



**Paul M.
Nyachiwowa**
Non Executive Director



**Catherine
Kawira**
Company Secretary



John Thiongo
Non Executive Director



**Stanley
Tsikirayi**
Non Executive Director



**Wuver
Emmanuel Efili**
Non Executive Director



Isaiah Munguti
Acting
Chief Executive Officer



Bernard Kivava
Incoming
Chief Executive Officer

SMEP is more than a financial institution. It is a mission-driven vehicle for empowerment, stewardship, dignity, and hope. It stands as a practical expression of our collective belief that access to responsible financial services can unlock opportunity, restore livelihoods, and create lasting transformation.

GENERAL SECRETARY STATEMENT

Dear Shareholders,

The Chairman, Members of the Board, the Acting CEO, Mr. Isaiah Munguti, the Incoming CEO, Mr. Bernard Kivava, Distinguished Shareholders, Management and Staff of SMEP Microfinance Bank PLC, Esteemed Partners, Ladies and Gentlemen.

Good Morning,

It is both a privilege and a blessing to address the FY2025 Annual General Meeting of SMEP Microfinance Bank PLC.

On behalf of the National Council of Churches of Kenya (NCCK), I convey warm greetings and sincere appreciation for a partnership grounded in shared values, faith-driven service, and a common commitment to transforming lives and communities.

As we gather during this Jubilee season, we do so with deep gratitude for God's faithfulness, for the resilience of this institution, and for the thousands of households, entrepreneurs, churches, and communities whose lives continue to be positively impacted through SMEP's work.

SMEP is more than a financial institution. It is a mission-driven vehicle for empowerment, stewardship, dignity, and hope. It stands as a practical expression of our collective belief that access to responsible financial services can unlock opportunity, restore livelihoods, and create lasting transformation.

A Season of Faithful Stewardship and Renewal

The year 2025 was a period that required courage, wisdom, and disciplined stewardship.

Like many institutions operating in a dynamic economic environment, SMEP faced challenges that tested its resilience and resolve. Even so, the Bank remained steadfast in its commitment to serve customers faithfully and uphold its founding mission.

While Kenya's economy showed encouraging signs of recovery and improving monetary conditions, many households and businesses continued to navigate uncertainty. The reality remains that economic growth is meaningful only when it is felt in the daily lives of ordinary citizens.

In such moments, institutions like SMEP become even more relevant—not merely as providers of financial services, but as partners in rebuilding livelihoods, supporting enterprise, and advancing inclusive prosperity. As Scripture reminds us in 2 Corinthians 9:8, "And God is able to bless you abundantly, so that in all things at all times, having all that you need, you

will abound in every good work." May SMEP continue to abound in good work—strengthening livelihoods, empowering communities, and bearing faithful witness through responsible financial service.

Progress Worth Celebrating with Humility

The audited FY2025 results reflect encouraging progress in stabilisation, operational discipline, and institutional renewal.

We note with appreciation the significant reduction in the Bank's loss position compared to the previous year, alongside deliberate efforts to strengthen portfolio quality, enhance operational efficiency, and improve cost management.

These achievements are not simply financial indicators. They represent responsible stewardship of resources entrusted to the institution by shareholders, depositors, partners, and the communities it serves.

While important work remains, these results demonstrate that SMEP is moving in the right direction—strengthening its foundation while positioning itself for sustainable growth and long-term impact.

Protecting Trust Through Responsible Stewardship

We particularly commend the continued focus on strengthening credit discipline, improving recoveries, and enhancing portfolio management.

For NCCK, this commitment is deeply significant because trust is one of the most valuable assets any institution can possess. When resources are managed prudently and responsibly, confidence is strengthened, sustainability is preserved, and future generations continue to benefit.

Such discipline reassures shareholders, protects depositors, strengthens regulatory confidence, and ultimately enables SMEP to fulfil its mission more effectively.

Building Stability for Greater Impact

We also acknowledge the Bank's success in maintaining liquidity levels above the statutory minimum throughout the year.

At the same time, we recognise that capital adequacy remains an area requiring sustained focus and continued strengthening.

We are encouraged by the shareholder support and capital enhancement initiatives undertaken after year-end. These actions demonstrate a clear commitment to restoring institutional resilience, meeting regulatory expectations, and safeguarding the Bank's future.

Our encouragement is that this journey continues with transparency, accountability, and unwavering focus on the people and communities whose aspirations depend on a strong and stable SMEP.

Partnership for Shared Prosperity

As NCKK, we reaffirm our commitment to walking alongside SMEP as a strategic and mission-aligned partner.

The next chapter of SMEP's journey calls for renewed collaboration in advancing sustainable growth that expands opportunity while protecting dignity.

Together, we must continue to:

- Deepen collaboration between churches, communities, and responsible financial institutions.
- Expand access to financial solutions for MSMEs, households, churches, women, youth, and underserved populations.
- Promote financial inclusion that is responsible, ethical, and transformational.
- Ensure that growth remains people-centred and aligned to SMEP's founding mission and values.

Our shared goal must be growth not only in numbers, but also in impact—impact reflected in thriving businesses, empowered families, strengthened churches, and resilient communities.

Leadership for the Future

Allow me to commend the Board of Directors for their governance, strategic oversight, and steadfast leadership during a demanding period.

I also acknowledge Management and staff across the country for their dedication, professionalism, and commitment to serving customers faithfully despite the challenges encountered.

Special recognition goes to the Acting CEO, Mr. Isaiah Munguti, for his stewardship during this transition period, and to the Incoming CEO, Mr. Bernard Kivava, as he prepares to lead the institution into its next chapter.

Leadership transitions present both challenges and opportunities. They offer a chance to preserve what is working, strengthen what needs improvement, and inspire renewed confidence in the future.

We pray that God grants the leadership team wisdom, courage, discernment, and unity as they guide SMEP through its next phase of growth and transformation.

Faith, Jubilee, and the Road Ahead

The significance of the Jubilee season extends beyond celebration. It reminds us of restoration, renewal, stewardship, and shared prosperity.

It reminds us that true success cannot be measured solely by financial performance. It is also reflected in lives transformed, opportunities created, families empowered, and communities uplifted.

As we look ahead, may SMEP continue to be a beacon of responsible finance, Christian witness, and practical hope across Kenya.

Let us move forward together—anchored in faith, strengthened by partnership, guided by stewardship, and united in our commitment to sustainable growth that leaves no one behind.

Conclusion

As partners in faith and development, we celebrate the progress achieved, acknowledge the challenges that remain, and embrace the future with confidence and hope.

The foundation is steadily being strengthened. The journey toward sustainable growth is gaining momentum. The opportunity before us is significant.

May SMEP continue to be a trusted institution—marked by integrity, inclusion, innovation, and transformational impact.

And may the work we do together contribute to a more prosperous, equitable, and hopeful Kenya.

Thank you, and God bless you.

May God bless SMEP Microfinance Bank PLC, and may God bless Kenya.

Rev. Canon Chris Kinyanjui
General Secretary, National Council of Churches of Kenya



**PAMOJA
TUNASHINDA..**

Your Squad = Your Strength



FEATURES



Opening and
Operating Balance
Kshs 1,000/=



Account Maintenance
fee is Kshs 50/= per
month



Attractive interest
rates per annum
based on account
balance



No cash deposit
or cheque handling
charges



No limit to the
number or amount
of withdrawals

**Boresha
Chama**

This is an account for organised and registered investment groups to provide them with financial support towards achieving a desired objective.

Now, we move forward with clarity and conviction—toward restoring profitability and building a better and bigger Bank.

MD & CEO STATEMENT

The Chairman, Members of the Board, Distinguished Shareholders, Management and Staff, Our Valued Partners, Ladies and Gentlemen,

I greet you in the Name of the Lord Jesus.

With joy and a deep sense of responsibility, I am pleased to address you today as Ag. Chief Executive Officer of SMEP Microfinance Bank PLC.

As we celebrate our Year of Jubilee, we reflect on a journey defined by faith, resilience, discipline, and transformation. FY2025 has been a pivotal period for SMEP—a year in which we deliberately reset, stabilized, and strengthened our foundation to position the Bank for sustainable growth and long-term impact.

Operating Environment: Stability Anchoring Opportunity

The financial period under review year unfolded within a gradually improving economic performance:

- Kenya's economy recorded growth of approximately 5% in 2025, with a positive outlook.
- Stable inflation and easing of monetary conditions which supported financial sector recovery

This environment required us to act with discipline and strategic clarity—balancing recovery with growth readiness.

Financial Year 2025: Bold Reset and Foundation Stabilization

In FY2025, we made bold and necessary decisions to reset our business through:

- Loan book cleanup to improve on portfolio quality
- Strengthening of credit discipline
- Driving operational efficiency

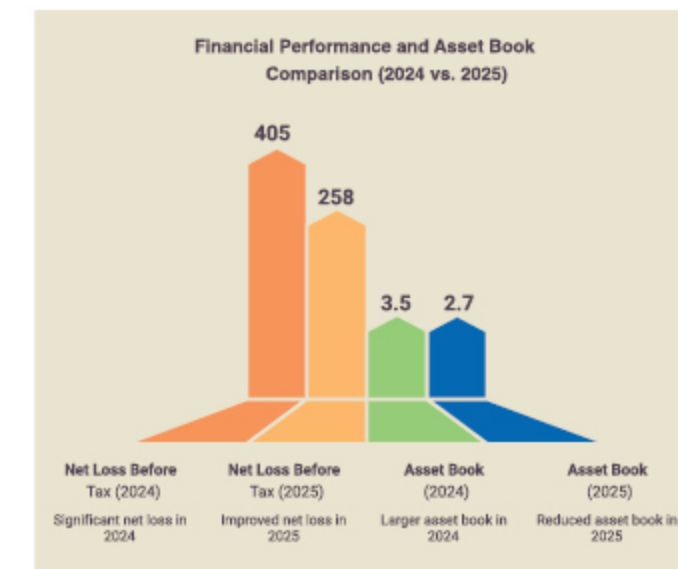
With these initiatives, we have laid a firm and credible foundation for recovery.

This was not a year of aggressive expansion—but one where we prioritized institutional strengthening overgrowth.

Financial Performance: Clear Evidence of Progress

Our audited financial results reflected measurable improvements. The bank recorded a net loss before tax of Ksh 258M as compared to Ksh 405M in 2024, 36.3% improvement. This was demonstrated by improved quality loan book, cost containment and growth in other operating income. However, our asset book was lower in the year to Ksh 2.7 Billion from Ksh 3.5Billion prior year. This was attributed to focus on quality loan book and clearance of the borrowed funds, giving us a

good footing for the year 2026 to grow the business.

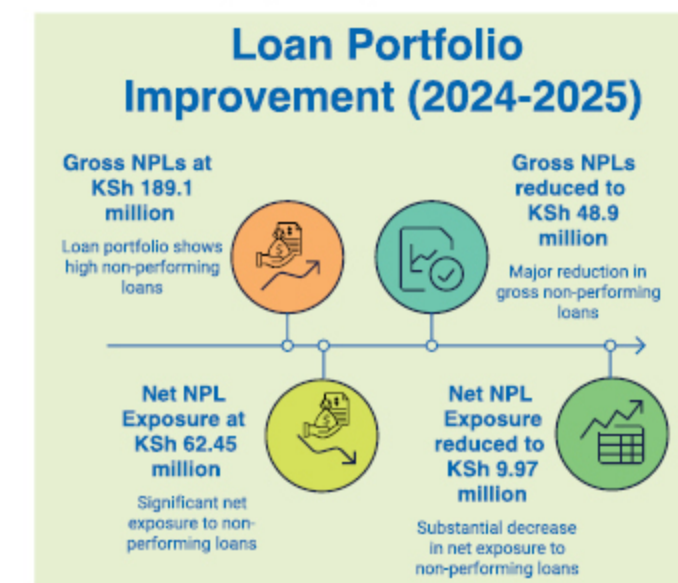


Asset Quality and Risk Discipline

A major achievement was made in the strengthening of our loan portfolio:

- Gross Non-Performing Loans: Reduced to KSh 48.9 million in 2025 from KSh 189.1 million in 2024.
- Net NPL Exposure: Reduced significantly to KSh 9.97 million in 2025 from KSh 62.45 million in 2024.

These outcomes reflect: Enhanced credit quality and focus on sustainable, quality lending.



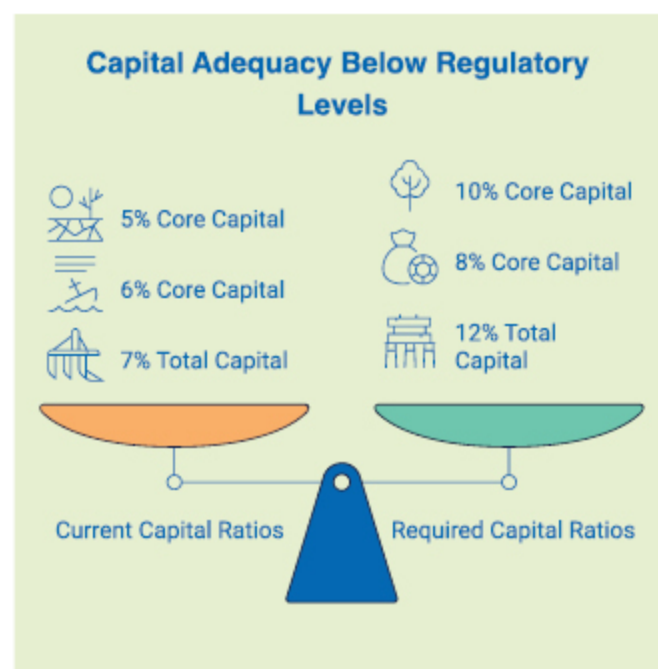
Liquidity Strength and Capital Focus

Regulatory ratios reflected a mixed position, with liquidity remaining strong while capital restoration remained a key strategic priority:

- **Liquidity Ratio:** 33.8% against the 20% statutory minimum, compared to 52% in 2024.
- **Total Regulatory Capital Ratio:** 7% against the CBK minimum of 12%, compared to 16% in 2024.
- **Tier 1 Capital Ratio:** 5% against the CBK minimum of 8%, compared to 14% in 2024.
- **Customer Deposits:** KSh 2.10 billion, compared to KSh 2.26 billion in 2024.

(While SMEP remained above the absolute minimum regulatory capital threshold, our capital adequacy ratios remained below the required regulatory levels in FY2025. Core capital to risk-weighted assets stood at 5% against the minimum 10%, core capital to deposits was approximately 6% against the required 8%, and total capital to risk-weighted assets stood at 7% against the minimum 12%. This underlines why capital restoration, profitability recovery, and disciplined balance sheet growth remain central priorities in our turnaround agenda.)

However, we remain focused on strengthening our capital base through active capital support initiatives, including shareholder capital conversion and additional capital injection processes initiated after year end.



Operational Excellence and Digital Transformation

Operational excellence has been at the core of our turnaround.

We have:

- Improved process efficiencies across the business through adoption of technology
- Strengthened performance management and cost containment
- Strengthened our core banking infrastructure

Key digital strategic focus areas include:

- Expansion of *USSD (741#) for customer access
- Alternative business channels to improve reach, convenience, and scalability
- Digitization of loan origination to improve turnaround time and customer experience
- Upgrade of the core banking system as a foundation for future growth

Accelerating Growth: Our Strategic Direction

With the foundation stabilized, our focus now shifts decisively to growth.

We will:

- Strengthen our mission focus
- Scale quality loan disbursements
- Expand digital channels and service delivery
- Growth of customer numbers and cheap deposits
- Deepen our reach within MSME and community segments

Our approach is deliberate: Growth will be disciplined, sustainable, and impact driven.

Confidence in the Path Forward

We are confident in our trajectory.

We have:

- Stabilized the business
- Strengthened our balance sheet
- Improved operational efficiency
- Built a platform for growth

Now, we move forward with clarity and conviction—toward restoring profitability and building a better and bigger Bank.

People, Partnerships, and Purpose

I extend my sincere gratitude to:

- The Board for strategic leadership and guidance
- Our shareholders for their trust and commitment
- Our staff for their resilience and dedication
- Our customers and partners for walking this journey with us

Jubilee Reflection: Purpose Beyond Performance

As we celebrate this Jubilee Year, we are reminded that our mission goes beyond financial results.

It is rooted in:

- Service
- Stewardship
- Transformation

Driven by the love of Jesus Christ, we remain committed to:

- Empowering communities
- Supporting livelihoods
- Championing client training based on biblical principles.



Conclusion

Distinguished shareholders, Financial Year 2025, has been a year of bold reset, disciplined execution, and building a better foundation for the future. We now stand at the threshold of the next phase — to accelerate sustainable growth and deepen our impact across Kenya.

Thank you, and may God bless SMEP Microfinance Bank PLC.

Mr. Isaiah Munguti
Ag. Chief Executive Officer,
SMEP Microfinance Bank PLC

FINANCIAL STATEMENTS

Stabilizing the Foundation, Accelerating Sustainable Growth and Impact



Theme: Stabilizing the Foundation, Accelerating Sustainable Growth and Impact.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of SMEP Microfinance Bank Public Limited Company subsidiary (the "Bank") and its subsidiaries (together, the "Group"), which disclose its state of financial affairs.

1 Incorporation

The Company and the subsidiary are incorporated in Kenya under the Companies Act. It is a public limited liability company domiciled in Kenya. The address of the registered office is as set out on page 3.

2 Principal activity

The principal activity of the bank is to provide microfinance banking services through the provision of loans to micro, small entrepreneurs, churches, and deposit-taking from the public. The company's subsidiary provides insurance agency services.

3 Results for the year

	2025 Kshs '000'	2024 Kshs '000'	2025 Kshs '000'	2024 Kshs '000'
	Group	Group	Bank	Bank
Loss before tax	(260,881)	(408,860)	(257,719)	(404,531)
Tax charge	(12,119)	(51,187)	(12,119)	(49,786)
Net loss after tax transferred to reserves	(273,000)	(460,047)	(269,838)	(454,316)

4 Business review

In 2025, Kenya's economy experienced a growth rate of 5%, an acceleration from the 4.6% growth observed in 2024. This improvement was influenced by several macroeconomic indicators that continue to show strength with inflation within target, a stable exchange rate, and foreign exchange reserves at record highs. Private sector credit as well is rebounding, supported by lower lending rates and an accommodative monetary stance.

On December 9, 2025, the Central Bank of Kenya (CBK) announced a reduction in its benchmark lending rate the Central Bank Rate (CBR) by 25 basis points, bringing it down to 9.00% from the previous 9.2%. This marks the ninth consecutive rate cut. The decision was made in light of stable inflation, a resilient economy, and improving private-sector credit conditions.

Company Review

The company's total assets declined from Kshs 3.52 billion in 2024 to Kshs 2.7 billion in 2025, primarily due to a reduction in loans to customers. Despite an increase in customer deposits,

borrowings decreased, reflecting reduced reliance on external funding. Notably, accumulated losses reduced from Kshs 460 million to Kshs 273 million, largely driven by increased business activity during the year and higher capital acquisitions, which expanded the company's operational capacity. As a result, shareholders' equity declined from Kshs 593 million to Kshs 320 million, highlighting the continued strategic measures to enhance profitability and strengthen capital adequacy.

Future Outlook

Looking ahead, the company aims to leverage its expanded operational capacity to drive revenue growth and improve financial performance. With increased business activity and capital acquisitions, the focus will be on optimizing asset utilization, enhancing loan portfolio quality, and strengthening customer relationships to boost deposits. Strategic cost management and efficiency improvements will be key in mitigating losses and restoring profitability. Additionally, the company will explore alternative funding sources to support sustainable growth while maintaining a prudent risk management framework. By aligning its strategies with market opportunities and economic trends, the company is well-positioned for long-term stability and shareholder value enhancement.

5 Dividends

The Directors do not recommend the payment of dividends in respect of the year ended 31 December 2025 (2024: Nil)

6 Financial statements

At the date of this report, the directors were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

7 Accumulated losses

The accumulated losses of the company are set out in note 32 of these financial statements.

8 Directors

The Directors who held office during the year and to the date of this report are listed on page 3 and 15.

9 Corporate Governance Statement

SMEP Microfinance Bank Public Limited Company is committed to the standards of world-class corporate governance as set in Microfinance Act 2006, Kenya Companies Act, the Central Bank of Kenya and by itself in conformity to the international Best Practice. The Board of Directors is responsible for the long-term direction for the profitable growth of the company whilst being accounted to the shareholders for legal compliance and maintenance of the highest corporate governance standards and business ethics.

Board Committees

The Board is responsible for drawing and implementing strategies for the success of the company, establishing and maintaining the company's system of internal controls so that the objectives of profitability and sustainable growth and shareholders' value growth are fully realized.

Board Committees

The Board is made up of 9 non-executive directors and 1 executive director i.e Chief Executive Officer.

1	Dr. Nelson Kuria	-	Chairperson
2	Rev. Canon Chris Kinyanjui		
3	Mr. John Thiong'o		
4	Mr. James Nyokangi		
5	Mr. Micah Jeffrey Crist		
6	Mr. Gideon Maniragaba		
7	Mr. Paul Munhuwaani Nyachiwowa		
8	Mr. Stanley Tsikirayi		
9	Mr. Emmanuel Efili Wuvur		
10	Mr. Symon Kamore	-	Managing Director and Chief Executive Officer (upto 29/12/2025)

Board Meetings

The Board of Directors meets on quarterly basis to monitor the implementation of the company's planned strategy, review it in conjunction with its financial and budgetary performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning.

The Board held 4 meetings during the year under review.

Board Committees

The Board has constituted committees which meet regularly namely Audit and Risk Management Committee, Finance and Strategy Committee, Human Resource and Spiritual Integration Committee and Credit Committee. The terms of reference for each committee are well set by the board.

(a) Audit Committee

The Audit Committee meets on quarterly basis. The Committee comprises 3 non-executive members of the Board who are independent of the day-to-day management of the company's operations.

The following are the members of the committee:

1	Mr. John Thiong'o	-	Chairperson
2	Mr. Paul Munhuwaani Nyachiwowa		
3	Mr. Emmanuel Efili Wuvur		
4	Mr. Stanley Tsikirayi		

The Internal Audit Manager is the secretary to the committee.

The committee;

- Reviews and monitors the integrity of the company's annual and interim financial statements.
- Considers the appropriateness of the company's accounting policies and procedures.
- Monitors and assesses the role and effectiveness of the internal audit function.
- Deals with matters relating to appointment, remuneration and resignation or dismissal of external auditors.
- Ensures implementation of the ERM Framework in a systematic, timely and effective manner.
- Reviews, monitors, interrogates and reports to the Board on the risk management information, with references to Key Risk Indicator (KRI) information.

The committee held 4 meetings during the year under review.

(b) Credit Committee

The Committee meets on quarterly basis or as required to review the credit risk profile of the company and recommend for Board approval policies and standards for the credit risk governance and management.

The committee comprises of the following directors:

1	Mr. Stanley Tsikirayi	-	Chairperson
2	Mr. James Nyokangi		
3	Mr. Paul Munhuwaani Nyachiwowa		
4	Mr. Gideon Maniragaba		

The Head of credit is the secretary to the committee.

The committee;

- Reviews and oversees the overall credit policy.
 - Considers all loan applications above the management lending limits.
 - Handles all matters relating to credit risk management.
- The committee held 4 meetings during the year under review.

(c) Finance and Strategy Committee

This Committee meets on a quarterly basis whose mandate is to support the board in driving strategy to ensure achievement of the company's financial and other goals.

The committee is comprised of the following directors:

1	Mr. Micah Jeffrey Crist	-	Chairperson
2	Dr. Nelson Kuria		
3	Mr. Emmanuel Efili Wuvur		

4	Mr. Stanley Tsikirayi		
5	Mr. James Nyokangi		
6	Mr. John Thiong'o		
7	Rev. Canon Chris Kinyanjui		
8	Mr. Symon Kamore	-	Managing Director and Chief Executive Officer (upto 29/12/2025)

The mandate of the committee is:

- To review, oversee implementation of, and make recommendations to the full board regarding all the aspects of the SMEP Strategic plan.
 - Review the relevance of the current strategy.
 - To monitor and review the performance of the bank against targets.
 - To review transformation proposals for the business.
- The committee held 4 meetings during the year under review.

(d) Human Resource and Spiritual Integration Committee

The Governance and HR committee is constituted to ensure the company's greatest asset (human resource) is well managed and that the company and its directors embrace good corporate governance in all their dealings.

The committee is comprised of the following directors:

1	Rev. Canon Chris Kinyanjui	-	Chairperson
2	Mr. Micah Jeffrey Crist		
3	Mr. Gideon Maniragaba		
4	Mr. Symon Kamore	-	Managing Director and Chief Executive Officer (upto 29/12/2025)

The mandate of the committee is:

- To review and monitor the implementation of the human resource policies and strategy in the organization.
- To review the implementation of the Performance Management Tool.
- To review and monitor the implementation of staff welfare especially on the Employee Share Ownership Plan.
- To ensure that the staff pension scheme is properly administered.

The committee held 4 meetings during the year under review.

(a) Monitoring and Evaluation

The directors have a wide range of skills and experience and each contributes independent judgment and knowledge to the Board's discussion. They have developed self-assessments to monitor their roles and effectiveness in leading SMEP

Microfinance Bank Public Limited Company to maximize performance in the light of the future strategy.

(b) Appointment of the Chief Executive

The Chief Executive is the accounting officer of SMEP Microfinance Bank Public Limited Company and is appointed by the Board with prior approval of the Central Bank of Kenya.

(c) Reckless and fraudulent activities

SMEP Microfinance Bank Public Limited Company has not allowed a credit facility or guarantees to be outstanding, incurred and liability, entered into any contract or transaction or conducted its business or part thereof in a fraudulent or reckless manner detrimental to her interest of depositors or the general public.

(d) Schemes of arrangement

No scheme of arrangement has been entered with our creditors.

(e) Restrictions on trading investments

SMEP Microfinance Bank Public Limited Company has not acquired or held, directly or indirectly, any part of the share capital of:- or have a beneficial interest in any financial, commercial, agricultural, industrial or other undertaking, where the value of SMEP Microfinance Bank Public Limited Company's interest exceeds twenty five percent (25%) in the aggregate of her core capital.

(f) Single borrower limit

SMEP Microfinance Bank Public Limited Company has extended no loan exceeding 5% of her core capital to a single end-user-borrower.

(g) Insider lending limits

SMEP Microfinance Bank Public Limited Company has not extended any advances or credit facility exceeding two percent (2%) of her core capital to significant shareholders and her directors.

(h) Know your customer requirements

The management of SMEP Microfinance Bank Public Limited Company has:-

- Maintained proper identification of customers wishing to open accounts or make transactions or to an engagement directly or indirectly through proxy.
- Maintained adequate and accurate records for a minimum of seven years regarding its customers, sources of funds and transactions.

Board and Board committees attendance register

No. of meetings held	Board	AGM	Committee			
			Audit and Risk	Credit	Finance and Strategy	HR and Governance
Dr. Nelson Kuria	4	1	n/a	n/a	n/a	n/a
Rev. Canon Chris Kinyanjui	4	1	n/a	n/a	4	4
Mr. John Thiong'o	4	1	4	n/a	4	n/a
Mr. James Nyokangi	4	1	n/a	4	4	n/a
Mr. Micah Jeffrey Crist	4	1	n/a	n/a	4	4
Mr. Gideon Maniragaba	4	1	n/a	4	4	4
Mr. Paul Munhuwani Nyachiwowa	4	1	4	4	4	n/a
Mr. Stanley Tsikirayi	4	1	4	4	4	n/a
Mr. Emmanuel Efilu Wuvur	4	1	4	n/a	4	n/a
Mr. Symon Kamore	4	1	n/a	n/a	4	n/a

Management Committees**Assets and Liabilities Committee**

Management has constituted the Assets and Liabilities Committee which meets regularly. The terms of reference for each committee are well set by the management.

The Assets and Liabilities Committee meets on a quarterly basis. The composition of the ALCO Committee of SMEP Microfinance Bank Public Limited Company consist of: -

- 1 Chief Executive Officer - Chairperson
- 2 Head of Finance and Strategy
- 3 Head of Business
- 4 Head of Human Resource & Administration
- 5 Chief Accountant
- 6 Team Leader Risk & Compliance
- 7 Head of Credit

The Head of Finance and Strategy is the secretary for the committee. The Committee;

- a. Reviews local and national economic forecasts.
- b. Reviews and assesses the integrity of the internal and risk control systems;
- c. Ensure that the risk policies and strategies are effectively managed;
- d. Sets out the nature, role, responsibility and authority of the risk management function of SMEP Microfinance Bank Public Limited Company.
- e. Provide an independent and objective oversight and review of the information raised by the management at different levels.
- f. Monitors limits on loans to deposit and loans to capital ratios as well as the percentage on a deposit category as set by the board.

- g. Monitors levels of maximum and minimum maturities for all categories of assets and liabilities as set by the board.
- h. Monitors limits of the sensitivity of the net interest margin on changes in the market interest rates as set by the board;
- i. Monitors maximum percentage imbalance between rates and sensitive assets and liabilities as set by the board.
- j. Monitors limits of minimum liquidity provisions to be maintained to sustain operations while longer time adjustments are set by the board;
- k. Monitors limits of minimum spread acceptable between costs and yields of liabilities and assets as set by the board;
- l. Monitors source of funds;
- m. Monitors SMEP Microfinance Bank Public Limited Company's policies, procedures and holding portfolios to ensure that it achieves its goals;
- n. Generally, implements the funds management policy of SMEP Microfinance Bank Public Limited Company; and
- o. Review an explanation of any known exceptions to this policy as well as an action plan and timetable bring SMEP Microfinance Bank Public Limited Company into compliance with such policy limits.

The Committee held 4 meetings during the year under review.

10 Statement as to disclosure to the company auditor

Each of the persons, who was a director at the time the report was approved confirms that:

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

11 Directors' benefits

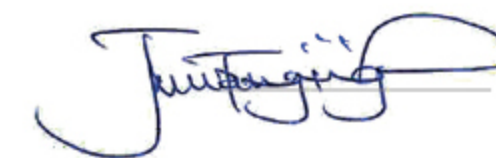
The company started its operations as a Microfinance Bank in 2011. During the year under review, the qualifying directors were paid applicable allowances. The Bancassurance started operations in 2023 and no directors has been paid or entitled to any benefits or allowances.

12 Independent auditor

The group auditor Forvis Mazars LLP, Certified Public Accountants (K) has expressed their willingness to continue in office in accordance with the section 719 of The Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the board


Director
27th April 2026.



STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Kenyan Companies Act 2015, the Microfinance Act and the Insurance Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of its operating results for that year. The three Acts of parliament require the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. The directors are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

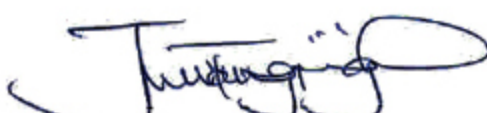
- Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the group and company's financial statements give a true and fair view of the state of the financial affairs of the group as at 31 December 2025 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

The board of directors is aware of challenges facing the bank's ability to remain a going concern and meet capital requirements as at 31st December 2025. Before signing of the audit report, the shareholders made a significant capital injection into the business and are putting into place changes to enable the business to grow profitably in the future. The directors are therefore of the view that the group will remain a going concern for at least the next twelve months from the date of this statement

Approved by the Board of Directors on 27th April 2026 and signed on its behalf by:


 Director


 Director

REPORT OF THE INDEPENDENT AUDITOR



Opinion

We have audited the accompanying consolidated and separate financial statements of SMEP Microfinance Bank Public Limited Company (the group and company/bank), set out on pages 25 to 80, which comprise the statement of financial position as at 31 December 2025, the statements of comprehensive income, changes in equity and cash flows for the year that ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the group and company as at 31 December 2025 and of its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our 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.

Emphasis of matter paragraph

We draw attention to Note 18 and Note 28 to the financial statements, which describes certain sundry debtor and sundry payable balances that are subject to ongoing reconciliation as at the reporting date, respectively. As disclosed, sundry debtors include a Safaricom settlement receivable of Kshs. 318 million and a suspense balance of Kshs. 92 million, both under active reconciliation. The Safaricom receivable relates to customer transactions credited to customer deposit accounts for which settlement funds had not yet been released by Safaricom pending reconciliation. Sundry payables include Kshs. 99 million relating to unallocated Safaricom receipts held within bank account balances pending reconciliation. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key audit matters in the audit process and professional judgement was exercised in determining the materiality, audit scope and sampling. These areas are summarised as below:

Materiality	In determining our materiality, the total assets were considered as the suitable benchmark, as the microfinance bank business line is on issue of Loans and has been in a loss-making position.
Scope	We audited the financial statements of the Bank for the year under review.
Area of Focus	The key areas the audit exercise focused on were: - Impairment of loans to customers. - Know Your Customer (KYC) procedures on loan issuance

Key audit matters

Impairment of loans to customers.

The Bank's loan portfolio represents a significant proportion of total assets, and the determination of expected credit losses (ECL) involves a high level of management judgement. During the year, management implemented changes to the ECL model used to measure impairment of loans to customers. Changes to impairment models introduce additional estimation uncertainty and increase the risk that expected credit losses may not be appropriately measured.

Significant judgement is applied in assessing whether there has been a significant increase in credit risk (SICR), which determines whether loans are measured on a 12-month or lifetime ECL basis, and in the development and application of ECL model inputs, including probabilities of default (PD), loss given default (LGD), and exposure at default (EAD). Further judgement is involved in assessing the relevance, reliability, and completeness of data used in the revised model.

This matter was therefore of significant audit focus due to the sensitivity of the loan impairment balance to changes in model assumptions and methodology, the impact on profit and regulatory capital, and the requirements of IFRS 9.

During the year, the Bank also undertook restructuring actions over its loan portfolio, including a significant reduction in the size of the loan book and the write-off of non-performing loans.

As a result, the impairment allowance reduced to KSh 96.4 million (prior year: KSh 126.6 million). This reduction was primarily driven by a decrease in the gross loan book from KSh 1.13 billion to KSh 939 million, together with significant write-offs of non-performing loans, which are now accounted for as off-balance-sheet items. Given the judgement involved in impairment modelling, loan staging, write-offs, and the treatment of off-balance-sheet exposures, this area was of significant audit focus.

How our audit addressed the area of focus and what we found

Our audit procedures included, among others:

- i) Assessing the appropriateness of management's judgement in the application of IFRS 9, including the revised ECL model and significant increase in credit risk (SICR) criteria.
- ii) Evaluating the governance, approval, and implementation of the model change and assessing whether the revised methodology complies with IFRS 9.
- iii) Assessing the reasonableness of key assumptions used in the ECL calculation, including probabilities of default.
- iv) Testing, on a sample basis, the staging and classification of loans to determine whether facilities were appropriately assessed under the revised model.
- v) Reviewing the loan write-off process and evaluating whether non-performing loans written off during the year were appropriately derecognised from the statement of financial position and treated as off-balance-sheet exposures in accordance with the Bank's accounting policies.
- vi) Recomputing impairment provisions on a sample basis and assessing the completeness and accuracy of underlying data.
- vii) Evaluating the adequacy of disclosures relating to impairment, model changes, write-offs, and key estimation uncertainties.

Based on the audit procedures performed, we found that the reduction in impairment allowances was primarily attributable to the decrease in the size of the loan book and the write-off of non-performing loans, rather than a deterioration in credit risk assessment. We concluded that the revised ECL model, loan write-offs, and resulting impairment balances were reasonable and in compliance with IFRS 9, and that the related disclosures appropriately explain the movements and key judgements. Accordingly, we were satisfied that the impairment of loans to customers was fairly stated in the financial statements.

Know your customer

We focused on this area because KYC policy is an indispensable part of banking operation, whether it's about account opening or advancement of loans because of the inherent risk to the financial institutions, all the banks are required by the regulator to obtain information about their customers' identity and address, which are heavily dependent on the KYC policies and procedures operating effectively.

Our response

We assessed and tested the design and operating effectiveness of the KYC and in our exercise we considered the following aspects:

- i) **Customer acceptance policy** - This was to ensure that documented guidelines are in place for acceptance of customers.
- ii) **Customer identification procedures** - To identify the customer and verify his/her identity by using reliable, independent source documents, data or information.
- iii) **Regular monitoring of transactions** - We held discussions with management to understand as well as observe the normal and reasonable activity of the customer in order to identify transactions that fall outside any regular pattern of activity.

The Board ensures that management obtains and maintains proper identification of customers wishing to open accounts or make transactions or enter into an engagement with the institution whether directly or indirectly through proxy; and maintains adequate and accurate records regarding its customers, sources of funds and transactions, as required by the Microfinance Act 2006.

Other information

The directors are responsible for other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 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, 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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls 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 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 based on these financial statements.

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

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

company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the 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 those charged with governance 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.

Report on other legal requirements

In our opinion the information given in the report of the directors on page 25 - 30 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was FCPA Evanson Ngang'a, P/No. 2146.



28 April 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2025 Kshs '000'	2024 Kshs '000'
Interest income	5	460,530	511,670
Interest expense	6	(172,985)	(219,406)
Net interest income		287,545	292,264
Fees income	7	46,536	47,737
Other operating income	8	232,603	199,885
Foreign exchange gains - net		(536)	(90,177)
Operating income		566,148	449,709
Expenses			
Administration and operating expenses	9	(685,090)	(656,253)
Impairment losses on financial assets at amortized costs	16	(130,116)	(192,285)
Finance cost	23	(11,823)	(10,030)
		(827,029)	(858,568)
Loss before tax		(260,881)	(408,860)
Taxation	11	(12,119)	(51,187)
Loss for the year		(273,000)	(460,047)

BANK STATEMENT OF COMPREHENSIVE INCOME

	Note	2025 Kshs '000'	2024 Kshs '000'
Interest income	5	460,530	511,670
Interest expense	6	(172,985)	(219,406)
Net interest income		287,545	292,264
Fees earned	7	46,536	47,737
Other operating income	8	219,168	185,262
Foreign exchange gains - net		(536)	(90,177)
Operating income		552,713	435,086
Expenses			
Administration and operating expenses	9	670,293	639,101
Impairment losses on financial assets at amortized costs	16	130,116	192,285
Finance cost	23	10,023	8,230
		810,432	839,616
Loss before tax		(257,719)	(404,531)
Taxation	11	(12,119)	(49,786)
Profit/(loss) for the year		(269,838)	(454,316)

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	2025 Kshs '000'	2024 Kshs '000'
ASSETS			
Cash and bank balances	12	199,076	98,212
Deposits with banks	13	235,826	861,814
Investment in Government Securities	14	10,525	10,393
Loans to customers	15	939,520	1,134,189
Cash balances with Central Bank of Kenya	17	108,418	108,418
Tax recoverable	11	4,255	41,172
Other assets	18	687,188	684,258
Intangible assets	19	54,903	29,752
Property and equipment	20	400,703	418,088
Right of use asset	23	59,068	84,844
Deferred taxation	24	39,941	52,060
TOTAL ASSETS		2,739,423	3,523,200
LIABILITIES			
Customer deposits	25	2,099,185	2,261,952
Funds awaiting allotment	26	97,500	-
Borrowings	27	10,530	402,459
Lease liability	23	67,299	95,652
Accruals and other liabilities	28	144,634	169,862
		2,419,148	2,929,925
EQUITY			
Share capital	31	1,139,298	1,139,298
Share premium	31	69,749	69,749
Accumulated losses	32	(1,043,022)	(770,022)
Revaluation surplus		154,250	154,250
Shareholders equity		320,275	593,275
TOTAL RESERVES AND LIABILITIES		2,739,423	3,523,200

The financial statements on pages 25 to 80 were approved for issue by the Board of Directors on

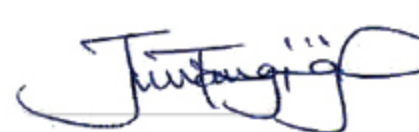
27th April 2026 and were signed on its behalf by



Director



Chief Executive Officer



Director

BANK STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	2025 Kshs '000'	2024 Kshs '000'
ASSETS			
Cash and bank balances	12	197,147	90,264
Deposits with banks	13	235,826	861,814
Investment in Government Securities	14	10,525	10,393
Loans to customers	15	939,520	1,134,189
Cash balances with Central Bank of Kenya	17	108,418	108,418
Tax recoverable	11	-	40,558
Other assets	18	666,528	644,326
Intangible assets	19	54,803	29,652
Property and equipment	20	400,703	418,088
Right of use asset	23	59,068	84,843
Deferred taxation	24	39,941	52,060
Investment in Subsidiary	21	15,000	15,000
TOTAL ASSETS		2,727,479	3,489,605
LIABILITIES			
Customer deposits	25	2,099,185	2,261,951
Funds awaiting allotment	26	97,500	-
Borrowings	27	10,530	402,459
Lease liability	23	67,299	95,652
Other liabilities	28	133,132	139,872
		2,407,646	2,899,934
EQUITY			
Share capital	31	1,139,298	1,139,298
Share premium	31	69,749	69,749
Accumulated losses	32	(1,043,464)	(773,626)
Revaluation surplus		154,250	154,250
Shareholders equity		319,833	589,671
TOTAL RESERVES AND LIABILITIES		2,727,479	3,489,605

The financial statements on pages 25 to 80 were approved for issue by the Board of Directors on

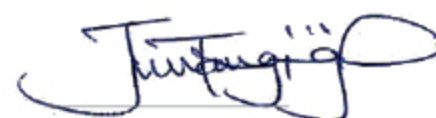
27th April 2026 and were signed on its behalf by



Director



Chief Executive Officer



Director

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital Ksh '000'	Share Premium Ksh '000'	Revenue Reserves Ksh '000'	Revaluation Surplus Ksh '000'	Total Ksh '000'
Year ended 31 December 2025					
As at 1 January 2025	1,139,298	69,749	(770,022)	154,250	593,275
Prior year overdepreciation			-		-
Loss for the year			(273,000)		(273,000)
Transfer to statutory reserve					-
At 31 December 2025	1,139,298	69,749	(1,043,022)	154,250	320,275
Year ended 31 December 2024					
As at 1 January 2024	1,139,298	69,749	(308,004)	154,250	1,055,293
Issued shares	-	-	(1,970)	-	(1,970)
Loss for the year	-	-	(460,048)	-	(460,048)
Transfer to statutory reserve	-	-	-	-	-
At 31 December 2024	1,139,298	69,749	(770,022)	154,250	593,275

BANK STATEMENT OF CHANGES IN EQUITY

	Share capital	SharePremium	Revenue Reserves	Revaluation Surplus	Total
	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'
Year ended 31 December 2025					
As at 1 January 2025	1,139,298	69,749	(773,626)	154,250	589,671
Loss for the year	-	-	(269,838)	-	(269,838)
Transfer to statutory reserve	-	-	-	-	-
At 31 December 2025	1,139,298	69,749	(1,043,464)	154,250	319,833
Year ended 31 December 2024					
As at 1 January 2024	1,139,298	69,749	(317,339)	154,250	1,045,958
Prior year overdepreciation			(1,970)		(1,970)
Loss for the year			(454,317)		(454,317)
Transfer to statutory reserve					-
At 31 December 2024	1,139,298	69,749	(773,626)	154,250	589,671

BANK STATEMENT OF CASHFLOWS

	Note	Bank 2025	Bank 2024
		Kshs '000'	Kshs '000'
Loss before tax		(257,719)	(404,531)
Depreciation - Property and equipment	20	45,842	42,736
Depreciation - ROU	23	42,705	42,724
Tax recoverable expensed		42,146	
Amortisation of computer software	19	16,396	8,111
Change in deferred tax asset	24	-	(10,234)
Prior year over depreciation		-	(1,970)
Interest expense on lease liability	23	11,823	10,030
Remeasurements in lease liability	23	16,597	66,150
Write-off loan portfolio	16	(68,140)	(519,835)
Impairment losses on financial assets at amortized costs	16 (a)	96,389	126,663
Working capital changes:			
(Increase)/decrease in loans to customers	15	166,420	725,631
Increase in other assets	18	(21,877)	(290,717)
Decrease in customer deposits	25	(162,766)	96,585
Decrease in other liabilities	28	(6,740)	120,817
Increase in cash reserve ratio - CBK	17	-	(4,981)
Cash generated from operating activities		(78,924)	7,179
Tax paid	11	(1,588)	-
Net cash used in operating activities		(80,512)	7,179
Cash flows from investing activities			
Payments for right-of-use assets	23	(56,773)	(53,910)
Purchase of intangible assets	19	(41,872)	(35,090)
Addition for right-of-use assets	23	(16,929)	(65,602)
Purchase of property and equipment	20	(28,458)	(60,453)
Net cash used in investing activities		(144,032)	(215,055)
Cash flows from financing activities			
Proceeds from disposal of assets	8	-	-
Payment of borrowings	27	(391,929)	(137,866)
Funds awaiting allotment	26	97,500	-
Net cash generated from financing activities		(294,429)	(137,866)
Increase/(decrease) in cash and cash equivalents		(518,974)	(345,742)
At start of year		962,471	1,308,213
At end of year		443,498	962,471

GROUP STATEMENT OF CASHFLOWS

	Note	2025 Kshs '000'	2024 Kshs '000'
Loss before tax		(260,881)	(408,860)
Depreciation - Property and equipment	20	46,276	42,736
Depreciation - ROU	23	42,705	42,724
Amortisation of computer software	19	16,396	8,211
Tax recoverable expensed		42,146	
Change in deferred tax asset		-	(10,234)
Prior year over depreciation		-	(1,970)
Interest expense on lease liability	23	11,823	10,030
Remeasurements in Lease Liability	23	16,597	66,150
Write-off loan portfolio		(68,140)	(519,835)
Impairment losses on financial assets at amortized costs	16 (a)	96,389	126,663
Working capital changes:			
(Increase)/decrease in loans to customers	15	166,420	725,581
(Increase)/decrease in other assets	18	(2,930)	(279,988)
(Increase)/decrease in customer deposits	25	(162,767)	93,538
(Increase)/decrease in other liabilities	28	(25,228)	143,831
(Increase)/decrease in cash reserve ratio - CBK	17	-	(4,981)
Cash generated from operating activities		(81,194)	33,596
Tax paid	11	(5,229)	-
Net cash used in operating activities		(86,423)	33,596
Cash flows from investing activities			
Proceeds from disposal of asset			-
Payments for lease liabilities	23	(56,773)	(53,910)
Purchase of intangible assets	19	(41,980)	(33,441)
Addition for Right of Use		(16,929)	(65,602)
Purchase of property and equipment	20	(28,458)	(60,453)
Net cash used in investing activities		(144,140)	(213,406)
Cash flows from financing activities			
Payment of borrowings	27	(391,929)	(163,958)
Funds awaiting allotment	26	97,500	
Net cash generated from financing activities		(294,429)	(163,958)
Decrease in cash and cash equivalents		(524,992)	(343,768)
At start of year		970,419	1,314,187
At end of year		445,427	970,419

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings (Kshs), which is also the functional currency, rounded to the nearest thousand (Kshs'000).

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

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below:

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

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

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

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

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

Consolidation**(a) Subsidiaries**

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

The group 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 group. 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 group 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 acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured at 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 group 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 is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. 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 the statement of profit or loss.

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

(b) Changes in ownership interests

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.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount 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 group 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.

c) New and revised standards**i) Adoption of new and revised standards**

Various standards became effective for the first time in the financial year beginning 1st January 2024 and have been adopted by the group. Neither of the Amendments has had an effect on the group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 - IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Previously, IAS 1 required entities to disclose their significant accounting policies without providing a clear definition for the term "significant." Key changes include:

- Entities must disclose material accounting policy information.
- Several new paragraphs explain how to identify material accounting policy information and provide examples of when such information is likely to be material.
- Accounting policy information may be material due to its nature, even if the related amounts are immaterial.
- Immaterial accounting policy information should not obscure material accounting policy information.

These amendments are effective for annual periods beginning on or after January 1, 2023

Amendments to IAS 8 - Definition of Accounting Estimates (issued on 12 February 2021)

The previous definition of a change in accounting estimates has been replaced with a broader definition of accounting estimates. Entities develop accounting estimates when their accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. These amendments apply to annual periods beginning on or after January 1, 2024.

ii) New and revised financial reporting standards**Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)**

Under the new definition, accounting estimates refer to "monetary amounts in financial statements that are subject to measurement uncertainty." Entities develop accounting estimates when their accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

Additionally, changes in inputs or measurement techniques used for developing an accounting estimate are also treated as changes in accounting estimates (unless they arise from correcting prior period errors).

These amendments apply to annual periods beginning on or after January 1, 2024.

iii) New and revised standards that have been issued but are not yet effective

The Company has not applied any other of the new or revised Standards that have been published but are not yet effective for the year beginning 1st January 2025, and the Directors do not plan to apply any of them until they become effective. None of the changes is expected to have any material impact on the Company's financial statements except IFRS 18, which will require changes to the presentation, and related disclosures, of the Profit and Loss Account and the Statement of Cash Flows.

Below is the list all such new or revised standards and interpretations, with their effective dates and expected impact.

IFRS 18 titled Presentation and Disclosure in Financial Statements (issued in April 2024)

The new standard, applicable to annual periods beginning on or after 1st January 2027, replaces IAS 1 and sets out revised requirements for the presentation and disclosure of information in general purpose financial statements.

IFRS 19 titled Subsidiaries without Public Accountability: Disclosures (issued in May 2024)

The new standard, applicable to annual periods beginning on or after 1st January 2027, specifies the disclosure requirements a subsidiary without public accountability is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.

Amendments to IFRS 9 and IFRS 7 titled Amendments to the Classification and Measurement of Financial Instruments (issued in May 2024)

The amendments, applicable to annual periods beginning on or after 1 January 2026, address diversity in accounting practice by making the requirements more understandable and consistent.

Annual Improvements to IFRS Accounting Standards - Volume 11 (issued in July 2024)

The document sets out minor amendments to five Standards, applicable to annual periods beginning on or after 1st January 2026.

Amendments to IFRS 9 and IFRS 7 titled Contracts Referencing Nature-dependent Electricity (issued in December 2024)

The amendments, applicable to annual periods beginning on or after 1st January 2026, help companies better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

d) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed, and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Impact of initial application of IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by IFRS 9, the company has elected to continue to apply the hedge accounting requirements of IAS 39.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1

Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Previously, the Company disclosed this amount in the notes to the financial statements.

The key changes to the company's accounting policies resulting from its adoption of IFRS 9 are summarized below.

The full impact of adopting the standard is set out in Note 2.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed, and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

a) Recognition and Initial Measurement

The company initially recognizes loans and advances, deposits and subordinated liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue

b) Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Assessment of whether contractual cash flows are solely payments of principal and interest

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

Assessment of whether contractual cash flows are solely payments of principal and interest

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

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

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgment:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Contractually linked instruments

The Bank has some investments in securitizations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

e) Interest income and expense

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

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

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

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

f) Fees and commission income

In the normal course of business, the bank earns fees and commission income from a diverse range of services to its customers. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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

g) Net trading income

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

h) Equipment

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

Computers and office equipment	20.0%
Motor vehicles	25.0%
Furniture, fittings and office renovations	12.5%

i) Intangible assets-computer software costs

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

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

j) Impairment of non-financial assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not

exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current taxation

The corporate tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in the equity respectively.

l) Foreign currencies

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

m) Provisions

Provisions are recognized 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 obligations and a reliable estimate of the amount of the obligation can be made.

n) Statutory reserve

IFRS 9 requires the bank to recognize an impairment loss when there is objective evidence that loans and receivables are impaired. However, Central Bank of Kenya prudential guidelines require the bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognized under IFRS 9. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss.

o) Offsetting financial instruments

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

p) Cash and cash equivalents

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

q) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to profit or loss for the year on a straight-line basis over the term of the relevant lease.

r) Contingent liabilities

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

s) Fiduciary activities

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

t) Employee benefit costs**i) Bank's defined contribution retirement benefit scheme**

The bank operates a defined contribution retirement benefit scheme for its permanent employees. The assets of the scheme are held and administered independently of the bank's assets by an insurance company. The scheme is funded by contributions from both the bank and employees.

ii) Statutory defined benefit obligation pension scheme

The bank contributes to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. Contributions are determined by local statute. The bank's contributions to the statutory retirement benefit scheme are charged to the profit or loss for the year to which they relate.

iii) Other employee entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the liability for annual leave outstanding at the financial position date.

u) Comparatives

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

2 Critical accounting estimates and judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Critical accounting judgments in applying the company's policies***Impairment losses on loans and receivables***

The entity reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the profit or loss, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a company, or national or local economic conditions that correlate with defaults on assets in the entity. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. 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.

Key sources of estimation uncertainty***Property and equipment***

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

3 Going concern

The group reported a net loss before tax of Ksh.260.8 million compared with net loss before tax of Ksh. 408 million (2024) during the year and had borrowings of Ksh.10.5 million and Ksh.402 million as at 31 December 2024. The decrease in losses are notable, and the company maintains a strong liquidity position and support from a strategic investor, ensuring all future obligations are met. The current Strategic Plan focuses on Spiritual Integration, People and Productivity, Technology and Automation, and a Sustainable Business Model to restore Operational Self Sufficiency. With these measures in place, the company is well-positioned to enhance financial stability, sustain long-term growth, and deliver value to stakeholders while strengthening its market position and overall resilience in an evolving business environment.

4 Financial risk review

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

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

- Credit risk
- Liquidity risk

a) Credit risk

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

The following aspects of credit risks have been considered:

- Credit quality analysis
- Collateral held and other credit enhancements
- Amounts arising from ECL
- Impaired financial assets
- Concentrations of credit risk
- Offsetting financial assets and financial liabilities

Credit quality analysis

An analysis of the company's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3'.

Type of credit exposure

Loans and advances to customers at amortised Cost: Ksh '000'

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Year ended 2025 Total	Year ended 2024 Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Grade 1: Normal	903,025	-	-	903,025	977,702
Grade 2: Watch	56,611	-	-	56,611	93,200
Grade 3: Substandard	-	6,606	-	6,606	17,989
Grade 4: Doubtful	-	6,135	-	6,135	7,178
Grade 5: Loss	-	-	45,113	45,113	89,968
Gross carrying amount	959,636	12,741	45,113	1,017,490	1,186,037
Loss allowance	49,298	4,557	26,240	80,095	51,847
Carrying amount	910,338	8,184	18,873	937,395	1,134,189

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

Loans and advances to customers at amortised Cost : Ksh '000'

In thousands 'Kenya shilling'	2025 Stage 1	Stage 2	Stage 3	2025 Total ksh	2024 Total ksh
Current	903,025	-	-	903,025	977,702
Overdue < 30 days	56,611	-	-	56,611	93,200
Overdue > 30 days	-	12,741	45,113	57,854	115,135
Total	959,636	12,741	45,113	1,017,490	1,186,037

Cash and cash equivalents

The company held cash and cash equivalents of Shs. 252.2 million at 31 December 2025 (2024: Shs. 878 Million). The cash and cash equivalents are held with financial institution counterparties that are rated at least B, based on Global Corporate Default Study ratings.

(ii) Collateral held and other credit enhancements

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

Type of credit exposure

Percentage of exposure that is subject to collateral requirements

In thousands Kenya shillings	Note	31-Dec 2025	31-Dec 2024	Principal type of collateral held
Loans to customers	15	939,520	1,134,189	property & equipment & cash

The following tables stratify credit exposures from customer loans and advances by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired loans the value of collateral is based on the most recent appraisals.

In thousands Kenya Shillings	Note	31-Dec 2025	2024
LTV ratio			
Less than 50%		6,135	467,700
51-70%		63,217	24,782
71-90%		913,943	22,571
91-100%		4,322	19,520
More than 100%		29,873	651,463
Total		1,017,490	1,186,036

In thousands Kenya Shillings	Note	31-Dec 2025	2024
Credit-impaired loans			
Less than 50%		6,135	467,700
51-70%		63,217	24,782
More than 70%		948,138	693,554
Total		1,017,490	1,186,036

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 3(B)). However, collateral provides additional security and the company generally requests that corporate borrowers provide it. The company may take collateral in the form of a first charge over real estate, floating charges over assets and other liens and guarantees.

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

Loans and advances to customers designated as at FVTPL

At 31 December 2025, the maximum exposure to credit risk of loans and advances to customers designated as at FVTPL was their carrying amount of 80 million (2024: Ksh.51 million). The company has mitigated the credit risk exposure of some but not all of these loans and advances by developing an effective system of internal control, to consistently determine adequate allowances in accordance with the company's stated policies and procedures, IFRSs and relevant supervisory guidance. Focus is also in developing and maintaining the company's risk processes for measuring Expected Credit Loss including monitoring of credit risk, incorporating forward looking information and the method used to measure ECL.

(iii) Amounts arising from ECL**Inputs, assumptions and techniques used for estimating impairment****Significant increase in credit risk**

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

Stage 3 - When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Credit risk grades

The company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The credit risk grades within company are based on a probability of default. The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to the nature and type of loans.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3

The company grades its loans into five categories on the basis of the following criteria:

Performing loans, being loans which are well documented and performing according to contractual terms. Such loans are considered under stage 1 - no significant increase in credit risk for purposes of the ECL calculation;

Watch loans, being loans whose principal or interest have remained un-paid for one day to thirty days or where one installment is outstanding for less than 30 days. Such loans are also classified as stage 1 for purposes of the ECL calculation;

Substandard loan, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty-one to one eighty days or where two to six installments have remained outstanding. Under this category, loans past due between 31 - 90 days (or 2-3 pending installments) are classified within in stage 2 - significant increase in credit risk for purposes of the ECL calculation. Loans aged beyond 90 days are classified as stage 3 - credit impaired;

Doubtful loans, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty-one to three hundred and sixty days or where seven to twelve installments have remained outstanding. Such loans are classified as stage 3 for purposes of the ECL calculation; and

Loss loans, being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve installments have remained outstanding. Such loans are also classified as stage 3 for purposes if the ECL calculation.

The table below provides an indicative mapping of how the company's internal credit risk grades relate to PD.

Grading	12-month weighted-average PD	
	2025	2024
Grades 1: Low-fair risk	25.0%	15.5%
Grades 2: Higher risk	62.0%	82.6%
Grades 3-5: Substandard, doubtful, loss	100.0%	100.0%

Generating the term structure of PD

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

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

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and retail.

Accounts which are more than 30 days overdue have been determined as having a SICR. For accounts with a SICR PD and LGD has been assessed under the life time credit losses basis.

Discounting used in the ECL calculation

The average contractual interest rates for each credit risk category was taken as the discounting rate for the respective category.

Collateral information

Collateral available for the various buckets determined for IFRS 9 modelling has been considered at the Loss Give Default formulation.

Loss Give Default formulation.

Collateral amounts considered for modelling purposes has been based on the forced sale values, this information was extracted from the bank's core banking system. These values were discounted by one year with the average interest rates per bucket used as the discount rate.

Discounting was done for one year since information available on collateral realization shows that the bank is able to dispose collateral with 12 months from date of seizure and the amounts realized based on historical data provided. Proceeds on sale of collateral based on historical data have always exceeded the forced sale values hence no further haircuts have been considered.

For the groups bucket only group savings have been applied as collateral for modelling purposes, these have been proportionately apportioned to members with outstanding loan balances per bucket based on the total group outstanding loan balance. No discounting has been done on the group savings.

Cash recoveries

Subsequent cash recovery factor has been incorporated under the Loss Given Default formulation. These are recoveries received after an account has dropped to the non-performing classes. These amounts have been discounted based on the year the cash was received to present value.

Stage 3 Expected Credit Losses (ECL)

Stage 3 ECL applies to accounts which are credit impaired i.e. over 90 days overdue. For stage 3 ECL is/ has been computed after considering the present value for security and the recoveries history.

Deposits and bank balances Expected Credit Losses

An expected credit loss model for deposits and call balances placed with banks will be based on the default rate assigned by global credit rating bodies S&P and GCR.

The S&P ranking has assigned a risk/default rate of 0.00% for financial institutions rated AAA, 0.02% for AA rated, 0.07% A rated, 0.29% for BBB rated, 0.76% for BB rated, 2.93% for B rated and 15.79% for CCC/C rated financial institutions (Source 2017 Annual Global Corporate Default Study, Standard & Poor). GCR has carried out a credit rating of Kenyan banks but has not assigned risk/default rates for the various ratings given. On the other hand, S&P has not done a rating specific to Kenyan financial institutions but has risk rates assigned to various ratings as documented above whose description we have reviewed and came up with the risk rates applicable to Kenyan banks.

In the GCR rating of Kenyan financial institutions such as KCB Bank, Equity Bank and Commercial Bank of Africa are described as consistently having a stable outlook which is what is similar to the S&P description of financial institutions rated BB. Hence a default rate of 0.76% has been considered for deposits held with Tier one banks. Tier two banks such as Diamond Trust Bank are described as having a stable or positive outlook in the GCR rating which can be equated to the S&P rating of B with a default rate of 2.93%. Whilst Tier three banks such as stable or positive or watch outlook by GCR which bear similar descriptions as the CCC/C rating by S&P with a risk/default rate of 15.79%.

Definition of default

The Company considers loans that have been outstanding for more than 30 days as defaulted loans. Loans that are more than 90 days past due are considered to be credit impaired. The Company considers a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due. The company's write-off policy under IAS 39 is not expected to be materially different under IFRS 9.

For the purposes of IFRS 9 and based on the company's loan book and risk profile, the bank has considered product type as most appropriate for aggregating its loan book. The following product buckets have been determined:

Asset Finance – this category comprises of loan products issued by the bank secured by motor vehicles and by a charge on title deeds.

Groups – category includes loan products issued to organised groups and members of organised groups. Loans in this category are secured by the log books, a charge on title deeds and group savings held by the bank.

Church – category comprises of loan products issued to churches and affiliates for development purposes and secured by a charge on title deeds.

Agriculture – comprises loan products to customers engaged in the Agri business.

Consumer and Household – this category comprises loan products issued to individuals, staff and other salary based products. The loans are secured by log books and by a charge on title deeds.

SME – this category comprises loan products to SME sector and Staff Development loans. Loans are secured by vehicle log books and by a charge on title deeds.

Insurance – comprises of IPF loan products.

Incorporation of forward-looking information

IFRS 9 requires the ECL models to consider forward looking information and not simply relying on past experience.

The relevant forward looking information will impact PD in terms of the changes to the likelihood of a loss event occurring compared to history and LGD in terms of impact on actual loss were a default event to take place.

The relevant forward looking information will impact PD in terms of the changes to the likelihood of a loss event occurring compared to history and LGD in terms of impact on actual loss were a default event to take place.

The company considers the following forward looking factors to be relevant to the business:

- Inflation
- Interest rates
- GDP growth
- Employment levels

However the Company did not apply macro-economic adjustments to the PD because the Company is focused on short term lending.

As an equal probability would be assigned to each of these outcomes, the forward looking factors are not expected to have a material impact on the ECL.

The company also considers interest rates, inflation and employment to be the relevant factors influencing PD. It has been noted that economic factors do not have any significant impact on PD, all the economic factors having a correlation of less than one.

Modified financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The company renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The company has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified, the company assesses whether this modification results in derecognition. In accordance with the company's policy a modification results in derecognition when it gives rise to substantially different terms.

To determine if the modified terms are substantially different from the original contractual terms the company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

Measurement of ECL

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

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

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

ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

- instrument type;
- credit risk grading;
- type;
- LTV ratio;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

For portfolios in respect of which the company has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

Loss allowance

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

Loans and advances to customers at: Ksh '000'

		Stage 1 12-month ECL Kshs	Stage 2 Lifetime ECL Kshs	Stage 3 Lifetime ECL Kshs	Total Kshs	Year ended 2024 Total Kshs
Loss as at 01 January		647	541	50,660	51,848	445,020
Change in loss allowance						
-	Transfer to stage 1	(48,651)	-	48,651	-	-
-	Transfer to stage 2	(4,016)	-	4,016	-	-
-	Transfer to stage 3	24,420	-	(24,420)	-	-
New financial assets originated or purchased						
		59,325.00	5,484	31,577	96,386	126,663
Derecognized financial asset		(61,133)	(5,254)	(1,751)	(68,138)	(519,836)
Loss allowance as at 31 December		(29,408)	771	108,733	80,096	51,847

Loans and advances to customers at: Ksh '000'

As at 31 December 2025			
	Gross carrying/nominal amount	Allowance for ECL	ECL charge to profit and loss
Summary of financial instruments to which impairment requirements in IFRS 9 are applied	1,019,616	80,096	96,389

As at 31 December 2024			
	Gross carrying/nominal amount	Allowance for ECL	ECL charge to profit and loss
Summary of financial instruments to which impairment requirements in IFRS 9 are applied	1,186,036	51,847	126,663

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total Kshs
	Kshs	Kshs	Kshs	
Gross carrying amount as at 01.01.25	1,070,816	22,970	92,250	1,186,037
Change in loss allowance				-
- Transfer to stage 1	-111,180.00	-	111,180	-
- Transfer to stage 2	-10,228.00	-	10,228	-
- Transfer to stage 3	-47,137.00	-	47,137	-
New financial assets originated or purchased	895,691	11,893	42,107	949,691
Derecognized financial asset	(838,325)	(22,121)	(257,790)	(1,118,236)
Gross carrying amount as at 31.12.25	959,636	12,742	45,113	1,017,492

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total Kshs
	Ksh	Kshs	Kshs	
Gross carrying amount as at 01.01.24	1,611,301	24,631	432,744	2,068,675
Change in loss allowance				-
- Transfer to stage 1	1,071,523	(624)	(1,070,899)	-
- Transfer to stage 2	(25,035)	-	25,035	-
- Transfer to stage 3	(88,766)	(76)	88,842	-
New financial assets originated or purchased	623,689	12,720	7,683	644,092
Derecognized financial asset	(2,121,896)	(13,680)	608,845	(1,526,731)
Gross carrying amount as at 31.12.24	1,070,816	22,970	92,250	1,186,037

Loans with renegotiated terms

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

Loans and investment debt securities that were past due but not impaired

Loans and investment debt securities that were 'past due but not impaired' are those for which contractual interest or principal payments were past due but the Bank believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at FVTPL.

(v) Concentration of credit risk

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

Loans to customers - gross:	2025		2024	
	Shs '000	%	Shs '000	%
Agriculture	22,943.86	2%	42,968	4%
Business services	666,065.56	65%	318,744	27%
Consumer	328,480.81	32%	824,325	70%
	1,017,490		1,186,037	

Concentration by location for loans and advances, loan commitments and financial guarantees is based on the customer's country of domicile. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Offsetting financial assets and financial liabilities

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

b) Liquidity risk

The company is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with customer requirements. Liquidity risk is addressed through the following measures:

(i) Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The Audit and Risk Committee, is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due and that no difficulties meeting financial liabilities as they fall due is encountered.

A portfolio of short-term liquid assets largely made up of short-term liquid investment securities and bank facilities ensure that sufficient liquidity is maintained within the company as a whole.

(ii) Source of funding

The company has an aggressive strategy aimed at increasing the customer base and maintains a diversified and stable base of customers. The company also borrows from the banks for short term liquidity requirements.

(iii) Exposure to liquidity risk

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment in securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. The company regulators require that the company maintains a liquidity ratio of 20%. The company complied with the liquidity requirements during the year. The average liquidity ratio for the year was 33.8% (2024- 52%).

The table below represents the cash flows payable by the company under non- derivative financial liabilities by remaining contractual maturities at the end of the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The company manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Less than 1 month	Between 1-3 months	Between 4-12 months	1 year less than year 3	Over 3 years	Total
As at 31 December 2025	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
b) Liquidity risk						
Financial Liabilities						
Customer deposits	(1,441,103)	(332,878)	(324,755)	(449)	-	(2,099,185)
Related party	1,503	-	-	-	-	1,503
Borrowings	-	(10,530)	-	-	-	(10,530)
Total liabilities Contractual (maturity dates)	(1,439,600)	(343,408)	(324,755)	(449)	-	(2,108,212)
Financial Assets						
Cash and bank balances	199,076	-	-	-	-	199,076
Short term deposits with banks	235,826	-	-	-	-	235,826
Cash reserve ratio -CBK	108,418	-	-	-	-	108,418
Loan to customers (net)	24,133	13,365	208,245	641,581	52,197	939,520
Total assets (expected maturity dates)	567,453	13,365	208,245	641,581	52,197	1,482,840
NET LIQUIDITY GAP	(872,147)	(330,043)	(116,511)	641,132	52,197	(625,372)
As at 31 December 2024						
Total liabilities Contractual (maturity dates)	(1,291,910)	(295,744)	(735,610)	(291,157)	(48,485)	(2,662,906)
Total assets (expected maturity dates)	2,381,638	142,145	280,348	24,193	45,642	2,873,967
NET LIQUIDITY GAP	1,089,728	(153,599)	(455,262)	(266,963)	(2,842)	211,061

c) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

Overall authority for market risk is vested in the Risk Committee which is responsible for the development of detailed risk management policies. The policies are subject to review and approval by the board.

Exposure to interest rate risk

The company is exposed to various risks associated with the effects of fluctuation in the prevailing levels of market interest rates on financial position and cash flows. The risk committee closely monitors the interest rates trends to minimize the potential adverse impact of interest rate changes. The table overleaf summarizes the exposure of interest rate risk at the reporting date. The company maintains an appropriate mix of fixed and floating rates deposit base. Interest rates on advances to customers and other risk assets are either pegged to the company's lending rate. The Company's rates are adjusted from time to time to reflect the cost of deposits.

Interest rates on cash collateral held are determined by the company with the company retaining the discretion to adjust the rates in line with changes in market trends. The interest rates, therefore, may fluctuate depending on the movement in the market interest rates. The company also invests in fixed interest rate instruments issued by the Government of Kenya through the Central Bank of Kenya.

Included in the table overleaf are financial assets and liabilities at carrying amounts categorized by the earlier of contractual repricing or maturity dates.

	Less than 1 month	Between 1-3 months	Between 4-12 months	1 year less than year 3	Over 3 years	Non- interest bearing	Total
As at 31 December 2025	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
b) Liquidity risk							
Financial Liabilities							
Customer deposits	(107,098)	(332,878)	(324,755)	(449)	-	(1,334,005)	(2,099,185)
Related party	-	-	-	-	-	1,503	1,503
Borrowings	-	(10,530)	-	-	-	-	(10,530)
	(107,098)	(343,408)	(324,755)	(449)	-	(1,332,502)	(2,108,212)
Financial Assets							
Cash and bank balances	-	-	-	-	-	199,076	199,076
Short term deposits with banks	235,826	-	-	-	-	-	235,826
Cash reserve ratio -CBK	-	-	-	-	-	108,418	108,418
Loan to customers (net)	24,133	13,365	208,245	641,581	52,197	-	939,520
	259,959	13,365	208,245	641,581	52,197	307,494	1,482,840
On statement of financial position							
interest sensitivity gap	152,861	(330,043)	(116,511)	641,132	52,197	(1,025,008)	(625,372)
As at 31 December 2024							
Total liabilities Contractual (maturity dates)	39,600	(295,744)	(735,610)	(291,157)	(5,077)	(1,331,510)	(2,619,499)
Total assets (expected maturity dates)	2,030,592	142,145	280,348	24,193	45,642	351,046	2,873,966
On statement of financial position							
interest sensitivity gap	2,070,192	(153,599)	(455,262)	(266,964)	40,565	(980,464)	254,467

Interest rate risk stress test

The impact that an immediate hypothetical increase or decrease in interest rates of 10% applied at the beginning of the year would have on the profit for the year assuming a growing balance sheet and current interest rate risk profile would be as follows:

	2025 sh '000'		2024 sh '000'	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
10% increase in interest rates	28,755	23,004	29,230	23,384
10% decrease in interest rate	(28,755)	(23,004)	(29,230)	(23,384)

The model does not take into account any corrective action in response to interest rate movements, particularly in adverse situations.

Currency risk

The company operates wholly within Kenya and its assets and liabilities are reported in the local currency.

	KES Sh'000	USD Sh'000	Euro Sh'000	Total Sh'000
Assets				
Cash and bank balances	162,700	36,376	-	199,076
Short term deposits with banks	229,311	1,823	4,692	235,826
Cash reserve ratio- CBK	108,418	-	-	108,418
Loans to customers (net)	939,520	-	-	939,520
Total financial assets	1,439,949	38,199	4,692	1,482,840
Liabilities				
Balances due to banking institutions	-	-	-	-
Customer deposits	2,099,185	-	-	2,099,185
Related party	-	-	-	-
Borrowings	(10,530)	-	-	(10,530)
Total financial liabilities	2,088,655	-	-	2,088,655
Net balance sheet position	(648,706)	38,199	4,692	(605,815)

c) Currency risk

Net balance sheet position as at 31 December 2025

	KES Sh'000	USD Sh'000	Euro Sh'000	Total Sh'000
Total financial assets	1,439,949	38,199	4,692	1,482,840
Total financial liabilities	(2,088,655)	-	-	(2,088,655)
Net balance sheet position	(648,706)	38,199	4,692	(605,815)

The table below summarizes the estimated impact of a 10% appreciation/depreciation of the Kenya shilling against the two major currencies traded by the company i.e. the US Dollar and the Euro.

Shilling against the two major currencies traded by the company i.e. the US Dollar and the Euro.

	2025 sh '000'		2024 sh '000'	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
+10% KES movement	4,289	3,002	78	55
-10% KES movement	(4,289)	(3,002)	(78)	(55)

The Central Bank of Kenya sets and monitors capital requirements for Microfinance Bank Institutions as a whole.

The Microfinance Bank regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50% of tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of Microfinance Bank and certain other regulatory items.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

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

In implementing current capital requirements, the Central Bank of Kenya requires each Microfinance Bank to maintain;

- A minimum level of regulatory capital of Shs 60 million.
- A ratio of core capital to the risk-weighted assets plus risk-weighted off-statement of financial position assets at or above the required minimum of 10%.
- Core capital of not less than 8% of total deposit liabilities.
- Total capital of not less than 12% of risk-weighted assets plus risk-weighted off-statement of financial position items.

The Microfinance Bank externally imposed capital requirements are as computed below.

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'
Tier 1 capital				
Share capital	1,139,298	1,139,298	1,139,298	1,139,298
Share premium	69,749	69,749	69,749	69,749
Accumulated losses	(770,022)	(309,974)	(773,626)	(319,309)
Net after tax profit/(loss)	(273,000)	(460,047)	(269,838)	(454,317)
Intangible Assets	(44,196)	(93,232)	(39,941)	(92,618)
	121,829	345,795	125,642	342,803
Tier 2 capital				
Revaluation reserves (25%)	38,563	38,563	38,563	38,563
Regulatory capital	160,392	384,357	164,205	381,365
Total risk-weighted assets	2,380,409	2,448,531	2,355,545	2,404,851
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets (CBK minimum - 12%)	7%	16%	7%	16%
Total tier 1 capital expressed as a percentage of total risk-weighted assets (CBK minimum - 8%)	5%	14%	5%	14%

Capital allocation

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

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Microfinance Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Microfinance Bank's longer term strategic objectives.

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
5 Interest income				
Loans to customers	381,501	420,403	381,501	420,441
Interest on short term deposits with banks	79,029	91,267	79,029	91,267
	460,530	511,670	460,530	511,708
6 Interest expenses				
Interest on customer deposits	113,130	123,293	113,130	123,293
Interest on borrowing	46,759	65,033	46,759	65,033
Cost of borrowing	1,021	5,056	1,021	5,056
Interest on bank overdraft	12,075	26,024	12,075	26,024
	172,985	219,406	172,985	219,406
7 Fees income				
Loan disbursement	13,988	17,196	13,988	17,196
Loan application	32,548	30,465	32,548	30,465
Membership	-	38	-	38
Training	-	38	-	38
	46,536	47,737	46,536	47,737
8 Other operating income				
Front office income	6,310	7,583	6,310	7,583
Guarantee commissions	163,212	140,485	163,212	143,117
Insurance agency Income	13,435	14,761	-	-
Other income and charges	39,953	37,056	39,953	34,562
Proceeds from disposal of assets	3,650	-	3,650	-
Donation and grant	6,043	-	6,043	-
	232,603	199,885	219,168	185,262
9 Administration and operating expenses				
Staff costs (note 10)	315,622	288,055	312,883	284,447
Office rent and service charge	27,858	26,507	27,054	25,703
Computer expenses	12,367	40,101	12,367	40,101
Depreciation (note 20)	46,320	42,411	46,320	42,411
Depreciation right of use(note 23)	42,705	42,724	42,705	42,724
Communication	43,300	38,884	43,300	38,884
Travel and transport costs	14,931	22,932	14,577	22,687
Amortization of computer software (note 19)	16,396	8,211	16,396	8,111
Legal and professional fees	15,993	12,572	5,429	12,552
Programme expenses	13,874	8,228	13,874	8,228
General Insurances	29,113	19,802	29,113	19,802
Directors fee	4,080	4,965	4,080	4,965
Advertising expenses	10,436	8,804	10,106	8,804
Office expenses	15,537	21,386	15,537	21,386
Bank charges	2,015	4,250	2,009	4,247
	610,547	589,832	595,750	585,052

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
9 Administration and operating expenses (continued)				
Balance b/frwd	610,547	589,832	595,750	585,052
Office equipment maintenance	15,009	16,402	15,009	4,425
Printing and stationery	7,465	5,245	7,465	5,245
AGM expenses	1,849	1,601	1,849	1,601
Audit fees	2,691	3,879	2,691	3,879
Taxation fees	42,146	29,527	42,146	29,527
Subscriptions and donations	1,517	1,997	1,517	1,602
Insurance agency expenditure	3,866	7,770	3,866	7,770
	685,090	656,253	670,293	639,101
10 Personnel costs				
Salaries and wages	221,742	233,284	219,553	230,417
Medical expenses	58,739	28,598	58,329	28,212
Pension fund expenses	6,182	9,856	6,088	9,717
Other payroll expenses	14,693	6,461	14,693	6,461
Staff recruitment training and exposure costs	309	243	309	27
Statutory pension contributions (NSSF)	13,957	9,613	13,912	9,613
	315,622	288,055	312,883	284,447
11 Taxation	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
(a) Tax credit/(expense)				
Current tax at 30% (2024: 30%)	-	-	-	(1,401)
Deferred tax (note 24)	12,119	51,187	12,119	51,187
Withholding tax paid	-	-	-	-
	12,119	51,187	12,119	49,786
(b) Reconciliation of expected tax based on accounting loss to tax credit				
Accounting profit before tax	(260,881)	(408,860)	(257,719)	(404,531)
Tax applicable rate of 30% (2024: 30%)	(78,264)	(122,658)	(77,316)	(121,359)
Tax effect of:				
Expense not deductible (note 24)	90,383	173,845	-	-
	12,119	51,187	(77,316)	(121,359)
(c) Tax recoverable	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1 January	41,172	30,938	40,558	39,231
Tax recoverable expensed	(42,146)	-	(42,146)	-
Tax charge for the year	-	-	-	1,327
Withholding tax paid	5,229	10,234	1,588	-
At 31 December	4,255	41,172	-	40,558

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
12 Cash and bank balances				
Cash at bank	180,091	80,754	178,162	72,806
Cash in hand	50	50	50	50
Mpesa a/c	18,935	17,408	18,935	17,408
Cash and bank balances	199,076	98,212	197,147	90,264

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held with banks, net of bank overdrafts.

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
13 Deposits with banks maturing within 1 year				
Co-operative Bank of Kenya Limited	20,269	310,811	20,269	310,811
Kingdom Bank Limited	-	259,603	-	259,603
Middle East Bank Limited	219,723	260,215	219,723	260,215
Family Bank Limited	-	36,354	-	36,354
Sidian Fixed Deposit	11,059	10,088	11,059	10,088
UBA Dollar Call deposit	1,171	1,139	1,171	1,139
	252,222	878,210	252,222	878,210
Less impairment provision for low credit risk assets	(16,396)	(16,396)	(16,396)	(16,396)
	235,826	861,814	235,826	861,814

The effective average interest rate on deposits with banks as at 31 December 2025 was 10% (31 December 2024: 10%).

14 Investment in Government Securities				
Held to maturity (after 90 days):	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Held to maturity:				
Face value - maturing after 90 days	-	-	-	-
Less: Unearned discount	10,525	10,393	10,525	10,393
	10,525	10,393	10,525	10,393
15 Loans to customers				
Loans to customers	1,014,045	1,174,283	1,014,045	1,174,283
Loans to staff	5,571	11,753	5,571	11,753
Accumulated impairment losses (note 16(a))	(80,096)	(51,847)	(80,096)	(51,847)
	939,520	1,134,189	939,520	1,134,189

The effective interest rate on loans to customers at 31 December 2025 was 23% (2024 - 23%)

16	Changes in expected credit losses and other credit impairment charges				
		Group	Group	Bank	Bank
		2025	2024	2025	2024
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	a) Impairment losses on loans and advances				
	At 1 January	51,847	445,020	51,847	445,020
	Write Off	(68,140)	(519,835)	(68,140)	(519,835)
	Impairment losses recognised on loans in the year	96,389	126,663	96,389	126,663
	At 31 December	80,096	51,848	80,096	51,847
	b) Impairment losses on financial assets				
	At 1 January	(16,396)	(10,773)	(16,396)	(10,773)
	Impairment write back/loss in the year	(33,727)	(5,622)	-	(5,622)
	At 31 December	(50,123)	(16,395)	(16,396)	(16,396)
	Impairment on loans and advances (Note 15)	96,389	126,663	96,389	126,663
	Impairment on financial assets at amortised costs	33,727	5,622	33,727	5,622
	Provisioning for contingencies	-	60,000	-	60,000
		130,116	192,285	130,116	192,285
17	Cash balances with Central Bank of Kenya				
	Cash ratio requirement	108,418	108,418	108,418	108,418

The cash ratio requirement is maintained based on the customer deposits with the company as adjusted by the Central Bank of Kenya requirements. As at 31 December 2025, the cash reserve ratio requirement was 3.25% for all customer deposits (2024 4.25%).

18	Other assets	Group	Group	Bank	Bank
		2025	2024	2025	2024
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	Deposits and prepayments	38,339	57,876	32,679	32,944
	Interest receivable	320,211	232,386	305,211	217,386
	Sundry debtors	359,844	391,141	359,844	391,141
	Stationery inventory	2,521	2,409	2,521	2,409
	Due from HOPE Advancement Inc.	-	446	-	446
		720,915	684,258	700,255	644,326
	Provision for sundry debtors	-33,727	-	-33,727	-
		687,188	684,258	666,528	644,326

Sundry debtors include a Safaricom settlement receivable of Kshs. 318 million and a suspense balance of Kshs. 91 million, both of which are subject to ongoing reconciliation as at the reporting date.

The Safaricom settlement receivable relates to customer transactions that have been processed and credited to customer deposit accounts, but for which the corresponding settlement funds have not yet been released to the Bank by Safaricom, pending completion of detailed reconciliation. Settlement is expected upon confirmation of transaction validity and settlement status. Accordingly, no impairment provision has been recognised as at the reporting date.

The suspense balance of Kshs. 92 million primarily arose from variances following system migration. The balance is under active reconciliation to facilitate appropriate allocation to customer accounts or general ledger balances. Management continues to monitor the resolution of these items and will reassess the need for provisioning should the balances remain unresolved.

19	Intangible assets	Group	Group	Bank	Bank
		2025	2024	2025	2024
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	Cost				
	As at 1 January	194,583	159,496	194,583	159,246
	Additions during the year	41,980	35,087	41,980	35,337
	As at 31 December	236,563	194,583	236,563	194,583
	Amortization				
	As at 1 January	164,831	154,874	164,931	154,874
	Adjustment of Depre. Overcharge	-	1,646	-	1,646
	Amortization	16,829	8,311	16,829	8,411
	As at 31 December	181,660	164,831	181,760	164,931
	Net Book Value				
	As at 31 December	54,903	29,752	54,803	29,652

These are computer software used in company's operations and are measured at cost less accumulated amortization.

20	Property and equipment	Freehold land	Buildings	Transformation	Vehicles	& furniture	Total
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	Cost						
	At 1 January 2025	317,425	13,232	190,235	27,721	264,129	812,742
	Additions	-	-	544	11,296	16,618	28,458
	Disposal				(10,070)		(10,070)
	At 31 December 2025	317,425	13,232	190,779	28,947	280,747	831,130
	At 1 January 2024	317,425	13,232	183,186	18,321	220,125	752,289
	Additions	-	-	7,049	9,400	44,004	60,453
	At 31 December 2024	317,425	13,232	190,235	27,721	264,129	812,742
	Depreciation						
	At 1 January 2025	-	1,970	150,607	20,672	221,406	394,655
	Charge for the year	-	331	13,538	4,309	27,664	45,842
	At 31 December 2023				(10,070)		440,497
	At 31 December 2025		2,301	164,145	14,911	249,070	430,427
	At 1 January 2024	-	1,639	137,056	18,289	194,935	351,919
	Charge for the year	-	331	13,551	2,383	26,471	42,736
	At 31 December 2024	-	1,970	150,607	20,672	221,406	394,655
	Net Book Value						
	At 31 December 2025	317,425	10,931	26,634	14,036	31,677	400,703
	At 31 December 2024	317,425	11,262	39,628	7,049	42,723	418,088

		Bank 2025	Bank 2024
		Kshs '000'	Kshs '000'
21 Investment in subsidiary			
SMEP bancassurance Intermediary limited		15,000	15,000

22 Property and equipment

Net Book Value - Cost basis

Had the company's freehold land and buildings been measured on historical cost basis, the carrying amounts would have been as follows;

Fair value measurements of the company's freehold land and buildings:

The table below shows an analysis of freehold land and buildings at fair value by level of the fair value hierarchy. Freehold land and buildings are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

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

	Level 1 Ksh '000'	Level 2 Ksh '000'	Level 3 Ksh '000'	Total Kshs '000'
At 31 December 2025				
Freehold land and buildings	-	330,000	-	330,000
At 31 December 2024				
Freehold land and buildings	-	330,000	-	330,000

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance as at 1 January	84,844	61,966	84,844	61,966
Additions in the year	16,929	65,602	16,929	65,601
Depreciation charge	(42,705)	(42,724)	(42,705)	(42,724)
Balance as at 31 December	59,068	84,844	59,068	84,843

23 Right of use asset (continued)**Lease liabilities**

	Group 2025	Group 2024	Bank 2025	Bank 2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Maturity analysis				
Less than one year	5,069	27,339	5,069	27,339
More than one year	68,313	68,313	68,313	68,313
Undiscounted lease liabilities	67,299	95,652	67,299	95,652
Current	5,069	27,339	5,069	27,339
Non-current	62,230	68,313	62,230	68,313
Total	67,299	95,652	67,299	95,652

Amount recognized in profit and loss

Interest on lease liabilities	11,823	10,030	11,823	10,030
Depreciation charge	42,705	42,724	42,705	42,724

Amount recognized in the statements of cash flows

Remeasurements in lease liability	16,597	66,150	16,597	66,150
Total cash outflow of the lease	(56,773)	(53,910)	(56,773)	(53,910)

24 Deferred tax

The net deferred tax asset is attributable to the following items:

Assets

Provision for leave pay	-1,764	(2,790)	-1,764	-2,790
Provision for bad debts	-39,066	(20,473)	-39,066	-20,473
Other provisions	674	347	674	347
Provision for contingencies	-13,242	(18,000)	-13,242	-18,000
Tax losses carried forward	-15,342	(2,453)	-15,342	-2,453
	-68,740	(43,369)	-68,740	-43,369

Liabilities

Unrealized exchange gain	-161	(27,053)	-161	(27,053)
Excess depreciation over capital allowance	-33,674	(44,272)	-33,674	-44,272
Revaluation surplus	62,634	62,634	62,634	62,634
	28,799	(8,691)	28,799	(8,691)

Net deferred tax	(39,941)	(52,060)	(39,941)	(52,060)
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The movement in the deferred tax account during the year were as follows:

At 1 January	52,060	103,247	52,060	103,247
Deferred tax credit/(charge)	(12,119)	(51,187)	(12,119)	(51,187)
At 31 December	39,941	52,060	39,941	52,060

	Group	Group	Bank	Bank
	2025	2024	2025	2024
25 Customer deposits	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Demand deposits	1,334,005	1,204,798	1,334,005	1,204,797
Short term deposits	-	240,841	-	240,841
Fixed deposits	765,180	816,313	765,180	816,313
	2,099,185	2,261,952	2,099,185	2,261,951

The effective interest rate on customer deposits as at 31 December 2025 was 10% (2024: 10%).

26 Funds awaiting allotment	Group	Group	Bank	Bank
	2025	2024	2025	2024
	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'
Funds awaiting allotment	97,500	-	97,500	-

As at 31 December 2025, the bank held USD 750,000 received from HOPE Advancement Inc. for subscription to new Class A Ordinary Shares. The shares had not been allotted at year end, and the amount has therefore been classified as share application money/capital contribution pending allotment under equity, in line with IAS32.

27 Borrowings

Loans - at amortized cost

Cooperative Bank Limited	-	226,910	-	226,910
Middle East Bank	-	89,682	-	89,682
Danish Church Aid	9,026	14,292	9,026	14,292
Sight Savers	527	527	527	527
Rose Women Foundation	977	6,785	977	6,785
	10,530	338,197	10,530	338,197
Bank overdraft				
Bank overdrafts	-	64,262	-	64,262
	10,530	402,459	10,530	402,459
Maturity of the borrowing				
Due within one year	57,809	57,809	57,809	57,809
Due after one year	(47,279)	344,650	(47,279)	344,650
	10,530	402,459	10,530	402,459
Movement in loan balance				
At 1 January	402,459	566,416	402,459	566,416
Loans received	977	6,785	977	6,785
Loans repaid	(392,906)	(170,743)	(392,906)	(170,743)
	10,530	402,459	10,530	402,459

The effective interest rate on long term borrowings as at 31 December 2025 was 10% (2024: 10%)

27 Borrowings (continued)

i) Summary of borrowing arrangements

- The Danish Church Aid (DCA) is a zero rated facility to support refugees, host community and youth access financial literacy training and loan facilities.
- Sight savers (Royal Commonwealth Society for the Blind) is a de-risking fund to support soft lending to the blind participants doing business in Kenya.
- Rose Women Foundation supports groups of women involved in small and microbusinesses in Kenya have access to loans and savings products.

28 Other liabilities

	Group	Group	Bank	Bank
	2025	2024	2025	2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Leave pay provision (note 28(a))	5,880	9,300	5,880	9,300
Sundry payables	137,251	159,059	125,749	129,069
Due to related party note 29(b)	1,503	1,503	1,503	1,503
	144,634	169,862	133,132	139,872

Sundry payables include Kshs. 99 million relating to funds received from Safaricom that have not yet been allocated or credited to the respective customer accounts as at the reporting date. Reconciliation is ongoing to ensure accurate allocation to the appropriate customer accounts or posting to the relevant general ledger balances.

29 Leave pay provision

Movement in leave provision is as follows:

At start of year	9,300	6,659	9,300	6,659
Charge for the year	(3,420)	2,641	(3,420)	2,641
At the year end	5,880	9,300	5,880	9,300

30 Related parties

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

All transactions with related parties are at arm's length in the normal course of business, and on terms conditions similar to those applicable to other customers.

SMEP Bancassurance Intermediary Limited, as a subsidiary, is fully owned by SMEP Microfinance Bank Public Limited Company.

SMEP Microfinance Bank Public Limited Company is a subsidiary of HOPE Advancements INC.

SMEP Microfinance Bank Public Limited Company is an associate of Small and Micro Enterprise Program Limited, a company limited by guarantee.

Small and Micro Enterprise Program Limited, a company limited by guarantee is owned by National Council of Churches of Kenya (NCCK).

30 Related parties (continued)**a) Transactions**

The remuneration of members of key management during the year was as follows:-

	Group	Group	Bank	Bank
	2025	2024	2025	2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Salaries and other benefits	45,167	44,667	45,167	44,667
Rent charged by NCKK	8,042	8,042	8,042	8,042

b) Balances

Due to related parties				
Small and Micro Enterprise Programme	(1,503)	(1,503)	(1,503)	(1,503)
HOPE Advancements Inc.	-	(446)	-	(446)
	(1,503)	(1,949)	(1,503)	(1,949)
Due from related parties				
Loans to staff	5,571	7,847	5,571	7,847
	5,571	6,343	5,571	6,343

The effective interest rate on staff loans and loans to directors is 13.5% and 20% respectively.

31 Share capital and share premium

As at 31 December 2025 the authorised share capital of the company comprised of 111,651,161 ordinary shares and 116,208,351 Class A ordinary shares (2024: Ordinary shares 111,651,161 and Class A Ordinary Shares 116,208,351) with a par value of Shs 5. The issued shares as at 31 December 2025 are 227,859,512 (2024: 227,859,512) and are fully paid. Issued and fully paid ordinary shares have a par value of Shs 5, carry one vote per share. Share premium amount to Shs 69,749,383 (2024: Shs 69,749,383).

32 Accumulated losses	Group	Group	Bank	Bank
	2025	2024	2025	2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
As at 1 January	(770,022)	(308,004)	(773,626)	(317,339)
Adjustments	-	(1,970)	-	(1,970)
Profit for the year	(273,000)	(460,048)	(269,838)	(454,317)
	(1,043,022)	(770,022)	(1,043,464)	(773,626)

	Group	Group	Bank	Bank
	2025	2024	2025	2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
33 Statutory reserves				
Graduated scale provisions	51,512	39,712	51,512	39,712
IFRS 9 provisions	80,096	80,096	80,096	51,847

Transfer to statutory reserve relates to the excess provisions for impairment of loans and advances as computed per the Kenyan Microfinance Act, 2006 (graduated scale) over the loans and advances impairment provisions as computed in accordance with IFRS 9 on financial instruments. Transfer during the year 2025: nil (2024: nil). The IFRS 9 has higher provisions. The statutory reserve is not distributable.

34 Write-off of Non-Performing Loans and Off-System Management

The Bank wrote off non-performing loans classified as loss in accordance with CBK Prudential Guidelines and IFRS 9, following approval through established credit governance processes. The written-off loans were fully derecognised from the loan book and removed from the core banking system, with write-offs applied against existing impairment provisions.

Notwithstanding the write-off, the Bank retained its legal rights to recover the amounts due. The written-off loan portfolio is managed off-system under a controlled recovery framework with appropriate internal controls and oversight. Any recoveries are recognised in profit or loss when received. Written-off loans do not form part of reported gross loans, NPL ratios, or regulatory capital computations.

35 Contingent Liabilities and Commitments**i) Nature of Instruments**

The Bank issues bid bonds and performance guarantees to facilitate the commercial activities of its customers. These instruments represent a guarantee to a third party (the beneficiary) that the customer will fulfill their obligations under a specific contract or tender. If the customer fails to do so, the Group is required to make payments to the beneficiary.

(ii) Maximum Exposure to Credit Risk

The following table summarizes the nominal principal amounts of off-balance sheet financial instruments. These amounts represent the maximum potential credit risk should the contracts be fully drawn or the guarantees called:

Instrument Type	Bank	Bank
	2025	2024
	Kshs '000'	Kshs '000'
Financial guarantees		
- Bid Bonds	6,893,776.7	7,197,549
- Performance Bonds	3,538,082	4,075,399
	10,431,858	11,272,948
Commitments		
- Undrawn Loan Commitments	17,971	16,585
Total exposure	10,449,829	11,289,533

iii) Provisions for Expected Credit Losses (ECL)

In accordance with IFRS 9, the Group recognizes a loss allowance for expected credit losses on these commitments. As of 31st December 2025, the provision for ECL on off-balance sheet items is nil (2024: nil). This provision is recorded within "Other Liabilities" on the Statement of Financial Position.

iv) Collateral and Recovery

To mitigate credit risk, the Group typically requires customers to provide collateral before issuing performance bonds. This may include cash margins, fixed assets, or counter-guarantees from other financial institutions. As of 31st December 2025, the Group held cash margins of Kshs 269 million specifically against the bid bonds listed above.

v) Uncertainties and Expiry

To mitigate credit risk, the Group typically requires customers to provide collateral before issuing performance bonds. This may include cash margins, fixed assets, or counter-guarantees from other financial institutions. As of 31st December 2025, the Group held cash margins of Kshs 269 million specifically against the bid bonds listed above.

	Group	Group	Bank	Bank
	2025	2024	2025	2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
36 Capital commitments				
Authorised but not contracted for	131,600	190,500	131,600	190,500

37 Subsequent events

Conversion of Shareholder Deposits to Capital

In March 2026, the Bank's principal shareholder, HOPE International, converted shareholder deposits amounting to USD 750,000 into share capital. The funds were applied against the shareholder deposit balance, and the process of formal capitalisation as equity was ongoing as at the date of approval of these financial statements, subject to completion of the requisite corporate and regulatory procedures. The conversion was undertaken to strengthen the Bank's capital base and support compliance with applicable regulatory capital requirements.

Injection of Additional Capital

Further in March 2026, HOPE International injected additional capital of USD 750,000 into the Bank. The funds were received by the Bank, and the process of formal capitalisation as equity was ongoing as at the date of approval of these financial statements, pending completion of the relevant approvals. The capital injection was intended to further enhance the Bank's capital adequacy position and ensure that the Bank is adequately financed to support its ongoing operations in line with regulatory expectations.

38 Incorporation

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

39 Comparatives

These financial statements are presented in Kenya Shillings rounded to the nearest thousands (Sh'000), which is also the functional currency. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

40 Ultimate holding company

The immediate holding company is HOPE Advancements Inc.

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