CREATE GREAT

2025 Annual Report

& FINANCIAL STATEMENTS

HFCB

create great

CREATING POSSIBILITIES

Leveraging innovation to enhance experiences and unlock new opportunities.

CREATE GREAT


HFCB
create great

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Turning goals into action &
ambition into measurable progress.

CREATE GREAT

Board of Directors

The directors who served during the year and to the date of this report were:

Prof. Olive Mwihaki Mugenda PhD - **Chairperson**
Dr. Benson Irungu Wairegi
Mr. Robert Ngugi Kibaara
Dr. Peter Kahara Munga
Dr. Anne Helen Wairimu Nganga - Kimari
Dr. Anthony Opare Omerikwa - *Retired on 28th May 2025*
Ms. Felister Wangari Kembi
Mr. Tom Mbuthia Gitogo
Ms. Elizabeth Gitau - *Appointed on13th March 2026*

Company Secretary

Ms. Regina Anyika (CPS 880)
Rehani House
Kenyatta Avenue/Koinange Street
P.O. Box 30088 - 00100
Nairobi, Kenya

Registered Office

Plot No. LR 209/905
Rehani House
Kenyatta Avenue/Koinange Street
P.O. Box 30088 - 00100
Nairobi, Kenya

Legal Adviser

Walker Kontos Advocates
Hakika House
Bishops Road
P.O. Box 60680–00200
Nairobi, Kenya

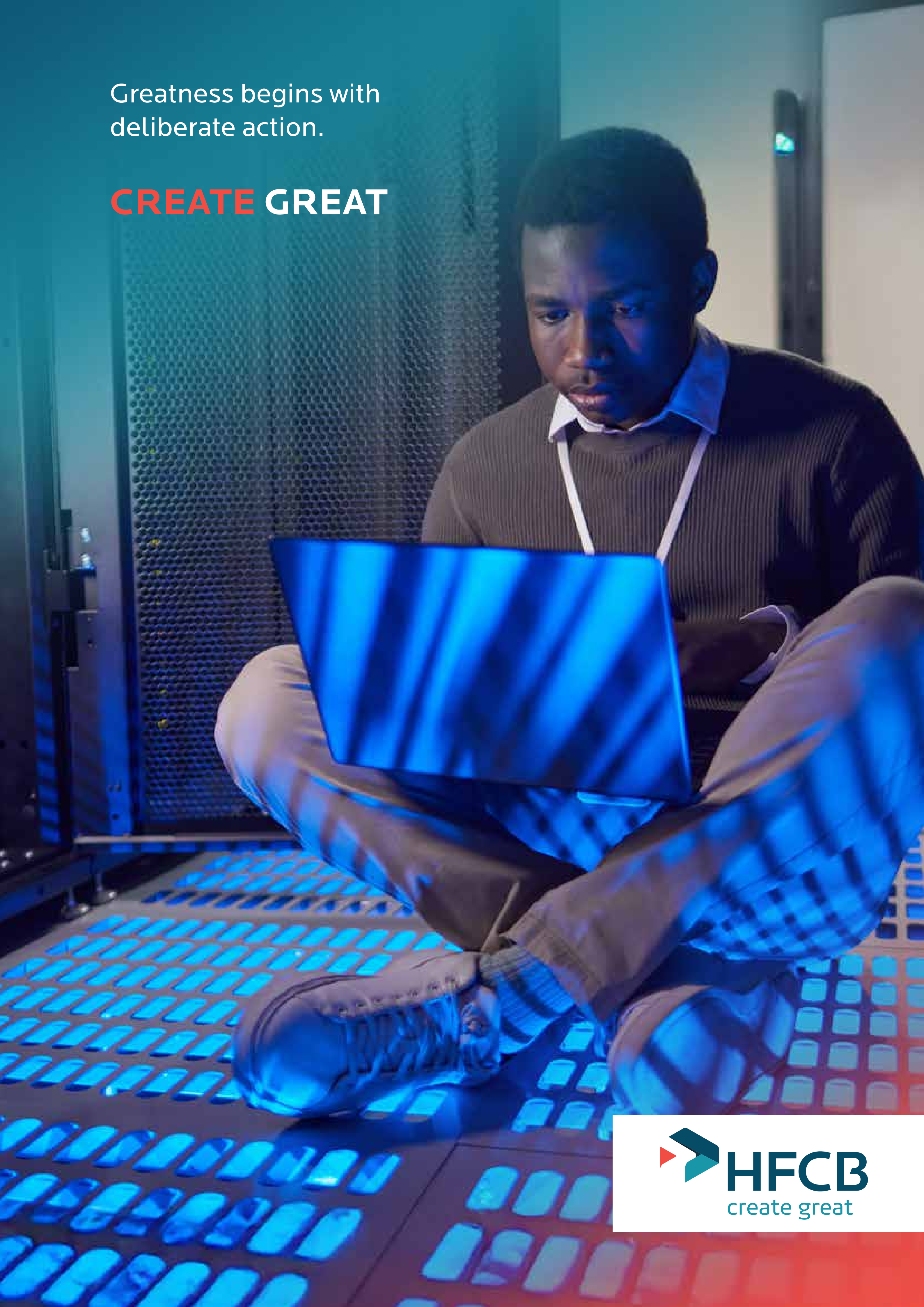
Principal Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000–00200
Nairobi, Kenya

HFCB Limited
Rehani House, Kenyatta Avenue
P.O. Box 30088–00100
Nairobi, Kenya

Independent Auditor

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P.O. Box 43963–00100
Nairobi, Kenya


Greatness begins with
deliberate action.
CREATE GREAT
HFCB
create great

HFCB Group Plc Board of Directors

5 6 7 8

1 2 3 4

Prof. Olive M. Mugenda PhD, EBS, CBS, MGH
71 years
CHAIRPERSON
INDEPENDENT &
NON EXECUTIVE

Dr. Benson I. Wairegi EBS
73 years
BOARD MEMBER
NON INDEPENDENT
& NON EXECUTIVE

Felister W. Kembi
69 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

Dr. Peter K. Munga EGH, CBS
83 years
BOARD MEMBER
NON INDEPENDENT
& NON EXECUTIVE

5

Tom M. Gitogo
57 years
BOARD MEMBER
NON INDEPENDENT &
NON EXECUTIVE

6

Dr. Anne W. Kimari PhD
53 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

7

Robert N. Kibaara
53 years
GROUP CHIEF
EXECUTIVE OFFICER
NON INDEPENDENT &
EXECUTIVE

8

Ms. Elizabeth Gitau
52 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

*Age in 2026

HFCB Limited Board of Directors

4 5 6 7

1

Samuel Makome
59 years
CHAIRPERSON
INDEPENDENT &
NON EXECUTIVE

2

Jane Kilonzo
58 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

3

Robert N. Kibaara
53 years
GROUP CHIEF EXECUTIVE
OFFICER
NON INDEPENDENT & EXECUTIVE

4

John Mwendwa
52 years
BOARD MEMBER
INDEPENDENT & NON
EXECUTIVE

5

Gerald Warui
59 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

6

Dr. Dorcas Muthoni
47 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

7

Peter O. Mugeni
49 years
MANAGING DIRECTOR
NON INDEPENDENT
& EXECUTIVE

*Age in 2026

HFCB Group Plc Board of Directors Cont.

Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH | Date of Appointment: 21st October 2021

Group Chairperson - Independent and Non Executive

Prof. Mugenda is a seasoned academic researcher and administrator with specialization in Women/Girl's Education, Research Methods & Statistics, Leadership and Governance. She holds a Doctor of Philosophy (Ph.D.), Iowa State University, USA. Master of Business Administration, Eastern and Southern Africa Management Institute, (ESAMI), Arusha, Tanzania. Master of Science (M.Sc.), Iowa State University, USA and Bachelor of Education (First Class Honours), University of Nairobi.

She is the former Chairperson – Kenyatta University Teaching, Referral & Research Hospital; Chancellor, KCA University (November 2019) among others. She was the Vice-Chancellor, Kenyatta University for 10 years – between March 20th, 2006 to March 20th, 2016. During her tenure, the University grew in both stature and financial strength.

Robert N. Kibaara | Date of Appointment: 1st March 2019

Group Chief Executive Officer - Executive & Non Independent

Robert Kibaara is the Group Chief Executive Officer of HFCB Group Plc Group, an integrated financial and property solutions provider that is registered as a non-operating holding company (under the Banking Act Cap.488) and licensed by the Central Bank of Kenya (CBK). He is a renowned banker with over 30 years' experience and an excellent track record of accomplishment in successfully driving change, business transformation and delivering outstanding business results. He previously held several leadership positions including Retail Director at NIC Bank; Executive Director -Retail and Business Banking at National Bank of Kenya; Standard Chartered Bank; among other executive positions at Barclays Bank of Kenya.

Robert is a founding Board Member of the Kenya Mortgage Refinance Company (KMRC), a non-deposit taking financial institution whose mission is to increase the affordability of home loans through refinancing.

He holds an MBA Degree from Strathmore University, Bachelor's Degree in Banking and Finance from the University of Sunderland (UK) and a Post Graduate Diploma from the Chartered Institute of Marketing (CIM) UK.

Dr. Benson I. Wairegi, EBS, | Date of Appointment: 1st April 2008

Non Independent & Non Executive Director

Dr Wairegi worked for Britam Holdings Plc in various capacities and held the position of Chief Executive Officer and Group Managing Director before retiring in January 2021. He had previously worked with PricewaterhouseCoopers before joining Britam. He has significant insurance, investment and financial services industry experience.

Dr. Wairegi has served as a Non Executive Non Independent Director of Equity Group Holdings PLC and is the immediate past Chancellor of Kenyatta University and Chairman of Endeavor Kenya, a US based non profit organization headquartered in New York City that is leading the high-impact entrepreneurship movement in growth markets around the world. He is a former Chairman of the Association of Kenya Insurers (AKI) and former Board Member of the Board of Trustees of the Insurance Training and Education Trust (ITET).

Dr. Wairegi holds an Honorary Doctorate Degree (Honoris Causa) from Kenyatta University, Bachelor of Commerce and Master of Business Administration degrees from the University of Nairobi. He is a Certified Public Accountant (CPA-K) and a Fellow of the Kenya Institute of Management.

Dr. Peter K. Munga, EGH, CBS | Date of Appointment: 1st July 2008

Non Independent & Non Executive Director

Dr. Peter K. Munga, EGH, is a Certified Public Secretary with vast experience in both public and private sector management. He holds two honorary doctorates, Doctor of Letters (Honoris Causa) from The University of Nairobi, and Entrepreneurship (Honoris Causa) from Kenya Methodist University.

He has a Diploma in Human Resources and Financial Management. He has received the highest presidential award to a civilian, the First Class Chief of the Order of the Burning Spear (CBS) and also the Second Class Order of the Golden Heart of Kenya (EGH) national decoration, for his outstanding contributions to economic development. Dr. Munga is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Limited, Freshco Seeds Limited and Murang'a Water and Sewerage Company (MWASCO). He is the current Chancellor of Pioneer International University. He is also a Director at Britam Holdings Plc.

HFCB Group Plc Board of Directors Cont.

Elizabeth Gitau | Date of Appointment: 13th March 2026

Independent & Non Executive Director

Ms. Elizabeth Gitau is a highly experienced and versatile human resource management professional with a distinguished track record in both consultancy and corporate environments. She has served in key HR roles across globally recognized organizations, including Maersk, Unilever, P3 Africa Consulting, and KPMG, operating across multiple geographies in Africa and Europe.

Her work reflects a sophisticated understanding of HR as a strategic lever for sustainable business growth and internal employer branding. Her experience spans HR transformation and the application of modern workforce models, such as agile working, flexible structures, and diversity and inclusion.

She is also a committed leader in governance and community engagement. Her board-level experience includes serving as a Trustee and Committee Chair at the Union East Africa Pension Trust, Advisory Board Member at Young Engineers Kenya, and Founding Chair of the Reward Management Professionals of Kenya (RMPK).

She holds an MSc in Human Resource Management and Training from the University of Leicester, Certified Human Resource Professional of Kenya (CHRP, Kenya), Bachelor of Commerce (Accounting option) - Second Class Honours (Upper Division) University of Nairobi and is a Certified Public Accountant (CPA) of Kenya.

Felister W. Kembi | Date of Appointment: 26th September 2016

Independent & Non Executive Director

Ms. Felister W. Kembi joined the board on 26th September 2016. She is a graduate of the University of Nairobi with a Bachelors Degree in Commerce (Accounting option). She is also a CPA (K) holder and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Felister has vast experience having worked for Kenya Airways, East African Portland Cement, Ernst & Young Auditors, AgrEvo EA Limited and Aventis EA, mainly as an accountant, auditor and Finance and Administration Manager. She is also a Director of Felicity Exclusive Designs, a major importer and distributor of clothing and household goods.

Tom M. Gitogo | Date of Appointment: 1st August 2023

Non Independent & Non Executive Director

Mr. Tom Gitogo is the Group MD and CEO, of Britam Holdings Plc, a leading diversified financial services group, present in seven African countries: Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique, and Malawi.

Tom joined Britam on 1st September 2022. He is an accomplished financial services professional and board level leader, skilled in general management, commercial and business strategy, sales, and finance operations, and talent management, having spent over 30 years in various roles in the financial services industry in Africa and Europe.

Before joining Britam, Tom was previously the Group CEO of CIC, a listed regional insurance group, and the CEO of Sanlam Insurance.

Tom holds a Master of Business Administration (Strategic Management) from Moi University and a Bachelor of Science in Civil Engineering from the University of Nairobi. He is also a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and a member of the Institute of Directors of Kenya (IOD).

Dr. Anne W. Kimari | Date of Appointment: 24th June 2022

Independent & Non Executive Director

Dr. Anne Kimari is a committed and dedicated professional with twenty-seven years' experience in SME Banking, General Management, Accounting, Finance, Strategic Management, Tax, Risk, Audit, Microfinance, as well as having Corporate Governance and Board experience and knowledge. She is the founder and principal consultant of Fine Bridge Associates Limited, providing Finance and Microfinance Consultancy services.

She holds a Doctorate and MBA Finance – United States International University – Africa (USIU), Bachelor of Commerce Finance Option – University of Nairobi. She is a Certified Public Accountant (CPA) and member of ICPAK, Fellow of ACCA. She holds an Executive Certificate in SME Banking – Frankfurt School – Germany and a Microfinance Trainer of Trainers (MFTOT) Certificate from Asian Development Bank (Tokyo, Japan) in collaboration with the World Bank and UNCTAD. She has worked in senior roles in Microfinance and other sector companies.

Senior Management Team

4 5 6 7

1

Robert Kibaara
53 years
GROUP CHIEF EXECUTIVE OFFICER

2

Peter Mugeni
49 years
MANAGING DIRECTOR, HFCB LTD

3

Regina Anyika
58 years
DIRECTOR, LEGAL & COMPANY SECRETARY

4

Joseph Chikove
43 years
DIRECTOR, TREASURY, CUSTODY & FINANCIAL INSTITUTIONS

5

Juddy Wambita
45 years
DIRECTOR, CREDIT

6

Sammy Kamanthi
51 years
GROUP CHIEF FINANCE OFFICER

7

Joseph Ngare
56 years
DIRECTOR, INTERNAL AUDIT

*Age in 2026

Senior Management Team

12 13 14 15

9

Patrick Njunge
46 years
DIRECTOR, RETAIL & BUSINESS BANKING

10

Catherine Olaka
57 years
DIRECTOR, HUMAN RESOURCES & ADMINISTRATION

11

Tonney Agira
43 years
MANAGING DIRECTOR, HFCB PROPERTIES LIMITED

12

David Igweta
54 years
CHIEF OPERATIONS OFFICER

13

Maureen Stephyne
40 years
EXECUTIVE DIRECTOR, HFCB BANCASSURANCE INTERMEDIARY

14

Kennedy Gachoki
50 years
GENERAL MANAGER, RISK

15

Nkatha Gitonga
47 years
DIRECTOR, MARKETING, CORPORATE AFFAIRS & SUSTAINABILITY

*Age in 2026

Senior Management Team (Continued)

Robert N. Kibaara

Group Chief Executive Officer

Robert Kibaara is the Group Chief Executive Officer of HFCB Group Plc, an integrated financial and property solutions provider that is registered as a non-operating holding company (under the Banking Act Cap.488) and licensed by the Central Bank of Kenya (CBK). He is a renowned banker with over 30 years' experience and an excellent track record of accomplishment in successfully driving change, business transformation and delivering outstanding business results. He previously held several leadership positions including Retail Director at NIC Bank; Executive Director -Retail and Business Banking at National Bank of Kenya; Standard Chartered Bank; among other executive positions at Barclays Bank of Kenya.

Robert is a founding Board Member of the Kenya Mortgage Refinance Company (KMRC), a non-deposit taking financial institution whose mission is to increase the affordability of home loans through refinancing.

He holds an MBA Degree from Strathmore University, Bachelor's Degree in Banking and Finance from the University of Sunderland (UK) and a Post Graduate Diploma from the Chartered Institute of Marketing (CIM) UK.

Peter O. Mugeni

Managing Director, HFCB Ltd

Peter is a seasoned Banker, with over 20 years experience in Banking, covering Retail & Commercial Banking and Risk Management as well as leading large teams both regionally and across Africa. Through his experience, he has formulated and implemented business strategies which have made significant turnaround impacts to the Organizations he has worked for. He joined HFCB Ltd from Standard Bank of South Africa where he was Credit Executive responsible for Sanctioning and Monitoring of Large Exposures from Stanbic Africa entities (including Kenya). Prior to that, he was the Head of Credit, Personal and Business Banking for Stanbic Bank Tanzania for 5 years.

Peter has previously worked at HFCB Limited as an Accounts Officer, Credit Analyst and Assistant Credit Manager, and with Stanbic Bank Kenya Limited as Credit Origination Manager (Corporate & Investment Banking), Credit Evaluation Manager (Personal and Business Banking) and Head of Credit, Business Banking. He holds a Master of Science in Finance (Banking Option) and a Bachelor of Commerce degree (Finance Option) both from the University of Nairobi. In addition, he is a Certified Retail Banker (CRB), Certified Chartered Accountant (ACCA) and a fellow of the Retail Banking Academy of the United Kingdom.

Catherine Olaka

Director, Human Resources & Administration

Catherine Olaka has extensive HR experience and has achieved success in designing & implementing scalable HR initiatives with a key focus on business transformation at executive level. She has a wealth of Sub-Saharan Africa work experience having served in various assignments in Tanzania, Rwanda, Chad, Gabon, Ghana, Nigeria, Congo Brazzaville, DRC, Madagascar and RSA, and industry experience within the ICT and Financial services.

Her career highlights include roles as the overall HR leader at Stanbic Bank Uganda, Tigo Tanzania, and Telkom Kenya.

Catherine holds a Bachelor of Arts Degree (University of Nairobi), an MBA (Maastricht school of Management), Post-Graduate Diploma in HR and is a licensed Executive Coach and a member of AoEC (Association of Executive Coaches – UK) and ICF (International Coaching Federation).

Regina Anyika

Director, Legal & Company Secretary

Regina is a seasoned legal professional with expertise in governance, commercial law, labour relations and dispute resolution, deal structuring for Capital Raising including corporate bonds, Rights Issues, Mergers and Acquisitions. She joined HFCB Group Plc in September 2013 and is currently the Company Secretary and Director, Legal. Prior to joining the bank, Regina worked with the Co-operative Bank of Kenya Limited and Senator Cards Limited.

She holds an MBA (Employee Relations) from the University of Leicester, LLB from the University of Nairobi, Diploma from the Kenya School of Law and is a Certified Public Secretary of Kenya (CPS K). She is an award-winning legal expert, having been recognized in the 2015 Legal 500's list of the top 100 corporate counsel in Africa (www.Legal500.com), as Top Private Sector Lawyer of the Year (in-house) Practitioner November 2024, Nairobi Legal Awards and as Top 10 Women Lawyer in Private Sector March 2024, Nairobi Legal Awards.

Senior Management Team (Continued)

Joseph Chikove

Director, Treasury, Custody & Financial Institutions

Joseph is a seasoned treasury professional, with over 17 years' experience in the banking industry across the East African Region. He has had an excellent track record orchestrating high team performance in the treasury business. Prior to joining HFCB Ltd in 2019, Joseph held various positions including Head of Treasury at NIC Bank Uganda, Senior Treasury Dealer at NIC Bank Tanzania and Treasury Dealer at NIC Bank Kenya and Fina Bank Kenya Limited.

Joseph holds a Master's Degree in Business Administration from Edinburgh Business School and holds a Bachelor of Commerce Degree from University of Nairobi. He also holds an ACI Dealing Certificate and is a member of the Financial Markets Association of Kenya (ACI Kenya) and a Associate member of Chartered Institute for Securities and Investments.

Kennedy Gachoki

General Manager, Risk

Kennedy joined HFCB Ltd in November 2015 to oversee the Enterprise Risk Management Division with functional reporting responsibilities to Board Risk Committee. He joined the Group from Central Bank of Kenya (CBK) where he had served since June 2008, in the Bank Supervision Department. He has vast experience in banking risk management processes including risk identification, risk measurement, risk control and risk monitoring. He has also participated in several international and local forums on banking risk management including compliance related trainings.

Kennedy holds a Master's Degree in Business Administration (MBA-Finance) from the University of Nairobi and a Bachelor of Commerce Degree in Accounting. He is also a Certified Public Accountant CPA (K).

Joseph Ngare

Director, Internal Audit

Joseph joined HFCB Group Plc on 19th April, 2010 as the Head of Audit. Prior to joining the Company, he worked with Gulf African Bank and Cooperative Bank of Kenya Limited.

Joseph holds a Bachelor of Commerce Degree (Finance Option) and is a qualified Certified Public Accountant (Kenya), Certified Internal Auditor (CIA) and a Certified Quality Assessor (QA).

David Igweta

Chief Operations Officer

David is an astute ICT and operations expert with over 27 years of experience in Information Technology and Banking. Before joining HFCB Group Plc, he worked as the Head of Technology and Operations at Spire Bank, GM ICT at NIC Bank, Soluziona (an entity affiliated to the Spanish Power company as a systems consultant) and Car and General. He has expertise in policy formulation and best practice in ICT governance standards implementation, project and program management, IT Security and key strategic road map formulation and roll-out. He is well versed with IT and operational trends in banking and payment systems with deep involvement in Fintech engagements and partnerships.

David holds a Degree in Mathematics and Computer Studies from Kenyatta University and various accreditation and certifications.

Patrick Njunge

Director, Retail & Business Banking

Patrick is a seasoned results-driven banker with 16 years' experience in banking. He has good experience in building business units, driving innovation and entrenching excellence in customer experience. Patrick has managed various business units and has broad experience in digital and retail banking. Some of the roles he has managed in the past include Portfolio Manager - Lending; Head of Credit Cards business, Head of Retail Products and Segments, and Head of Digital Business across 3 banks; NIC Bank, National Bank and Standard Chartered Bank.

Patrick is a holder of a Global Executive MBA from USIU in partnership with Frankfurt School of Business and a Bachelor of Arts Degree in Economics, among other qualifications.

Senior Management Team (Continued)

Tonney Agira

Managing Director - HFCB Properties Limited

Tonney is a seasoned banker, with over 18 years' experience in strategy development & execution, business intelligence and analytics, retail banking and products management. Through his experience, he has been able to achieve business results which have made significant turnaround impacts to the organizations he has worked for, including growth in revenue and profitability; process improvements; development of business scorecards and frameworks that created excellence in market execution.

Prior to his appointment as Managing Director at HFCB Properties Limited, he was the HFCB Group Director - Strategy & Business Performance. He has previously held several senior roles including Head of Products, Head of Retail Strategy & Analytics at NIC Bank; Head of Retail Lending, and Manager Business Intelligence & Analytics at National Bank of Kenya; and a Business Analyst among other roles at Barclays Bank of Kenya.

Tonney holds a Bachelor's of Science degree (Biomedical Science & Technology - Pharmacology option) and is currently undertaking his MBA. He is a data and analytics enthusiast and has several certifications in this field including predictive analytics and propensity modeling certifications. He is also a yellow belt holder of the Lean six sigma process re-engineering program.

Sammy Kamanthi

Group Chief Finance Officer

Sammy is a finance professional and a seasoned banker with over 25 years track record in the banking industry. His role includes providing leadership in financial forecasting & budgets, overseeing the preparation of financial reports as well as advisory on long term business and financial planning. Prior to joining HFCB Group Plc, he held the position of General Manager and Head of Finance for the Kenya operations at Equity Bank. He has also served as the Finance Manager & Head of Financial Reporting at the same institution. Sammy has also held other positions including Accountant at Kenya Airways; Graduate Management Trainee, Senior Bank Officer and Assistant Finance Manager at the Central Bank of Kenya.

Sammy holds a Bachelor of Commerce Degree in Accounting from Kenyatta University, Master's Degree in International Development Studies, Development Economics from National Graduate Institute of Policy Studies – Tokyo, Japan and Master in Business Administration (MBA) – Finance, from Edinburgh Business School (EBS), Heriot -Watt Univ – Edinburgh. He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants (ICPAK).

Juddy Wambita

Director, Credit

Juddy Wambita is a seasoned banking and credit professional with over 15 years of progressive leadership experience across leading financial institutions in Kenya. She currently serves as Director, Retail and Business Banking at HFCB, where she drives strategic growth, customer-centric innovation, and portfolio sustainability across diverse client segments.

Juddy has established a strong reputation for excellence in credit policy formulation, credit evaluation, and portfolio management, spanning consumer, high-net-worth, business, and commercial banking. She is recognized for strengthening risk governance frameworks, enhancing portfolio quality, and delivering sustainable business growth.

As the Director of Credit at HFCB Ltd, she spearheaded credit transformation initiatives. She also held senior leadership positions at Stanbic Bank, including Head of Credit for Consumer and High Net Worth Clients, and Acting Head of Credit for Business Banking & Commercial Clients at Stanbic Bank. Earlier in her career, she served as Senior Credit Manager for Business and Corporate Banking at Absa Kenya PLC, and as Credit Manager at NIC Bank.

Juddy's academic and professional credentials reflect her commitment to continuous learning and excellence. She holds a Bachelor of Education (Science) degree from Kenyatta University, an Advanced Management Programme from IMD Business School in Switzerland, a Credit Skills Development Certificate from Omega Performance Corporation (UK), and a Certificate in Agricultural Financing from ECAF. She is currently pursuing an MBA in Finance at the University of Nairobi.

With her blend of technical expertise, leadership acumen, and strategic vision, Juddy continues to shape the future of retail and business banking in Kenya, positioning HFCB as a trusted partner for clients across all segments.

Senior Management Team (Continued)

Maureen Stephyne

Executive Director, HFCB Bancassurance Intermediary Ltd

Maureen is a seasoned Bancassurance professional with expertise in developing and implementing Bancassurance Strategies, Relationship Management, product customization, leading teams and driving business growth. She has successfully set up bancassurance business units, formulated and implemented Bancassurance strategies which have made significant impact to the Organizations she has worked for in both revenue growth and business diversification. She is responsible for providing leadership to the Group's Bancassurance Subsidiary as an independent strategic business unit contributing to the overall objectives of the HFCB Group.

She has worked for both banking and insurance institutions and has over 15 years working experience. She previously worked for Pioneer Assurance Company, Britam Assurance, Equity Bank, Pacis Insurance and most recently Kenya Orient Insurance Limited where she held various Sales, Underwriting and Business development leadership roles.

Maureen holds a Bachelor of Science Degree in Actuarial Science from Jomo Kenyatta University of Agriculture and Technology and is currently pursuing her Masters Degree. She has several certifications including Certificate of Proficiency from College of Insurance, A post graduate Diploma in Insurance from the Chartered Insurance Institute of London, an Award in Bancassurance from Lloyds Africa Markets, Claims & underwriting, Re-insurance, Customer Service, Leadership and Board Dynamics. She is also a member of the Insurance Institute of Kenya (I.I.K), The Actuarial Society of Kenya (T.A.S.K), Kenya Women In Insurance (K.W.I.I.N), Bancassurance Association of Kenya and Chartered Insurance Institute of London (C.I.I)

Nkatha Gitonga

Director, Marketing, Corporate Affairs & Sustainability

Nkatha is a seasoned brand lead, marketer & communicator with 27 years' experience spanning entertainment, advertising & media, aviation, ICT & financial services sectors. She is passionate about leadership, strategy, brand, sustainability, culture and coaching. Nkatha has led innovative strategic project teams to successfully realize the business objectives of leading organizations in Africa.

She honed her skills at various organisations including Ayton Young & Rubicam (AY&R), Kenya Airways, ScanGroup & AccessKenya (Internet Solutions/Dimension Data). Prior to joining HFCB Group Plc, she served as the Group Manager, Marketing and Communications for ICEA LION Group across Kenya, Uganda & Tanzania.

Nkatha holds a BA in Political Science & Sociology (Hons) from the University of Nairobi and an MBA in Leadership & Sustainability from the University of Cumbria, U.K. She is a Certified Engagement & Productivity Coach (CEPC) from the International Coach Federation (ICF) and holds a Certification of Accredited Practitioner in Organizational Culture Practitioner from The Culture Factor. She is also a 2024 Alumnus of the Women Directors Leadership Programme (WDLP) from Strathmore University Business School's Executive Education Programme.

HFCB Bancassuarance Intermediary Limited Directors

4 5 6

1

Tom M. Gitogo
57 years
BOARD MEMBER
NON INDEPENDENT &
NON EXECUTIVE

2

Robert N. Kibaara
53 years
GROUP CHIEF EXECUTIVE OFFICER
NON INDEPENDENT &
NON EXECUTIVE

3

Patrick Njunge
45 years
BOARD MEMBER
NON INDEPENDENT &
NON EXECUTIVE

4

Dr. Anne W. Kimari, PhD
53 years
BOARD MEMBER
INDEPENDENT &
NON EXECUTIVE

5

Tonney Agira
43 years
BOARD MEMBER
NON INDEPENDENT &
NON EXECUTIVE

6

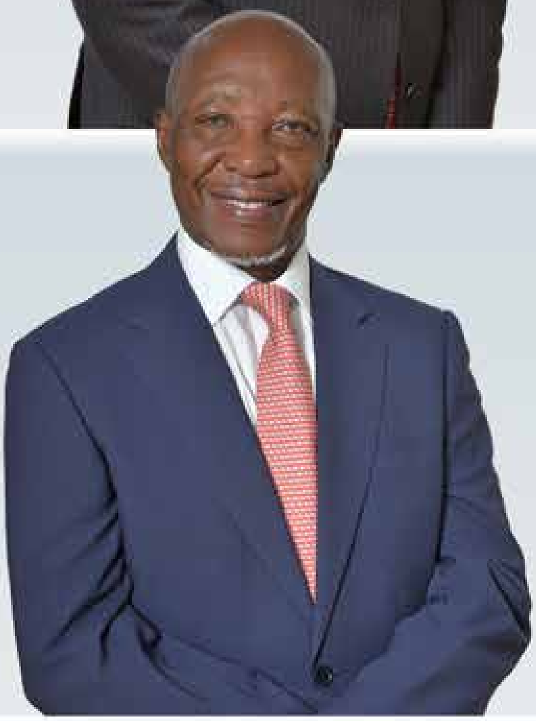
Maureen Stephyne
40 years
PRINCIPAL OFFICER &
EXECUTIVE DIRECTOR,
HFCB BANCASSURANCE
INTERMEDIARY

*Age in 2026

HFCB Properties Limited Directors

3

4



1

Dr. Peter K. Munga, EGH, CBS
83 years
BOARD MEMBER NON INDEPENDENT
& NON EXECUTIVE

2

Dr. Benson I. Wairegi, EBS
73 years
BOARD MEMBER NON INDEPENDENT
& NON EXECUTIVE

3

Robert N. Kibaara
53 years
GROUP CHIEF EXECUTIVE OFFICER
NON INDEPENDENT & NON EXECUTIVE

4

Tonney Agira
43 years
MANAGING DIRECTOR,
HFCB PROPERTIES LIMITED

*Age in 2026

Notice of Annual General Meeting

To the Shareholders of **HF Group Plc**

NOTICE IS HEREBY GIVEN that in accordance with Articles 59 and 61 of the Articles of Association of the Company, the 60th Annual General Meeting of the Company will be held via electronic communication on Tuesday, 26th May 2026 at 11.00 a.m. to conduct the following business:

1 To table the proxies and note the presence of a quorum.

2 To read the notice convening the meeting.

3 To receive and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2025 together with the Chairman's, the Directors' and Auditor's Reports thereon.

4 To note that the Directors do not recommend the payment of a dividend for the year ended 31 December 2025.

5 To elect Directors:

a) Dr. Benson Wairegi, who is over seventy years old, retires by rotation in accordance with Article 105 of the Company's Articles of Association, and being eligible, offers himself for re-election..

b) Mr. Tom Gitogo retires by rotation in accordance with Article 105 of the Company's Articles of Association and, being eligible, offers himself for re-election.

c) Ms. Felister Kembi, having served the maximum tenure of nine years, retires at this meeting and does not offer herself for re-election.

d) Ms. Elizabeth Gitau, retires in accordance with Article 104 of the Company's Articles of Association, and being eligible, offers herself for re-election.

e) In accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected individually to continue to serve as members of the said Committee:-

- Dr. Ann Kimari
- Ms. Elizabeth Gitau

6. To approve the Directors Remuneration Report as detailed in the Annual Report for the year ended 31 December 2025.

7. To appoint PricewaterhouseCoopers (PwC) Kenya as the auditors of the Company in accordance with Sections 721 of the Companies Act, No. 17 of 2015 and to authorize the Directors to fix the remuneration of the auditors in terms of section 724 of the said Companies Act.

8. To consider any other business for which due notice has been given.

BY ORDER OF THE BOARD
Regina Anyika
Group Company Secretary
P.O. Box 30088, GPO 00100
NAIROBI
Date: 4th May 2026

Notice of Annual General Meeting (Continued)

NOTES:

1. Shareholders wishing to participate in the meeting should register for the AGM by dialing ***483*112#** on their *Safaricom* mobile telephone or ***483*112#** on their *Airtel* & *Telkom* mobile telephone and follow the various prompts on the registration process. Shareholders will not incur any cost for such registration.

2. To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number: **(+254) 709 170 000** from 9:00 a.m. to 4:00 p.m. from Monday to Friday. Shareholders outside Kenya should dial the helpline number for assistance during registration.

3. Registration for the AGM opens on **Monday, 4th May 2026** at 9:00 am and will close on **Friday 22nd May 2026** at 11.00 a.m. Shareholders will not be able to register after this time.

4. In accordance with Article 160 of the Company's Articles of Association, the following documents may be viewed on the Company's website www.hfgroup.co.ke **(a)** a copy of this Notice and the proxy form; **(b)** the Company's Annual Report & Audited financial statements for the year ended 31st December 2025

5. 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.

6. A proxy form is provided with the Annual Report. The proxy form can also be obtained from the Company's website www.hfgroup.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 **Friday, 22nd May 2026** at 11.00 a.m.

7. Duly signed proxy forms may also be emailed to info@image.co.ke in PDF format. A proxy form must be signed by the appointor 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. Proxy form must be either emailed to info@image.co.ke or lodged at the offices of the Company's Share Registrar firm, Image Registrars Ltd, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, so at to arrive not later than Friday, 22nd May 2026 at 11.00 a.m.

8. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so on or before **Friday, 22nd May 2026** at 11.00 a.m. by: **(a)** sending their written questions by email to agmquestions@hfgroup.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 30088 – 00100, Nairobi, or to Image Registrars offices at the address above. (c) Shareholders who will have registered to participate in the meeting shall be able to ask questions via sums by dialing the USSD code above and selecting the option (Ask Question) on the prompts (d) During the AGM, shareholders can send their questions by using the "Questions" tab on their livestream link.

Notice of Annual General Meeting (Continued)

Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications.

The Company's directors will provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder no later than 12 hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the AGM.

9. Registered Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to Propose and Second the resolutions put forward in the notice.

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.hfgroup.co.ke within 48 hours following conclusion of the AGM.

Notisi kuhusu mkutano mkuu wa pamoja wa mwaka

Kwa wanahisa wa **HF Group Plc.**

NOTISI INATOLEWA HAPA KWAMBA, kufungamana na vifungu nambari 59 na 61 vya sheria za kampuni, mkutano wa 60 wa Pamoja wa Mwaka wa Kampuni utafanyika kwa mbinu ya mawasiliano ya kielektroniki **Jumanne Mei 26, 2026** *kuanzia* **Saa Tano Asubuhi** ili kutekeleza shughuli zifuatazo kibiashara;

1. Kuwataja mawakala na kuzingatia akida ya mkutano

2. Kusoma notisi ya kuitishwa kwa mkutano

3. Kupokea na endapo itaidhinishwa, kupitisha taarifa ya matumizi ya pesa iliyofanyiwa ukaguzi kwa kipindi cha mwaka wa matumizi ya pesa uliomalizika Desemba 31 2025 pamoja na ripoti kutoka kwa Mwenyekiti, Wakurugenzi na Wahasibu.

4. Kufahamu kuwa, wakurugenzi hawatoi pendekezo lolote la malipo ya mgao wa faida kwa kipindi cha mwaka uliomalizika Desemba 31, 2025.

5. Kuwachagua wakurugenzi

   a) Dkt. Benson Wairegi ambaye amepitisha miaka 70 atastaafu kwa zamu kwa mujibu wa kifungu nambari 105 cha sheria za makampuni na kwa kuwa hali inamruhusu, atajitokeza ili kuchaguliwa tena.

   b) Bw. Tom Gitogo atastaafu kwa zamu kwa mujibu wa kifungu nambari 105 cha sheria za makampuni na kwa kuwa hali inamruhusu, atajitokeza ili kuchaguliwa tena

   c) Bi. Felister Kembi ambaye amehudumu kwa kipindi cha miaka 9 atastaafu baada ya mkutano huu na hatajitokeza kuchaguliwa tena.

   d) Bi. Elizabeth Gitau atastaafu kwa zamu kwa muijbu wa kifungu nambari 104 cha sheria za makampuni na kwa kuwa hali inamruhusu, atajitokeza ili kuchaguliwa tena.

      ▪ Kwa mujibu wa sehemu ya 769 ya sheria za makampuni ya mwaka 2015, wakurugenzi wafuatao ambao ni wanachama wa kamati ya Halmashauri kuhusu uhasibu na athari watachaguliwa kibinafsi ili kuendelea mbele na jukumu la kamati hiyo;

      ▪ Dkt. Ann Kimari

      ▪ Bi. Elizabeth Gitau

6. Kuidhinisha ripoti ya marupurupu ya wakurugenzi kama ilivyofafanuliwa kupitia ripoti ya kipindi cha mwaka uliomalizika **Desemba 31, 2025.**

7. Kuwateua PricewaterhouseCoopers (PwC) kama wakaguzi wa pesa za kampuni kwa mujibu wa sehemu ya 721 ya sheria za makampuni nambari 17 ya mwaka 2015 na kuwaamuru wakurugenzi kuamua marupurupu ya wakaguzi wa pesa kufungamana na sehemu ya 724 ya sheria zilizotajwa

8. Kuzingatia shughuli nyinginezo za kibiashara ambazo notisi yake itakuwa imetolewa.

KWA AMRI YA HALMASHAURI
Regina Anyika
Katibu wa Kampuni
SLP 30088, GPO 00100
NAIROBI
Tarehe: Mei 4, 2026

Notisi kuhusu mkutano mkuu wa pamoja wa mwaka (Inaendelea)

NUKUU:

1. Wanashisa wanaotaka kuhudhuria mkutano wa pamoja wa mwaka wajisajili kushiriki kwa kupiga ***483*112#** kupitia mtandao wao wa simu ya Safaricom au ***483*112#** kwa mtandao wa simu zao za Airtel na Telkom na kufuata maagizo kuhusu hatua za usajili. Wanahisa hawatatozwa ada zozote wakati wa usajili.
2. Ili kukamilisha hatua za usajili, wanahisa watahitajika kuonyesha nambari zao za kitambulisho cha uraia/ paspoti zilizotumika wakati wa ununuzi wa hisa au nambari zao za akaunti ya CDSC. Ili kupata usaidizi, wanahisa wapige simu kupitia nambari ya usadizi **(+254) 709 170 000** kuanzia **saa tatu asubuhi** hadi **saa kumi alasiri** siku za Jumatatu hadi Ijumaa. Wanahisa walio nje ya Kenya wapige simu kupitia nambari ya usaidizi wakati wa usajili.
3. wa Mkutano Mkuu wa pamoja wa Mwaka utafunguliwa **Jumatatu Mei 4 , 2026** na kufungwa **Ijumaa Mei 22, 2026 saa tano asubuhi**. Wanahisa hawataweza kusajiliwa baada ya muda huu kupita.
4. Kwa mujibu wa kifungu nambari 160 cha sheria za makampuni , hati zifuatazo zinaweza kutazamwa kupitia wavuti wa kampuni ambao ni ; www.hfgroup.co.ke **(a)** nakala ya notisi hii pamoja na fomu ya uwakala; **(b)** ripoti ya mwaka ya Kampuni na taarifa za matumizi ya pesa zilizokaguliwa kufikia Desemba 31, 2025.
5. Mwanahisa yeyote aliyeruhusiwa kuhudhuria na kupiga kura wakati wa mkutano wa pamoja wa mwaka amepewa ruhusa kumteua wakala kufika na kupiga kura kwa niaba yake. Si lazima kwa wakala huyo kuwa mwanachama wa kampuni.
6. Fomu ya uwakala imetolewa pamoja na ripoti hii ya mwaka. Fomu hii inaweza pia kupatikana kupitia wavuti wa kampuni; www.hfgroup.co.ke au Image Registrars Limited Absa Towers (zamani Barclays Plaza), orofa ya 5, Loita Street, S.L.P 9287 – 00100, Nairobi, Kenya. Wanahisa ambao hawajatoa pendekezo la kuhudhuria mkutano wa pamoja wa mwaka wanaombwa kujaza fomu ya uwakala na kuirejesha kwa Image Registrars Limited au kwa ofisi ya kampuni iliyosajiliwa na kufika kabla au ifikiapo **Ijumaa Mei 22, 2026** saa tano asubuhi
7. Fomu ya uwakala iliyotiwa sahihi kikamilifu inaweza kutumwa kupitia barua pepe info@image.co.ke kwa mfumo wa PDF. Ni lazima fomu ya uwakala iwe imetiwa sahihi na mwenye kuteua au wakili kwa njia ya kuandika. Endapo mteuzi ni shirika, nakala inayomteua wakala iwe imepigwa mhuri wa kampuni au kutiwa sahihi na afisa au wakili aliyeidhinishwa na shirika kama hilo. Ni lazima fomu ya wakala itumwe kupitia barua pepe info@image.co.ke au kuwasilishwa katika ofisi za msajili wa hisa za kampuni , Image Registrars Ltd zilizoko Jumba la Absa Towers orofa ya 5 (zamani likijulikana kama Barclays Plaza) barabara ya Loita , Nairobi ili kupokelewa kabla ya Ijumaa Mei 22, 2026 saa tano kamili.
8. Wanahisa wanaotaka kuuliza maswali yoyote au fafanuzi yoyote kuhusiana na mkutano wa pamoja wa mwaka wanaweza kufanya hivyo kabla ya **Ijumaa Mei 22, 2026 saa tano asubuhi** *kwa (***a***)* kutuma maswali waliyoandika kwa agmquestions@hfgroup.co.ke; au
   *(***b***) pale inapowezekana kuwasilisha kwa njia ya moja kwa moja au kutuma kwa njia ya posta pamoja na anwani ya kupokea majibu au anwani ya barua pepe kwa ofisi ya kampuni iliyosajiliwa au S.L.P 30088 – 00100, Nairobi, au kupitia ofisi za Image Registrars katika anwani zilizotajwa hapo juu.* **(c)** wanahisa ambao watakuwa wamejisajili kuhudhuria mkutano wataweza kuuliza maswali kwa kutuma ujumbe mfupi kupitia USSD iliyoko hapo juu na kuchagua mfumo wanaotaka (kuuliza swali) kwenye chaguo *(***d***)* wakati wa mkutano wa pamoja wa mwaka, wanahisa wanaweza kutuma maswali yao kwa kutumia kibonyezo '' Questions'' kwenye kiunganishi cha mawasiliano ya moja kwa moja.

Notisi kuhusu mkutano mkuu wa pamoja wa mwaka (Inaendelea)

Ni lazima kwa wanahisa kutoa maelezo yao kamili (majina kamili, nambari ya kitambulisho/ akaunti ya CDSC) wakati wanapotuma maswali yao au ufafanuzi.

Wakurugenzi wa Kampuni watatoa majibu kwa maswali yaliyopokelewa kupitia anwani iliyotolewa au barua pepe ya mwanahisa kabla ya saa 12 za kuanza kwa mkutano wa pamoja wa mwaka. Orodha kamili ya maswali yaliyopokelewa na kutolewa majibu yatachapishwa kupitia wavuti wa kampuni saa 12 kabla ya kuanza kwa mkutano wa pamoja wa mwaka.

9. Wanahisa waliosajiliwa watapokea ujumbe mfupi kwa nia ya SMS ukiwa na maelezo kuhusu nambari zao za simu zilizosajiliwa kuwaarifu kupendekeza na kuunga mkono maazimio yaliyotolewa kwenye notisi.
10. Mkutano wa pamoja wa mwaka utaendeshwa kwa njia ya moja kwa moja (stream live) kupitia kiunganishi ambacho kitatolewa kwa wanahisa wote ambao watakuwa wamejisajiliwa kushiriki mkutano huo. Wanahisa waliosajiliwa kikamilifu pamoja na mawakala watapokea ujumbe mfupi (SMS/USSD) kupitia nambari zao za simu zilizosajiliwa saa 24 kabla ya kuanza kwa mkutano wa pamoja wa mwaka ili kuwakumbusha kuhusu mkutano. Ujumbe wa pili wa SMS/USSD utatumwa saa moja kabla ya kuanza kwa mkutano ili kuwakumbusha kwamba mkutano wa pamoja wa mwaka utaanza kwa muda wa saa moja ijayo na kuwapa kiunganishi kufuatilia matukio kwa njia ya moja kwa moja.
11. Wanahisa na mawakala ambao wamesajiliwa kuhudhuria mkutano wa pamoja wa mwaka wanaweza kufuatilia matukio moja kwa moja kupitia kiunganishi na kupokea agenda na kupiga kura (watakaposhauriwa na mwenyekiti) kwa njia ya USSD
12. Matokeo kuhuau maazimio yaliyopitishwa yatachapishwa kwenye wavuti wa kampuni ambao ni : www.hfgroup.co.ke chini ya muda wa saa 48 baada kukamilika kwa mkutano mkuu wa pamoja wa mwaka kupitia tovuti ya kampuni.

Our Strategic Foundations:

OUR PURPOSE

Enriching Lives

OUR VISION

To be a top ten banking group by being the most dependable and loved financial services provider

What we stand for and on

OUR MISSION

Enriching Lives Through Financial Empowerment

OUR VALUES

Stewardship
Teamwork
Innovative
Customer Centric
Integrity

HFCB
create great

Group Overview

HFCB Group Plc is an integrated financial and Property solutions provider that is registered as a non-operating holding company (under the Banking Act Cap.488) and licensed by the Central Bank of Kenya (CBK). The Group commenced operations on November 18th 1965, and has diversified from being a mortgage financier to a provider of integrated financial solutions with interests in banking, property and insurance. HFCB Group has been listed at the Nairobi Securities Exchange since 1992. The Group which repositioned its identity in May 2026 in order to operate under one unified brand name, has four subsidiaries including HFCB Limited, HFCB Properties Limited, HFCB Bancassurance Intermediary and HFCB Foundation.

In February 2025, the Group, was added to the prestigious MSCI Frontier Markets Small Cap Index, which serves as key performance indicator for investors tracking emerging markets. This addition affirms the Group's commitment to strengthening its market position, driving sustainable growth, and creating long-term value for shareholders.

The Group is listed on the Nairobi Securities Exchange (NSE), and has four operational subsidiaries:

- HFCB Limited - licensed to carry out the business of mortgage finance as well as banking services under the Banking Act.
- HFCB Properties Limited - undertakes property development and investment.
- HFCB Bancassurance Intermediary Limited - provides insurance solutions.
- HFCB Foundation Limited - the Group's social investment and impact arm.

1. Reposition

Achieve a complete shift of perception from a single product house to a full service niche bank offering superior capabilities for the selected segments

2. Scale up the Engines of Growth

Achieve the desired growth in Commercial, SME, Institutional, affluent, mass affluent and Diaspora segments to build a less concentrated, stable lower-cost funding base and selectively increase exposure in segments with higher risk-return

3. Drive Efficiency Through Technology

Provide capabilities that will enable delivery of the brand promise to the customer cost effectively

4. Beyond Service Excellence

Deliver an omni channel experience with an "all under one roof" product & service suite for our chosen segments

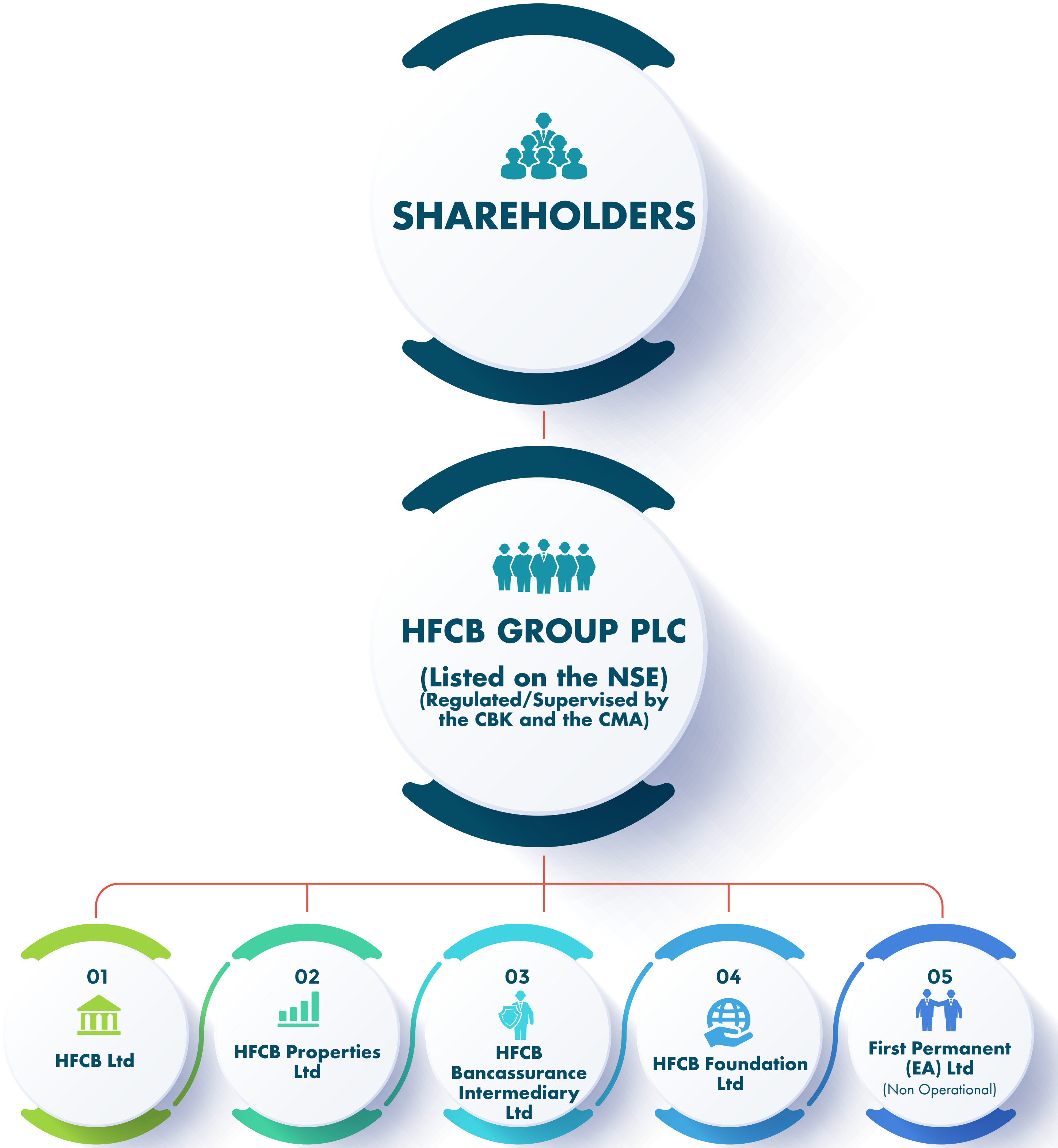
5.Solidify the Capital Base

Set up the bank to be able to accommodate accelerated investment and returns in the selected segments by having a healthy capital base (Tier I & II)

6. Culture and Capabilities

Create a Performance Culturexwith a superior EVP (Bias for Execution) by investing in the people capabilities required to ensure sustained performance

Group Structure

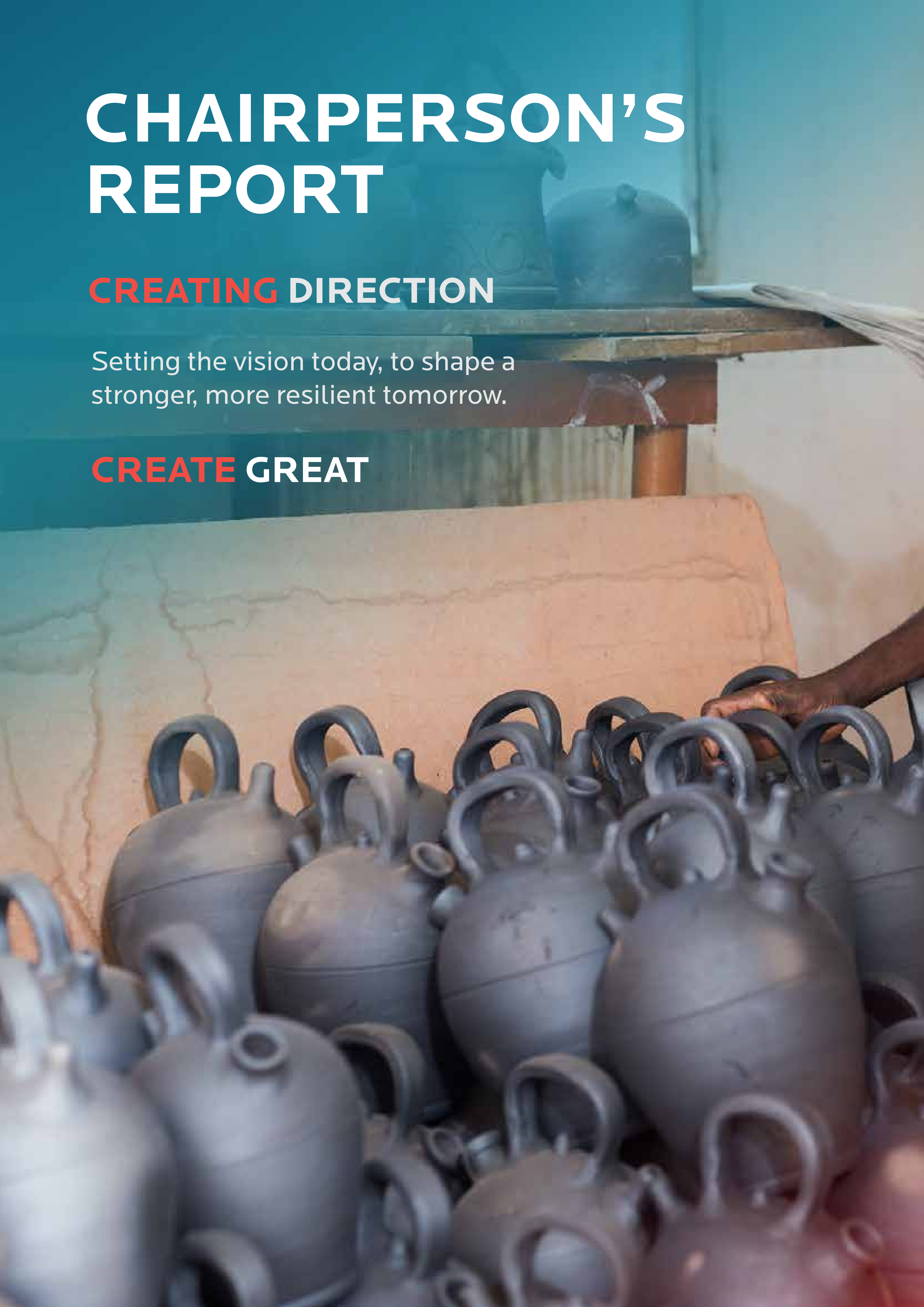


CHAIRPERSON'S REPORT

CREATING DIRECTION

Setting the vision today, to shape a stronger, more resilient tomorrow.

CREATE GREAT



HFCB
create great

Chairperson's Report

Prof. Olive M. Mugenda,
PhD, EBS, CBS, MGH
Group Chairperson

Chairperson's Report

Dear Shareholders,

It is my sincere pleasure to welcome you to the 60th Annual General Meeting (AGM) of your company, HFCB Group Plc. The year under review was a significant milestone for the Group, as we commemorated 60 years of existence and a proud legacy of positively impacting and enriching the lives of Kenyans from different walks of life.

During the period, Kenya's economy demonstrated resilience amidst a challenging global backdrop, recording GDP growth of approximately 4.6% in 2025, largely in line with 2024 performance. Growth was broad-based, led by the services sector—particularly financial services, ICT, transport, and trade—supported by improved agricultural output and steady construction activity.

The Central Bank of Kenya reduced the Central Bank Rate (CBR) multiple times, ending 2025 at 9.0%. These actions are aimed at stimulating private sector credit, lowering borrowing costs, and supporting economic growth.

Strategy Update

The Group's 2022–2026 Business Transformation Strategy continues to demonstrate its effectiveness, delivering sustained and improved performance across the Group and all operating subsidiaries. This disciplined execution has translated into consistent year-on-year growth in profitability. During the period under review, **Profit Before Tax (PBT)** increased by an exceptional **250%** to **KES 1.61 billion**, underscoring the strength of the strategic foundations we have laid. As we approach the final year of the current strategy and begin to define the next strategic cycle, the Board remains confident in the Group's trajectory and fully commits to supporting management in driving scalable growth, strengthening resilience and delivering enduring shared value for our shareholders and stakeholders.

Solidifying the Capital Base

Following the successful recapitalization of the Group in 2024 and supported by sustained and deliberate efforts to scale our key engines of growth, the Group has strengthened its capital position significantly. Our banking subsidiary, HFCB Ltd is now fully compliant with all applicable capital adequacy requirements and is well ahead of the regulatory core capital threshold of KES 10 billion by 2029. This milestone reflects the Board's prudent oversight, the effectiveness of our capital strategy and our commitment to maintaining a resilient balance sheet that supports sustainable growth and long-term value creation.

Repositioning the Brand

Following receipt of the requisite regulatory approvals, the Group is proceeding with a comprehensive brand repositioning initiative aimed at consolidating our operations under a single unified brand identity and promise. This strategic initiative is designed to resolve our fragmented brand identity and clearly amplify our diversified value propositions across banking, insurance and property. The repositioning is underpinned by a rigorous programme of brand interrogation and market-led research, undertaken to clearly identify the core brand challenges and inform the development of a refreshed identity and promise that delivers clarity, coherence and enduring brand equity.

Corporate Governance

The Board remains firmly committed to the highest standards of corporate governance and together with management, undertakes regular capacity building programmes through Strathmore University's Executive Education Programmes to ensure that Directors and senior leadership are fully equipped with the knowledge, skills and perspectives required to effectively discharge their oversight and management mandates respectively.

During the period the Board and Management undertook capacity building in strategy execution, digital transformation, the future of Artifical Intelligence in banking, As well as board roles and responsibilities: fiduciary responsibilities and change management.

Our ongoing efforts to strengthen the Group's governance structures were further validated by attaining the highest rating; Leadership in the Capital Markets Authority (CMA)'s annual comprehensive assessment, reflecting our commitment to best practice and regulatory excellence.

Strengthening Our Board Composition

In line with our commitment to strengthening our Board's capacity and governance oversight and following the requisite regulatory approvals, we have refreshed our Board composition. We are pleased to welcome Ms. Elizabeth Gitau to the Group Board; Mr. Gerald Warui and Mr. Samuel Makome to the Board of our banking subsidiary HFCB Ltd, with Mr. Makome also assuming the role of Chairperson of that Board, following the retirement of Dr. Kaushik Manek. These appointments further deepen the Board's collective capability, bringing a breadth of experience across business strategy, human capital leadership, banking, business development and risk management.

Looking Ahead

As we move forward, our Group remains anchored in our Brand's purpose of Enriching Lives. This purpose is our guiding principle and the commitment that drives us every day.

We remain steadfast in our ambition to build a **Top Ten In Ten** fully integrated financial services and property group and will continue to deliberately put in place the strategic, operational and governance building blocks required to realize this ambition.

On behalf of the Board of Directors, I wish to express sincere gratitude to you our esteemed shareholders for your trust and commitment to your company. I would also like to give special recognition to the management and employees of the Group, who continue to demonstrate diligence, resilience and excellence in delivering on our strategy.

Last but not least, I wish to express my sincere gratitude to my fellow Board members for their unwavering commitment, diligent oversight and strategic guidance throughout the year.

Omugeda

Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH

Group Chairperson

4 May 2026

Taarifa Kutoka kwa Mwenye Kiti

Kwa Wanahisa,

Nina furaha tele kuwakaribisha kwenye Mkutano Mkuu wa kila Mwaka (AGM) wa kampuni hii yetu ya HFCB Plc.

Mwaka jana ulikuwa wa kipekee kwa Kampuni hii tulipoadhimisha miaka 60 tangu kuanzishwa kwake ikiwa ni urithi wa kujivunia na kuboresha maisha ya Wakenya kutoka nyanja mbalimbali.

Katika kipindi hicho, uchumi wa nchi uliimarika licha ya changamoto mbalimbali na kurekodi ukuaji wa Pato la Taifa (GDP) wa takriban asilimia 4.6 mwaka 2025, kiwango kilichokaribiana na cha mwaka 2024.

Ukuaji huu ulichangiwa na sekta mbalimbali kama vile teknolojia, usafiri pamoja na ongezeko la uzalishaji wa chakula kupitia sekta ya kilimo na shughuli thabiti za ujenzi.

Benki Kuu ya Kenya pia ilipunguza viwango vya riba (CBR) kwa asilimia kubwa na kufikia asilimia 9.0 mwisho wa mwaka 2025. Hatua hizi zililenga kuimarisha utoaji wa mikopo kwa sekta binafsi, kupunguza gharama za ukopaji na kuimarisha ukuaji wa uchumi.

Taarifa Kuhusu Mikakati

Mkakati wetu wa mwaka 2022–2026 umeendelea kuonyesha mafanikio makubwa jambo lililosaidia kuimarisha utendakazi wetu katika kampuni na tanzu zake. Hii imechangia ukuaji wa faida mwaka moja hadi mwingine. Na katika kipindi hicho ambapo faida yetu iliongezeka kwa asilimia 250 hadi kufikia Sh1.61 bilioni ikiwa ni ishara tosha kuwa tuna mikakati thabiti.

Na hii ndio maana bodi ina imani kuhusiana na mwelekeo wa kampuni na itaendelea kuunga mkono juhudi za usimamizi katika kukuza ukuaji endelevu na kuimarisha thamani kwa wanahisa na wadau husika.

Kuimarisha Msingi Wa Mtaji

Baada ya kufanikisha lengo la kuongeza mtaji mwaka 2024 pamoja na juhudi endelevu za kukuza vyanzo vyetu vikuu vya ukuaji, kampuni imeimarisha pakubwa nafasi yake ya kifedha.

Kampuni tanzu ya HFCB Ltd sasa inakidhi kikamilifu mahitaji yote ya mtaji kama ilivyoelekezwa na inalenga kufikia Sh10 bilioni ifikapo 2029.

Hii ni hatua muhimu inayodhihirisha usimamizi bora wa Bodi na dhamira yetu ya kudumisha uthabiti wa kifedha kwa ajili ya ukuaji wa muda mrefu.

Kubadili Taswira Ya Chapa Ya Kampuni Yetu

Baada ya kupata idhini zote muhimu za kisheria, kampuni inaendelea na mpango wa kubadili na kuimarisha chapa yake kwa kuunganisha shughuli zake chini ya utambulisho mmoja.

Lengo ni kuondoa mgawanyiko uliokuwepo na kuimarisha ujumbe wetu katika sekta za benki, bima na mali isiyohamishika.

Mpango huu umejengwa chini ya utafiti wa kina wa soko ili kubaini changamoto za chapa na kuunda utambulisho mpya unaoeleweka, unaoaminika na wenye thamani ya kudumu.

Utawala Wa Kampuni

Bodi imeendelea kujizatiti kuzingatia viwango vya juu vya utawala bora.

Kwa kushirikiana na usimamizi imekuwa ikitoa mafunzo ya mara kwa mara kupitia programu za Strathmore University ili kuhakikisha wakurugenzi na viongozi wakuu wana ujuzi na maarifa yanayohitajika kuwasidia kutekeleza majukumu yao ipasavyo. Katika kipindi hicho, mafunzo yalihusu utekelezaji wa mikakati, mageuzi ya kidijitali, Akili Unde, majukumu ya Bodi pamoja na usimamizi bora.

Juhudi hizi zilijidhihirika baada ya kutambuliwa kuwa bora katika tathmini ya Mamlaka ya Masoko ya Mitaji (CMA) ishara ya kujitolea kwetu kuboresha utendakazi wetu.

Kuimarisha Muundo Wa Bodi

Kwa kuzingatia azma ya kuimarisha utendakazi wa Bodi na baada ya idhini za kisheria, tumefanya mabadiliko katika muundo wake. Tunamkaribisha Bi Elizabeth Gitau katika Bodi ya kampuni; Bw Gerald Warui na Bw Samuel Makome katika Bodi ya HFCB Ltd, ambapo Bw Makome pia anachukua nafasi ya Mwenyekiti kufuatia kustaafu kwa Dkt Kaushik Manek. Uteuzi huu unaboresha utendakazi wetu katika nyanja za mkakati wa biashara, benki, maendeleo ya biashara na usimamizi bora.

Mwelekeo

Tunaposonga mbele, kampuni inaendelea kuongozwa na dhamira ya kuimarisha maisha ya watu. Hii ndiyo dira yetu kuu na chanzo cha msukumo wa kila siku. Tunaendelea na azma ya kuwa miongoni mwa makundi kumi bora ya huduma za kifedha na mali ndani ya miaka kumi, kwa kuweka mikakati na mifumo thabiti ya kutekeleza wajibu wetu.

Kwa niaba ya Bodi ya Wakurugenzi, ninawashukuru sana wadau wote kwa imani na kutuunga mkono. Pia ninatambua juhudi za uongozi na wafanyakazi wote kwa kujituma, ustahimilivu na ubora katika kutekeleza mkakati wetu.

Mwisho, napenda kuwashukuru wenzangu katika Bodi kwa kujitolea kwao, usimamizi bora na mwongozo wa kimkakati mwaka mzima.

Asanteni.

Omugeda

Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH

Group Chairperson

4 Mei 2026

60TH Anniversary Highlights

60TH Anniversary Highlights

60TH Anniversary Highlights





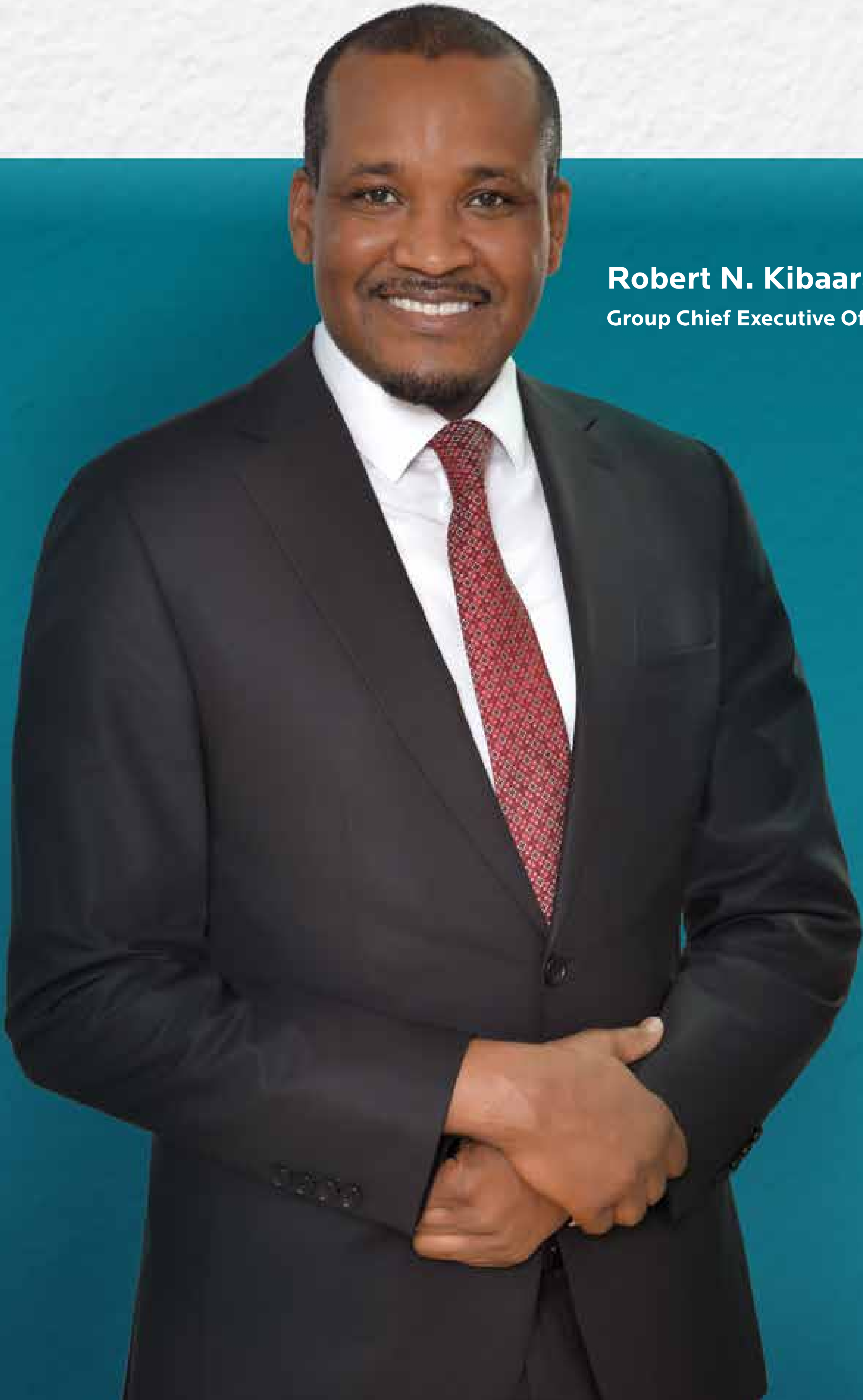
GROUP CEO'S STATEMENT

CREATING MOMENTUM

Turning strategy into action and ambition into measurable progress.

CREATE GREAT

Group CEO's Statement



Robert N. Kibaara
Group Chief Executive Officer

Group CEO's Statement

Dear Shareholders,

It is my distinct pleasure to bring you an update on the performance of your company for the period ending 31 December 2025. During the period your company continued on a growth trajectory and delivered a strong set of results for the Group and all the operating subsidiaries.

This was the penultimate year for our 2022 - 2026 strategic cycle and we focused on accelerating our strategic initiatives, in order to deliver on our ***Vision of being a Top Ten Banking Group by being the most dependable and loved financial services provider***. Indeed, this cadence is already paying off as your company has received recognition at global and local scales. In February 2025, HFCB Group Plc, was added to the prestigious Frontier Markets Small Cap Index (MSCI), which serves as a key performance indicator for investors tracking emerging markets. This addition affirms your company's commitment to strengthening its market position, driving sustainable growth, and creating long-term value for you, our shareholders. Further, in August 2025, our banking subsidiary HFCB Limited, regained its tier two bank status driven by increased profitability and capitalization.

Our Bancassurance subsidiary continues to expand to provide customers with holistic life and non-life insurance solutions that meet their risk management needs. During the period, the subsidiary was recognized as Most Customer-Centric Bancassurance Intermediary (1st Runners Up); Best Bancassurance Intermediary in Technology Application (2nd Runners Up) and The Risk Management Award – Bancassurance Intermediaries (2nd Runners Up) at the Think Business Insurance Awards for 2025.

Macro-economic Environment

The global operating environment in 2025 was characterized by moderate but uneven growth, shaped by the lagged effects of tight monetary policies, geopolitical uncertainty, and structural shifts in trade and technology. Global GDP growth slowed to 2.7%, weighed down by rising tariffs, elevated geopolitical tension and policy uncertainty.

Despite weaker trade volumes, financial markets remained broadly resilient. Global Inflation and Monetary Policy eased in major advanced economies, enabling central banks to begin rate cuts.

Diverging paths across regions reshaped bank profitability, lending conditions and cross-border capital flows. Dollar Index and Commodity Markets fell sharply in 2025 (down ~9–10%) as markets anticipated Federal Funds Rate cuts and global rate differentials narrowed, marking a shift away from the strong dollar cycle.

Precious metals, particularly gold, rallied strongly as a safe-haven asset. Energy prices softened toward year-end, providing some relief on import bills for commodity-importing nations like Kenya. Incremental erosion of dollar dominance advanced, with India, UAE and China expanding local-currency trade arrangements and SWIFT alternatives. Further, Artificial Intelligence (AI) continues to reshape banking operations.

Kenya's operating environment in 2025 reflected gradual macro-economic stabilization amid ongoing structural and fiscal pressures. Our GDP grew by 5.0% driven by agricultural recovery, improved services sector performance and improved credit access under easing financial conditions. Inflation closed at 4.5%, within CBK's 5% ±2.5% target, supported by stable food prices, lower energy costs and a recovering shilling. The Shilling stabilized at 129 levels against the dollar, recovering approximately 19% from the 160 lows of early 2024 — a significant turnaround. The Central Bank of Kenya (CBK) cut monetary policy rate from 13% (mid-2024) to 9.0% by December 2025 — the ninth consecutive reduction in the easing cycle to stimulate private sector credit. The headline Purchasing Managers' Index (PMI) closed 2025 at 53.7, remaining in expansion territory. This reflects solid growth in business activity, sales, and purchases, with the strongest job creation since November 2019. Improved supplier delivery times and overall positive business conditions were also reported.

Modest improvement was recorded in the real estate sector. Residential returns firmed marginally whilst commercial segments faced oversupply in select areas; overall activity remained stable.

Group CEO's Statement

The Kenyan equities market posted strong gains in 2025, with the Nairobi Securities Exchange All Share Index (NASI) rising approximately 49% and the Nairobi Securities Exchange (NSE) 20 Index increasing by about 52%. Performance was driven by banking stocks and other large-capitalization counters, supported by improving earnings and declining interest rates. Investor sentiment is cautiously improving, on the back of currency stabilization, stronger export performance and reform efforts. However, cost pressures, regulatory changes and global headwinds remain key considerations.

Performance Highlights

The Group's transformation strategy continues to progress as planned, anchoring business growth.

As a result, 2025 marked a year of improved profitability and strengthened operational performance with a 250% growth in Profit Before Tax (PBT) delivering KES 1.61 billion up front from KES 0.46 billion in 2024.

Your company's strong performance was underpinned by solid growth in operating income, driven by increased net interest income, sustained momentum in non-funded revenue streams, continued expansion of the deposit franchise, and improvements in operational efficiency.

These results are a testament to the effectiveness of our transformation strategy and how it continues to deliver strong and sustainable growth. During the period, we strengthened our balance sheet, grew our deposit base, diversified our income streams and improved operational efficiency across the Group. The performance of the Group is highlighted further below:

Strategy Update

Brand Repositioning

Over time, it became evident that the Group was operating under multiple brand references and was often perceived in the market as a single-product, single-sector entity. This fragmentation limited the visibility of our diversified capabilities and constrained our ability to accelerate growth. To address this, we sought and received shareholder approval on 24 September 2024 to deploy the comprehensive brand repositioning agenda. The aim is to operate under a unified brand identity, with all subsidiaries aligned under a single trademark. We have initiated the rigorous brand repositioning strategy designed to firmly entrench this consolidated identity and clearly articulate the breadth and depth of our diversified value proposition. This will kick off in May 2026.

1 PROFIT BEFORE TAX
grew to
KES 1.61 BILLION
from
KES 0.46 BILLION

2 TOTAL OPERATING INCOME
grew by
48%
to
KES 6.17 BILLION

3 NET INTEREST INCOME
grew by
64%
to
KES 4.6 BILLION

4 NON-FUNDED INCOME
grew by
20%
to
KES 1.81 BILLION

5 TOTAL DEPOSITS
grew by
19%
to
KES 56.90 BILLION

6 TOTAL ASSETS
grew by
17%
to
KES 82.4 BILLION

7 LIQUIDITY RATIO
Stood at
51.5%
more than double the regulatory minimum.

8 CORE CAPITAL RATIO
Closed at
21.8%
well above regulatory requirements.

9 CORE CAPITAL
Surpassed
KES 10 BILLION
meeting revised capital thresholds ahead of the **2029** deadline.

Group CEO's Statement

Solidifying our Capital Base

Capital and liquidity are the lifeline of our business and we grew tremendously on both fronts during the period. Our liquidity ratio remained robust at 51.5% giving us latitude to support customers with more credit, albeit prudently. The core capital to risk-weighted assets ratio stood at 21.8%, well above regulatory requirements. Further, core capital has now surpassed KES 10 billion, enabling the Group to meet revised regulatory capital requirements four years ahead of the 2029 deadline.We continue to deploy the funds in the productive sectors of the economy; primarily the real estate value chain, trade and manufacturing; medical; agribusiness and education sectors. As a result of this capital, we have in the period rapidly grown shareholder wealth in terms of growth in assets and profitability.

Enabling Business Growth Using Technology

Our ambition is to drive business growth and accessibility through technology as we enhance operational efficiency and customer experience through the ability to self-serve. In the period under review, we kicked off the upgrade of our core banking system, an initiative which we aim to conclude by the end of 2026. Further, we continue to leverage innovation to drive customer-centric product development and enhancements, ensuring our offerings remain aligned with evolving customer preferences and emerging market trends.

During the period, we recorded a significant increase in the proportion of transactions conducted through our digital channels, reflecting growing customer adoption and trust in our platforms. As we continue to enhance our digital capabilities, our focus remains on accelerating this shift by empowering customers with intuitive self-service solutions that deliver greater convenience, speed, and control over their interactions with the Group.

Looking Ahead

2026 will mark the conclusion of our 2022–2026 business transformation strategy, and we aim to ensure we deliver against our strategic objectives and continue to build a stronger foundation for sustainable growth.

As we look ahead, our focus shifts decisively toward delivering exponential growth as we continue to put in place the firepower required to bring our **Top Ten in Ten** ambition to life.

We are already reconfiguring and strengthening our distribution channels to serve our customers' banking, insurance and property needs in a more integrated, seamless and customerfriendly environment. At the same time, we will continue to deepen our investment in digital channels to expand access, enhance self-service and leverage emerging technologies to deliver hyper-personalised customer experiences. Within our property portfolio, we plan to scale up the number of developments in response to growing demand for master-planned communities. Concurrently, we are expanding our insurance propositions to better support and protect our customers, their livelihoods and their assets.

Acknowledgement

I wish to express my sincere appreciation to you, our esteemed shareholders, for the unwavering confidence and support you have placed in the Board and Management. Your trust has been instrumental in enabling the Group to deliver improved profitability and resilient performance. I am equally grateful to our Board of Directors at both Group and subsidiary levels, whose stewardship, counsel and depth of expertise continue to guide the organisation with clarity and purpose.

I also extend my heartfelt appreciation to the Management Team and employees of HFCB Group, who continue to demonstrate remarkable resilience, commitment and professionalism. Their collective efforts ensure that we consistently live up to our brand purpose of ***Enriching Lives***. Together, we are building an institution for posterity and I am confident that through continued collaboration, shared purpose and execution discipline, we will remain firmly on this path—creating enduring value for our stakeholders.

Robert N. Kibaara
Group Chief Executive Officer

4th May 2026

Taarifa Kutoka Kwa Afisa Mkuu Mtendaji

Wanahisa Wapendwa,

Ni furaha yangu kuwaletea matokeo ya utendaji ya kampuni yenu kwa kipindi cha mwaka uliomalizika Desemba 2025. Wakati wa kipindi hiki, kampuni yako iliendelea na mkondo wa ukuaji na kupata matokeo makubwa kwa kundi na kampuni ndogo tanzu. Huu ulikuwa mwaka wa pili mwisho wa mkondo wetu wa mkakati wa mwaka 2022 -2026 na tulizingatia kuharakisha juhudi zetu za kimkakati ili kutimiza maono yetu ya kuwa na kundi la benki kumi bora kwa utoaji wa huduma za kifedha ambaye anaaminika na kupendeza zaidi. Kwa hakika, tayari mkondo huu umeanza kuzalisha faida kwani kampuni yako imepata kutambuliwa katika viwango vya kimataifa na vya humu nchini. Mnamo mwezi Februari, jina la HF liliorodheshwa kwenye mpango wa MSCI Frontier Markets Small Cap ambao ni mradi ulio na hadhi kubwa ambao unatumika kama kigezo muhimu cha kupimia utendaji wa wawekezaji wanaofuatilia masoko ibuka. Nyongeza hii inatoa thibitisho kamili la uwajibikaji wa kampuni yenu kuimarisha upeo wake kwenye masoko na kuchochea ukuaji thabiti kwa uzalishaji wa thamani ya muda mrefu kwenu wanahisa. Zaidi ya hayo, mnamo Agosti 2025, tawi letu la benki la HFCB, lilirejesha hadhi yake ya benki ya kiwango cha pili kutokana na ongezeko la faida na mtaji.

Mshirika wetu tanzu Bancassurance anaendelea kupanuka na kuwapa wateja wetu suluhisho kamili la bima ya maisha na zisizo za maisha zinazokidhi mahitaji yao. Wakati wa kipindi hiki, kitengo hiki kilitambuliwa kama wakala wa bima za benki aliyezingatia huduma za wateja zaidi (mshindi wa nafasi ya pili); wakala bora wa Bancassurance katika matumizi ya teknolojia (mshindi wa nafasi ya pili) na tuzo la usimamizi wa hatari wakala wa bancassurance (mshindi wa nafasi ya pili)

Mazingira Ya Chumi Ndogo

Mazingira ya uendeshaji ya kimataifa ya mwaka 2025 yanatambuliwa kwa ukuaji wa wastani lakini usio sawa unaoathiriwa na athari kali za kifedha, taharuki za kisiasa duniani na mabadiliko ya kimuundo katika biashara na teknolojia. Ukuaji wa pato la ulimwengu ulipungua hadi asilimia 2.7%, kutokana na ongezeko la ushuru, taharuki za kisiasa na ukosefu wa uhakika kuhusu sera. Licha ya viwango hafifu vya biashara za fedha, masoko ya kiuchumi yalisalia kuwa thabiti. Mfumuko wa bei za bidhaa ulimwenguni na sera za fedha katika chumi ziliozoendelea ulisaidia benki kuu kuanza kupunguza viwango vya riba. Mikondo kinzani kimaeneo ilibadilisha faida za benki, masharti ya mikopo na mtiririko wa mitaji katika mataifa. Kigezo cha dola na masoko ya bidhaa kilishuka kwa kasi mwaka 2025 (kushuka baina ya asilimia 9-10%) huku masoko yakitarajia uamuzi wa hazina ya kitaifa kupunguza makato ya riba baina ya benki na kupunguzwa kwa tofauti ya viwango vya kimataifa na kuleta mabadiliko katika mzunguko imara wa dola. Vito vya thamani hasa dhahabu zilipanda kwa kasi kama raslimali iliyo salama. Gharama za kawi zilisalia imara mwishoni mwa mwaka na kuleta nafuu kwa gharama za uagizaji kutoka nje kwa taifa linaloagiza kama Kenya. Akili unde iliendelea kubadilisha shughuli za benki. Kupunguza ukiritimba wa dola kuliendelea huku mataifa kama vile India, UAE na China yakiongeza mipango ya matumizi ya sarafu za nyumbani na mifumo mbadala ya SWIFT.

Mazingatio ya utekelezaji shughuli nchini Kenya mwaka 2025 yanaakisi ukuaji thabiti wa chumi ndogo chini ya shinikizo linaloendelea la miundo na fedha. Ukuaji wetu wa mwaka wa uchumi uliimarika kwa asilimia 5% kutokana na kuimarika tena kwa kilimo, kuimarika kwa sekta ya utoaji huduma na upatikanaji wa mikopo chini ya masharti nafuu. Mfumuko wa bei za bidhaa ulikamilika kwa aslimia 4.5% chini ya lengo la CBK la 5% 5% ±2.5% kutokana na bei thabiti ya vyakula, gharama za chini za kawi na kuimarika kwa thamani ya shilingi. Shilingi ilikuwa imara kwa viwango vya 129 dhidi ya dola na kuimarika kwa takriban asilimia 19% kutoka kiwango cha chini cha 160 mapema mwaka 2024 hili likiwa ni badiliko muhimu. Benki kuu ya Kenya (CBK) ilipunguza sera za kifedha kutoka asilimia 13% (katikati mwa mwaka 2024) hadi asilimia 9% kufikia Desemba 25 hiili likiwa punguko la tisa mfululizo kuhamasisha mkopo wa sekta binafsi. Kigezo cha kupima uthabiti wa kiuchumi kwa mwezi (The headline Purchasing Managers' Index (PMI)) mwaka 2025 kilifunga kwa 53.7 na kusalia kwenye mkondo wa upanuzi. Hii inaashiria ukuaji imara wa shughuli za biashara, mauzo na ununuzi kwa kubuni nafasi imara za kazi tangu mwezi Novemba 2019. Kumarika kwa muda wa utoaji wa wasambazaji na mazingira chanya ya kibiashara pia kuliripotiwa. Maboresho madogo yaliripotiwa kwenye sekta ya ujenzi wa nyumba za mitaa. Mapato kutokana na makazi yaliimarika. Sekta za kibiashara zilikabiliwa na wingi wa usambazaji katika baadhi ya maeneo; jumla ya shughuli zilisalia kuwa imara. Soko la hisa la Kenya lilipata faida kubwa mnamo 2025, huku NASI ikiimarika kwa takriban asilimia 49% huku kiashirio cha NSE 20 kikiongezeka kwa takriban asilimia 52%. Matokeo yalichochewa na hisa za benki na vielelezo vingine vya soko kubwa na kuungwa mkono na ongezeko la mapato na kupungua kwa viwango vya riba. Hisia za wawekezaji zinazidi kuimarika chini ya uthabiti wa sarafu , matokeo imara ya mauzo ya nje na mabadiliko ya sheria.. Hata hivyo, shinikizo la gharama, mabadiliko ya kisheria na vishindo vya kimataifa ni changamoto zinazofaa kuzingatiwa.

Vidokezo Kuhusu Matokeo

Mkakati wa mabadiliko wa Kundi unaendelea kama ilivyopangwa huku ukiimarisha ukuaji wa biashara. Kutokana na haya, mwaka 2025 ulisajili imariko la faida na matokeo ya thabiti ya utendaji ya asimilia 250% ya faida kabla ya ushuru kutoka Kes .484m mwaka uliotangulia hadi Kes 1.61 Bilioni.

Matokeo thabiti ya kampuni yako yalitegemea ukuaji mzuri wa mapato ya uendeshaji kutokana na ongezeko la mapato ya riba, udumishaji wa njia za mapato zisizofadhiliwa, upanuzi unaoendelea wa amana za akiba za gharama nafuu na uimarishaji wa ufanisi kwenye utekelezaji.

Matokeo haya ni ushahidi kwamba mkakati wetu wa kuleta mabadiliko unaendelea wa kuleta ukuaji thabiti unaodumishwa. Tumeimarisha mizania yetu, kupanua msingi wa akiba, kuongeza mikondo ya uzalishaji mapato na kuimarisha ufanisi wa utekelezaji kote katika kundi. Vidokezo vya matokeo ya kundi ni kama vifuatavyo;

Maelezo Kuhusu Mkakati

1 FAIDA KABLA YA USHURU
iliongezeka hadi
KES 1.61 BILLION
kutoka
KES 0.46 BILLION

2 MAPATO YA JUMLA KUTOKANA NA UTEKELEZAJI
yaliongezeka kwa
48%
hadi
KES 6.17 BILLION

3 MAPATO YA RIBA
yaliongezeka kwa
64%
hadi
KES 4.6 BILLION

4 MAPATO YASIYO NA UFADHILI
yaliimarika kwa
20%
hadi
KES 1.81 BILLION

5 **AKIBA KWA JUMLA**
iliimarika kwa
19%
hadi
KES 56.90 BILLION

6 **JUMLA YA RASLIMALI**
iliongezeka kwa
17%
Hadi
KES 82.4 BILLION

7 **KIWANGO CHA UWIANO WA FEDHA**
kilifikia asilimia
51.5%
ambacho ni zaidi ya mara mbili ya kile cha chini kilichowekwa kisheria.

8 **UWIANO WA MTAJI HALISI**
ulifikia aslimia
21.8%
na kuwa wa juu dhidi ya masharti ya kisheria.

9 **MTAJI MUHIMU**
ulizidi
KES 10 BILLION
na kitimiza vizingiti vya mtaji vilivyofanyiwa marekebisho kabla ya mwisho wa mwaka wa **2029.**

Kubadilisha Chapa Ya Bidhaa

Kwa muda, ilidhihirika kuwa Kundi lilikuwa likitekeleza shughuli zake chini ya marejeleo ya chapa mbali mbali na mara nyingi kuchukuliwa kwa dhana ya bidhaa moja sokoni , biashara moja. Dhana hii ilileta kizuizi cha uwezo wa upeo wetu na kutatiza kasi ya ukuaji. Kuangazia swala hili, mnamo Septemba 24, 2024, tulitafuta na kupata idhini kutoka kwa wanahisa kuanza mchakato wa kubadilisha sura ya bidhaa. Kwa sasa, tunatekeleza shughuli zetu chini ya nembo moja ya HFCB huku watanzu wote wakiwekwa chini ya jina moja la biashara. Tangu wakati huo tumeanzisha mkakati wetu madhubuti ambao nia yake ni kuhamasisha utambulisho huu wa pamoja ili kuangazia kwa kina thamani ya bidhaa zetu mbali mbali .

Kuimarisha Mtaji Wetu

Mtajji na fedha ndio uhai wa biashara yetu. Tulikua kwa pamoja katika nyanja zote wakati wa kipindi hiki cha mwaka. Uwiano wetu wa mtaji ulisalia imara kwa asilimia 51.5% na kutupatia nguvu kuwasaidia wateja na mikopo zaidi kwa njia salama. Wakati uwiano wa mtaji ikilinganishwa na hatari zilisalia kuwa asilimia 21.8% dhidi ya mahitaji ya kisheria. Mtaji muhimu kwa sasa umepita Kes. Bilioni 10 na kuliwezesha kundi kuafikia masharti ya soko la hisa yaliyofanyiwa mabadiliko kwa kipindi cha miaka minne mbele ya makataa ya iliyowekwa ya mwaka 2029.

Tunaendelea kutumia fedha kwa sekta zinazozalisha uchumi hasa kwenye thamani ya ujenzi wa mitaa , biashara na viwanda; matibabu; biashara ya kilimo na sekta ya elimu. Kutokana na mtaji huu, kipindi hicho tumekuza kwa haraka thamani ya wanahisa kwa upande wa ukuaji wa raslimali na faida.

Kuwezesha Ukuaji Wa Biashara Kwa Kutumia Teknolojia

Ndoto yetu ni kuendesha ukuaji wa biashara na upatikanaji kupitia teknolojia tunapoongeza ufanisi wa operesheni na matamanio ya mteja kupitia uwezo wa kujihudumia wenyewe. Katika kipindi hiki kilichopita, tulizindua kampeini ya kuboresha mfumo wetu mkuu wa benki juhudi ambayo tunalenga kuikamilisha ifikapo mwisho wa mwaka 2026. Zaidi ya hayo, tunaendelea kutumia ubunifu kuendesha ukuzaji wa bidhaa unaojikita kwa wateja na imarisho tukihakikisha matoleo yetu yanasalia kufanana sawa dhidi ya matamanio ya wateja na mienendo inayoibuka kwenye masoko.

Wakati wa kipindi hiki, tulisajili ongezeko kubwa la uwiano wa miamala iliyofanywa kupitia njia zetu za kidijitali zinazokubalika na imani ya wateja katika majukwaa yetu. Huku tunapopendelea kuimarisha uwezo wetu wa kidijitali, kipaumbele chetu kinaendelea kuwa uharakishaji wa mabadiliko ili kuwapa wateja wetu suluhisho la huduma za kibinafsi zinazoweza kueleweka na ambazo ni rahisi , za kasi na zenye udhibiti wa hali ya juu za mwingiliano wao na Kundi.

Mtazamo Wa Siku Za Baadaye

Mwaka 2026 utashuhudia kumalizika kwa mafanikio ya mkakati wetu wa mabadiliko ya biashara wa mwaka 2022–2026 kipindi ambacho tulitimiza malengo yetu ya kimkakati na kuanzisha msingi imara wa ukuaji endelevu. Tunapoangalia mbele, mtazamo wetu unabadilika na kuangazia uharakishaji wa ukuaji huku tunapoendelea kuweka vipengele vinavyohitajika ili kuleta azma yetu ya Top Ten in Ten kuwa wa kweli.

Tayari tunabadilisha na kuimarisha njia zetu za usambazaji ili kuhudumia mahitaji ya wateja wetu ya benki, bima na mali katika mazingira yaliyojumuishwa yasiyo na matatizo na yanayofurahisha mteja. Wakati huo huo, tutaendelea kuimarisha uwekezaji wetu katika njia za kidijitali ili kupanua upatikanaji, uboreshaji wa huduma za kujitegemea na kutumia teknolojia mpya zitakazoleta uzeofu wa wateja unaobinafsishwa. Chini ya mkusanyiko wetu wa mali, tunapanga kuongeza idadi ya miradi kukabiliana na ongezeko la mahitaji yaliyopangwa kwa jamii.

Wakati huo huo, tunapanua huduma za bidhaa zetu za bima ili kusaidia na kulinda wateja wetu, maslahi yao ya maisha na raslimali zao. Kwa ujumla, vipaumbele vyetu vya kimkakati vinaendelea kuzingatia kikamilifu ujenzi wa kundi stahimilivu na endelevu ambalio linatoa thamani ya muda mrefu kwa wanahisa wetu.

Shukrani

Ningependa kutoa shukrani zangu za dhati kwenu, wanahisa wetu wapendwa kwa imani na msaada mlioonyesha kwenye halmashauri ya usimamizi. Imani yenu imekuwa muhimu kuliwezesha Kundi kuzalisha faida na matokeo yasiyo na kifani. Pia, ninatoa shukrani kwa halmashauri ya wakurugenzi kote katika kundi na viwango tanzu ambao kupitia uongozi wao, ushauri na tajriba zinazidi kuwa mwongozo wa shirika.

Pia ningependa kutoa shukrani zangu za dhati kwa timu ya uongozi na wafanyakazi wa HFCB Group ambao wanaendelea kudhihirisha ukakamavu wa hali ya juu, kujitolea, na kwa taaluma. Juhudi zao za pamoja zinahakikisha kwamba tunakidhi mara kwa mara lengo letu la chapa la kuimarisha maisha. Pamoja, tunaunda taasisi kwa sababu ya vizazi vijavyo. Nina uhakika kwamba kupitia ushirikiano wa pamoja, malengo sawa, na nidhamu tutaendelea kuwa imara kwenye mkondo huu na kuzalisha thamani kwa wadau wetu

Robert N. Kibaara
Mkurugenzi Mkuu Mtendaji wa HFCB Group

4 Mei 2026

Pictorial of Activities

1 HFCB Group CEO delivers our presentation during an Investor Briefing Session

2 HFCB Ltd Managing Director Peter Mugeni makes a presentation during a customer engagement forum in Kisumu

3 Group Chief Finance Officer Sammy Kamanthi delivers remarks during a customer engagement forum in Machakos

4 Head of Mortgage Business, Stella Mutai receives Certificate from Africa Union for Affordable Housing for Affordable Housing Lender of the year

5 Our Group CEO led the Diaspora Customer Engagement in Malaysia

6 Our Diaspora Team in collaboration with Pesuar hosted and provided financial sensitization and support to teachers preparing to embark on their careers in the USA

7 Director - Retail & Business Banking, Patrick Njunge making a presentation during a customer engagement forum in Embu

Pictorial of Activities

8 A cross-section of the 100 employees who graduated with their e Certificate of Proficiency (eCOP)

9 & 10
Staff members engaging customers during open Days at 2 of our master-planned developments

11 Staff members engaging customers during an Open Day at the Mukuru Affordable Housing Scheme where HFCB is a selling agent

12 Partnered with the Skill Up Mentorship program to empower emerging entrepreneurs through capacity building and enhanced access to business financing

13 Our Insurance Subsidiary bagged 3 awards at Think Business Insurance Awards 2025 - 1st Runners-up, Most Customer-Centric Bancassurance Intermediary; 2nd Runners-up: Best Bancassurance Intermediary in Technology Application and 2nd Runners–up The Risk Management Award – Bancassurance Intermediaries

Corporate Governance

HFCB Group Plc is committed to good corporate governance practices to achieve effective and responsible leadership characterised by ethical values of responsibility, accountability, fairness and transparency. The Board and management have ensured compliance with the Central Bank Guidelines on Corporate Governance (CBK/PG/02), The Capital Markets (Public Offers, Listings and Disclosures) Regulations 2023 and internationally accepted principles and best practices in corporate governance. We consistently review these practices to ensure that the best interests of our stakeholders are always acted upon.

The Group board approved a corporate governance policy detailing the key corporate governance practices applicable to the group as well as all main subsidiary companies. The policy sets out the Corporate Governance Framework for guidance to the Board and management by defining key responsibilities as well as ethical standards expected of them.

1. The Board of Directors

The board has ultimate accountability and responsibility for the performance and affairs of the group by providing leadership and strategic guidance in order to sustainably safeguard stakeholders' value. The HFCB Group Plc board has the following responsibilities:

- Approving the group strategy and continually monitoring management's performance and implementation of the strategy;
- Ensuring that adequate financial and capital resources are in place for the group to meet its strategic objectives;
- Ensuring that the group has appropriate risk management systems and policies to effectively control and report on all key risk areas and key performance indicators of the business.

The board operates under a formal charter, that is regularly reviewed, a copy of which can be accessed at www. hfgroup.co.ke. The Board has a formal schedule of the meetings in which notices and agenda are circulated to all Directors on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board determines its size and composition, subject to the group's Articles of Association, Board Charter and applicable law. Currently, the Board is composed of the Group Chief Executive Officer and seven non-executive Directors, four of whom are independent including the Chairlady. The Directors have a wide range of skills and experience and each contributes independent judgment and knowledge to the Board's discussions.

On appointment, each Director is taken through a comprehensive and tailored induction process covering the Group's business and operations and is provided with information relating to their legal and regulatory obligations.

Non Executive Directors are required to submit themselves for re-election in accordance with the Company's Articles of Association.

Conflict of Interest

Directors are prohibited from using their positions, or confidential and price-sensitive information, for their own personal or related third-party benefits. Directors are required to disclose to the board of any or potential conflicts of interests that they may have in relation to particular items of business. Registers of individual directors' interests in and outside the company are maintained and updated with details noted by the board on regular basis.

Corporate Governance (Continued)

1. The Board of Directors (Continued)

Procedure for Nomination of Directors

The Group Nomination and Governance committee is responsible for proposing to the Board qualified candidates that meet the criteria to serve as directors and members of board committees. The committee uses a board skill matrix to determine the knowledge, capabilities, expertise and experience required for any vacancy. In case of directors representing a major shareholder, the shareholders nominate individuals to be elected as directors while the board verifies their qualifications.

The Group Nomination and Governance committee scrutinises the qualifications of each candidate and proposes the selected candidate for nomination to the board for consideration. Following the board's endorsement of the nominated candidate a letter of no objection is sought from Central Bank of Kenya

before proposing nomination by shareholders

Board Member	Date of Appointment	Expertise	Gender	Non Executive/ Executive	Independence
Prof. Olive M. Mugenda	21st October 2021	Academic research, public administration, leadership and governance	F	Non Executive	Independent
Dr. Benson I. Wairegi	1st April 2008	Financial services, insurance, business strategy, leadership and corporate governance	M	Non Executive	Non Independent
Dr. Peter K. Munga	1st July 2008	Financial services, entrepreneurship, human resources and financial management, leadership	M	Non Executive	Non Independent
*Dr. Anthony O. Omerikwa	18th January 2022	Public administration, Information technology, human resources, administration, procurement, leadership	M	Non Executive	Independent
Ms. Felister W. Kembi	26th September 2016	Financial advisory and management, audit, entrepreneurship,	F	Non Executive	Independent
Mr. Tom M. Gitogo	1st August 2023	Financial services, insurance, corporate governance, human resources, commercial and business strategy	M	Non Executive	Non Independent
Dr. Anne W. Kimari	24th June 2022	Financial services and management, tax, audit, risk, business strategy, corporate governance.	F	Non Executive	Independent
*Ms. Elizabeth Gitau	13th March 2026	Financial services, corporate governance, human resources, commercial and business strategy	F	Non Executive	Independent
Mr. Robert N. Kibaara	1st March 2019	Financial services and management, retail banking, business strategy, change management	M	Executive	Non Independent

*Dr. Anthony O Omerikwa - Retired 28th May 2025.

*Ms Elizabeth Gitau - Appointed 13th March 2026.

Corporate Governance (Continued)

2. Board Committees

The HFCB Group Plc board constituted three committees to assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed periodically. The committees include the Group Nomination and Governance, Audit & Risk and Strategy. As part of the corporate governance policy, HFCB Group has a co-option policy to ensure proper representation of the subsidiary Boards in the Group Committees.

A summary of the role of the current committees, current members and key activities undertaken during the year 2025 is reproduced below:-

Board Committee	Key Activities
Group Board Audit & Risk Committee (BARC) The principal roles of the committee are to: • Ensure that accounts are prepared in a timely and accurate manner to facilitate prompt publication of annual accounts; • Review the internal controls, including the scope of the internal audit programme, the internal audit findings and recommend actions to be taken by management. • To review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed. • Monitor compliance with applicable law, statutory and regulatory requirements. • Nominate an external auditor for appointment by the shareholders. • Review of any related party transactions that may arise within the group. • Monitor the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements	In line with this mandate, the Committee reviewed the unaudited financial statements for the full year 2025 and ensured that the same were approved by the Board. The Committee further reviewed the internal audit reports presented by the Internal Auditor for audits undertaken during the year as per the approved audit plan. The Committee held sessions with PwC, the external auditor, to receive independent report and assurance on the financial statements. During the year, the Committee approved various Policies. The Committee also reviewed and considered the Enterprise Risk Management Report ensuring all business risks were identified and considered the mitigations, including the adequacy of capital to cover identified risks. Members Three Independent and Non Executive members. • Ms. Felister W. Kembi – Chairperson • Dr. Anne W. Kimari, PhD • *Dr. Anthony O. Omerikwa, MBS The Chair of the Committee is an Independent and Non-Executive Director, who is also a member of the Institute of Certified Public Accountants of Kenya (ICPSK).

Corporate Governance (Continued)

2. Board Committees (Continued)

<table>
<tr><th>Board Committee</th><th>Key Activities</th></tr>
<tr><td>Group Nomination and Governance Committee
The Committee's responsibilities include:
• Reviewing the structure, size and composition of the Board to ensure the optimum balance of skills, knowledge and experience taking into account the opportunities and challenges which face the Group;
• Identifying and nominating for the approval of the Board a suitable candidate for any Board vacancy which may arise;
• Monitoring the development of succession plans for the Group relating to senior executive management;
• Reviewing the emoluments of both Executive and Non Executive Directors, and Senior Management. This Committee carries out a peer and self-evaluation of the Board and its committees to assess their contribution and also to ensure that there is the requisite mix of skills and experience available to effectively discharge their duties.</td><td>In line with its mandate, the Committee reviewed the Senior Management performance for the year.

The Committee continued with the Board and Committee re-organization and welcomed a new Director with HR Competencies.

The Committee reviewed the Board Evaluation report, the Governance audit implementation tracker and the legal and compliance audit report and considered the areas to invest in recommended therein..

Members
• Prof Olive Mugenda, PhD, EBS, CBS, MGH (Chairperson)
• Dr. Peter Munga, EGH, CBS
• Mr. Tom Gitogo
• Mr. John Mwendwa - Co-opted HFCB Ltd
• Mr.Robert Kibaara - Group Chief Executive Officer
Majority of the committee members are Non Executive Directors with the chair being an Independent Non Executive Director.</td></tr>
<tr><td>Group Board Strategy Committee
The principal roles of the committee are to:
• Oversee the implementation of the Group's strategy;
• Approve and participate in the annual strategy review process;
• Approve all key strategic initiatives including but not limited to; appointment of consultants, capital & revenue expenditure and investment</td><td>The Committee reviewed the performance of the Group against the set key performance indicators and the budget.

The Committee further reviewed the proposed 2025 strategic initiatives and budget proposed by management.

Members
This committee is composed of five Non-Executive Directors and the Group Chief Executive Officer:
• Dr. Benson Wairegi, EBS – (Chairman)
• Dr. Peter Munga, EGH, CBS
• Dr. Dorcas Muthoni – Co-opted HFCB Ltd
• Mr. Tom Gitogo
• Mr. John Mwendwa - Co-opted HFCB Ltd
• Mr. Robert Kibaara - Group Chief Executive Officer</td></tr>
</table>

Corporate Governance (Continued)

3. Attendance of Individual Directors

The following table shows the number of full Board meetings held during the year and the attendance of individual Directors:

Board meetings attendance for the year ended 31 December 2025

Board meetings attendance for the year ended 31 December 2025								
Date	**03.03.25**	**20.03.25**	**28.04.25**	**26.05.25**	**02.09.25**	**15.10.25**	**26.11.25**	**Total**
Prof. Olive M. Mugenda	✓	✓	✓	✓	x	✓	✓	6/7
Dr. Benson I. Wairegi	✓	✓	✓	✓	✓	✓	x	6/7
Ms. Felister W. Kembi	✓	✓	✓	✓	✓	✓	✓	7/7
Mr. Tom M. Gitogo	✓	✓	x	✓	✓	x	✓	5/7
Dr. Anthony O. Omerikwa	✓	x	x	✓	x	x	x	2/7
Dr. Anne W. Kimari	✓	✓	✓	✓	✓	✓	✓	7/7
Dr. Peter K. Munga	✓	✓	✓	✓	✓	✓	✓	7/7
Mr. Robert N. Kibaara	✓	✓	✓	✓	✓	✓	✓	7/7

*Dr. Anthony O Omerikwa- Retired 28th May 2025.

A number of Management committees have been established by the Board to oversee operations in some critical areas. These include Executive committee (EXCO), Asset and Liabilities committee (ALCO), Risk Management committee (RMC), Management Lending committee (MLC), IT and Change Council, Service and Marketing Council. The Board appoints other committees as and when necessary.

4. Board Effectiveness

The Board conducts a rigorous performance evaluation each year to assess the performance of the Board, its committees, individual Directors, the Chief Executive Officer and the Company Secretary, in compliance with the CMA code and best practice. The process is led by the Chairperson and supported by the Company Secretary. In February 2026, the Directors completed the annual evaluation that covered a self-evaluation, evaluation of the Chairperson and the overall Board. The conclusion of the evaluation was that the Board operated effectively. The results of the evaluation were submitted to the Central Bank of Kenya in March 2026.

5. Internal Audit Function

HFCB Group has designed an internal control system to ensure the integrity and reliability of financial statements and non-financial reporting as well as compliance with laws and internal standards and policies.

The Group has a fully operational internal audit function headed by a qualified senior staff member with functional reporting line to the Group Board Audit & Risk Committee. The function forms the third line of defence within the group enterprise risk management framework. The purpose of the audit function is to provide independent and objective assurance to the board that the governance processes and systems of internal control are adequate and effective. The audit function operates under annual risk-based audit plan taking into consideration specific regulatory requirements and approved by the Board Audit Committee.

Corporate Governance (Continued)

6. Risk Management

The ultimate responsibility of the Group's risk management rests with the Group Board of Directors. The Board is assisted by the Board Audit & Risk Committee with an independent Risk Management and Compliance function, which reviews the adequacy of the risk management systems and reports independently to the committee.

The Group has instituted an enterprise risk management framework designed to identify, evaluate and manage significant risks associated with the achievement of the group's objectives.

7. Whistle Blowing Policy

HFCB Group has a whistleblowing policy that has multiple reporting lines including through an independent and credible external party. HFCB Group staff, customers and general public are encouraged to make reports on unethical and fraudulent behaviours without fear of retaliation from the suspected individuals.

All reported cases are promptly and comprehensively investigated with meritable actions being taken against identified culprits. A summary report is presented to the Board Audit Committee on a quarterly basis.

8. Communication with Shareholders

The Group is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about its performance; and
- Compliance with regulations and obligations applicable to the Nairobi Securities Exchange and the Capital Markets Authority.

Information is disseminated to the shareholders through an annual report and press notices following the release of quarterly, half yearly and annual results. Press releases on significant developments are also reporte.

9. Directors Benefits and Loans

All the non-executive Directors have continued to receive Directors' fees. The Director's Remuneration Report can be viewed on Page 96 and related parties and related party transactions disclosures are referenced in Note 36 p & 36q to the financial statements.

10. Governance Auditor's Report

OUR CORPORATE GOVERNANCE STATEMENT

HFCB Group Plc ("the Company"), through its Board of Directors is committed to implementing and adhering to good corporate governance and best practice. The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing and maintaining governance structures through policy formulation, which is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising member's rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the CMA Code"), as well as the Companies Act, 2015 ("the Act") are adhered to. The Company continues to endeavor to comply with the provisions of the CMA Code.

Corporate Governance (Continued)

10. Governance Auditor's Report (continued)

STATEMENT OF RESPONSIBILITIES

The Companies Act, 2015 requires Directors to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company. The Board of Directors of the Company is committed to the highest standards of Corporate Governance and strives for continuous improvement by identifying gaps in the Company's governance structures and processes.

GOVERNANCE AUDIT

The CMA Code provides that issuers of securities to the public are required to undertake periodic governance audits. The CMA advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach. Over and above the annual self-assessment that the Company is expected to complete on its level of compliance of the Code, the Company undertook a governance audit which was conducted by Walker Kontos Advocates who issued an unqualified report. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. The Board and various Committees continue to implement the recommendations from the Governance audit. The Board has partnered with the law firm of Walker Kontos Advocates to undertake the governance audit for the period January 2024 to December 2025 and the exercise commenced in February 2026.

11. Legal and Compliance Audit

Legal Audits are generally carried out to ensure compliance with and enforcement of all relevant provisions of applicable legislations and regulations, policies and procedural manuals, and to ascertain the extent of compliance and enforcement. These laws include the Constitution of Kenya, 2010, various legislations, rules and regulations pronounced under the Capital Markets Authority (CMA) and the Central Bank of Kenya (CBK)

The CG Code under guideline number 2.10 makes it mandatory for all issuers of Securities to the Public to conduct an independent Legal and Compliance Audit every two years. Code 2.10(3) (b) places the above-mentioned mandate on the Board to ensure that a comprehensive independent Legal & Compliance Audit is carried out at least once every two (2) years by a legal professional in good standing with the Law Society of Kenya. The Code further provides that any the findings from the audits should be acted upon and any non-compliance issues arising corrected as necessary. This is to ensure that the company complies with the Constitution of Kenya, all applicable laws and regulations, national and international standards and its own internal policies.

The legal and compliance Audit for the period January 2022 up to and including December 2023 was undertaken by the law firm of Walker Kontos Advocates. The Legal and Compliance Auditors rendered an unqualified opinion confirming that the Board has put in place a satisfactory framework to ensure compliance with the laws, regulations and standards. The Legal and Compliance Audit for the period January 2024 to December 2025 is currently ongoing in partnership with the law firm of Walker Kontos Advocates.

12. Continuous Professional Development (CPD) Training

The Board members for the Group and Subsidiaries undertook a Board Continuous Development Training facilitated by Strathmore Business School. Through this partnership, all the Board members attained at least twelve hours of continuous professional development in compliance with the Capital Markets guidelines in this regard.

Corporate Governance (Continued)

13. Major Shareholders as at 31 December 2025

	Name of Shareholder	No. of shares held	Percentage shareholding
1	EQUITY NOMINEES LIMITED A/C 00104	355,543,166	18.86
2	BRITAM LIFE ASSURANCE COMPANY (KENYA) LTD	272,789,475	14.47
3	BRITAM LIFE ASSURANCE COMPANY (KENYA) LTD	205,282,730	10.89
4	KENYA COMMERCIAL BANK NOMINEES LTD A/C 915 B	118,091,803	6.26
5	NOMURA NOMINEES LTD A/C 20731	81,670,618	4.33
6	WIZPRO ENTERPRISES LTD	79,533,165	4.22
7	ACINI INVEST AS LIMITED	79,533,165	4.22
8	NOMURA NOMINEES LTD A/C 20781	79,422,462	4.21
9	NOMURA NOMINEES LTD A/C 20776	78,745,975	4.18
10	BRITAM HOLDINGS PLC	74,666,146	3.96
	TOTAL	**1,885,488,016**	**100%**

14. Distribution of Shareholders as at 31 December 2025

Range	No. of Shareholders	No. of shares held	Percentage shareholding
1 - 500	10,158	1,873,156	0.10%
501 - 1,000	5,078	3,501,825	0.19%
1,001 - 5,000	11,885	25,303,142	1.34%
5,001 - 10,000	2,268	15,888,046	0.84%
10,001 - 50,000	1,909	38,524,281	2.04%
50,001 - 100,000	245	16,953,442	0.90%
100,001 - 500,000	171	34,746,752	1.84%
500,001 - 1,000,000	27	20,550,368	1.09%
1,000,001 - 2,000,000,000	51	1,728,147,004	91.66%
TOTAL	**31,792**	**1,885,488,016**	**100%**

15. Shareholding by Directors

	Name of Shareholder	No. of shares held	Percentage shareholding
1	BENSON IRUNGU WAIREGI	7,000,000	0.3536
2	ROBERT NGUGI KIBAARA	3,016,262	0.1524
3	OLIVE MWIHAKI MUGENDA	747,200	0.0377
4	PETER KAHARA MUNGA	112,400	0.0057
5	ANNE NGANGA WAIRIMU	13,000	0.0007
6	FELISTER WANGARI KEMBI	0	0.0000
7	*ANTHONY OPARE OMERIKWA	0	0.0000
8	TOM GITOGO	0	0.0000

*Dr. Anthony O Omerikwa - Retired 28th May 2025.

SUSTAINABILITY REPORT 2025

CREATING IMPACT

Driving positive change for our key stakeholders in the economies & communities in which we operate.

CREATE GREAT


HFCB
create great

Sustainability Report

We're on the path to delivering a sustainable and prosperous future for all our stakeholders...

...Our Brand's promise is to enable help our key stakeholders **Create Great Impact**.

2025 was the year our organization celebrated 60 years of existence. It was indeed very fitting that our Group's activities and performance in this milestone year, was buoyed by the fourth straight year of profitability. We recorded a commendable Profit Before Tax of Kes 1.6 Billion up from KES 0.46 billion in 2024. Our tremendous growth trajectory lays further credence to the fact that we are firmly striding on the path to continually delivering a sustainable and prosperous future for all our stakeholders.

Clarity for our ESG Agenda came into sharper focus as we undertook further internal alignment and interrogation confirming that our business espouses the spirit of double materiality; ensuring that our business ethos and operations have great impact on and in return, from our key stakeholders. This also certifies that we are well prepared to align to the global International Sustainability Standards Board's (ISSB) IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

Another key precursor for the launch of our ESG Strategic Plan and the awakening of our HFCB Foundation, has been the launch of our Repositioned Brand in May 2026.

This was a key prerequisite to ensure that the spirit of our revamped brand – anchored on our brand's enduring purpose and the great intentions of the new brand promise – are infused, attributable and associated with the new Brand. Our Brand's promise is to help our key stakeholders Create Great Impact. We are indeed delighted to launch this strategic thrust that will invigourate and catalyze our Brand's Equity and thereby our Group's exponential growth ambitions, further confirming our belief that doing good, is indeed good business.

A significant output of ESG pursuits in 2025 is identification of the four key areas where we wish to create impact going forward. These are illustrated below and I look forward to sharing more information with you in this regard when we launch our ESG Strategic Plan.

In the interim, this sustainability report outlines our efforts to embed to embed sustainability into our businesses in 2025.

Robert N. Kibaara
Group Chief Executive Officer

Climate Action

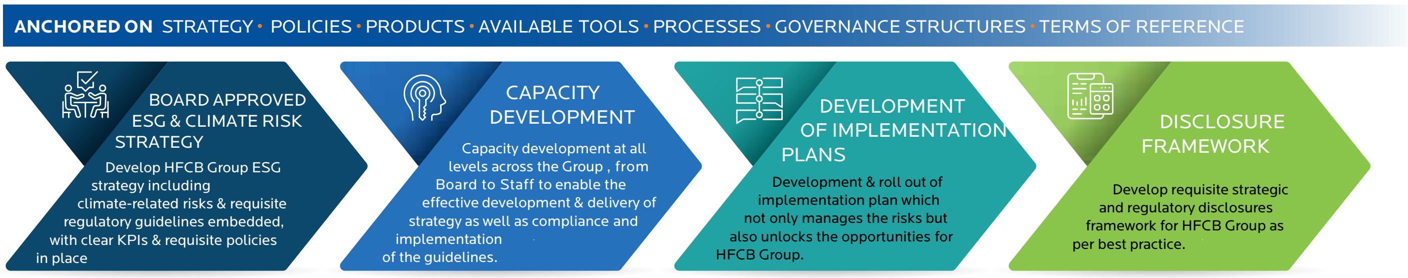
Sustainable Solutions

Creating Great

Accountability in Action

Our ESG Road Map

The illustration below highlights our Environmental, Social & Governance (ESG) road map as we continue on our sustainability journey; specifically, intentionally and effectively embedding sustainability into our business operations.



Embedding Sustainability Into Our Business Operations & Relaunching our HFCB Foundation

Our Reporting Framework

In June 2023, the ISSB introduced IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

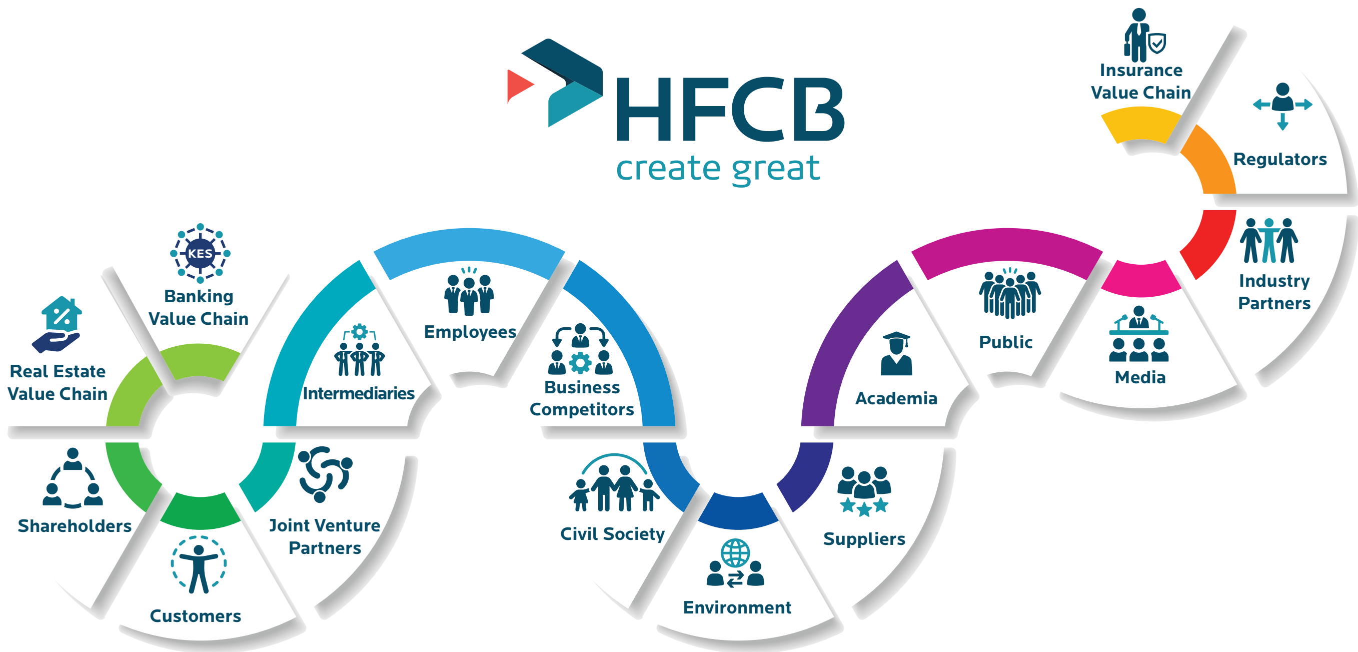
This is the framework that our Group will be adopting and will continue to integrate other emerging regulatory frameworks such as Kenya Green Finance Taxonomy (KGFT).

Stakeholder Management

Our Stakeholders

In 2025, these were the stakeholders that our activities, products, services & performance impacted.

OUR STAKEHOLDERS



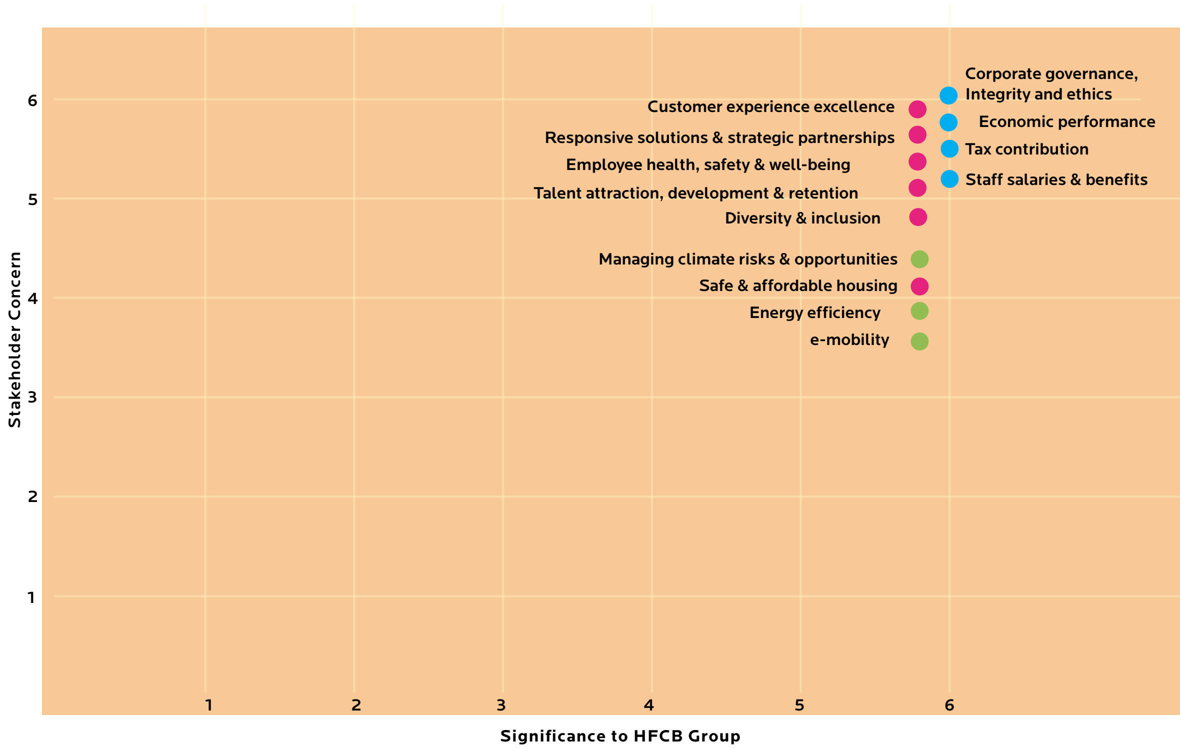
2025 MATERIAL ISSUES & RELATED ENTERPRISE RISKS

	HFCB GROUP MATERIAL ISSUES	RELATED ENTERPRISE RISKS
	Environmental	
1.	Managing climate-related risks & opportunities	· Inability to identify and mitigate climate-related physical and transition risks · Inability to incorporate climate-related risk management into our overall strategies including overall Group strategy and risk management strategy · Inability to develop scenario analysis and stress testing frameworks · Inability to invest in resources to deliver on the climate-related risks and opportunities · Non-compliance with regulatory requirements
2&3.	Energy efficiency and e-mobility	· Financial investments in renewable energy that may not be cost-effective or sustainable · Technological risks associated with the deployment and use of new renewable energy technologies · Supply chain risks related to sourcing renewable energy materials · Investment in electric mobility
	Social	
4.	Talent attraction, development and retention	· Shortage of skilled workers or the inability to attract top talent · Succession planning risks · Reputational & talent flight risks if employees feel undervalued or under-compensated · Skills scarcity and the talent war concerning technology and data skills · Inability to effectively respond to emerging workplace and generational trends
5.	Diversity and inclusion	· Negative impact on company reputation · Legal and compliance risks related to discrimination or failure to promote diversity and inclusion · Potential loss of market share due to lack of diversity and inclusion
6.	Employee health, safety and well-being	· Employee absenteeism · Lost productivity · Reputational risks related to the spread of disease · Compliance risks associated with health and safety regulations
7.	Safe and affordable housing	· Compliance with health and safety regulations · Risks related to affordability · Regulatory risks associated with property development and construction · Climate change-related risks associated with property development and construction
8&9.	Responsive solutions and strategic partnerships as wel as customer experience excellence	· Unresponsive solutions to the market that leads to loss of time, money and resources for the organization · Ineffective solutions that do not meet the diverse and dynamic needs of the market · Loss of opportunities, innovations and growth arising from collaborations and · strategic partnerships
	Governance	
10.	Economic performance	· Macroeconomic conditions · Market fluctuations · Interest rate risks · Forex risks
11-13	Corporate governance, integrity & ethics, tax contributions as well as staff salaries and benefits	· Fraud, corruption, and unethical behaviour · Regulatory and legal risks related to non-compliance with corporate governance standards · Reputational risks · Failure to comply with or meet tax obligations

Materiality Matrix 2025

The matrix below reflects our understanding of the importance of these risks to our stakeholders and business. We group these material topics into **environmental, social** and **governance,** that drive the content, structure and scope of our reporting. They are grouped based on our strategy and our current ability to realize the initiative.

Stakeholder Concern Vs Significance to HFCB Group



Material Topics

Environment

1. Managing climate-related risks & opportunities
2. Energy efficiency
3. e-mobility

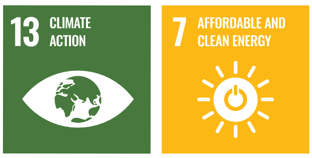
Social

4. Talent attraction, development & retention
5. Diversity & inclusion
6. Employee health, safety & well-being
7. Safe & affordable housing
8. Responsive solutions & strategic partnerships
9. Customer experience excellence

Governance

10. Corporate governance, integrity & ethics
11. Financial performance
12. Tax contribution
13. Staff salaries & benefits

Impacted SDGs



ENVIRONMENTAL

1. MANAGING CLIMATE-RELATED RISKS & OPPORTUNITIES

Managing climate risks and opportunities aligns with **SDG 13: Climate Action** and refers to the proactive approach of identifying and mitigating those risks associated with climate change while capitalising on the opportunities that arise from the transition to a low-carbon economy. This goal aims to take urgent action to combat climate change and its impact.

In preparation for preparedness and adoption of IFRS S1 and IFRS S2 requirements our organization has undertaken the following initiatives with regards to managing climate-related risks and opportunities.

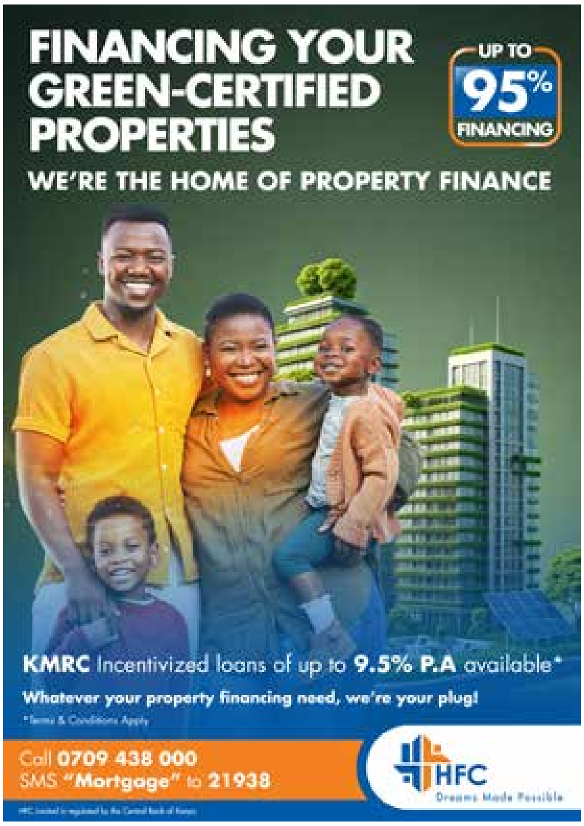
Assessing The Extent of Our Green Loan Book: Our Team is in the process of assessing the veracity and size of our loan book that currently funds green initiatives, with the aim to take a target towards increasingly greening our Loan Book.

Launch of our Green Mortgages Solution: As part of our Group's commitment to developing solutions in the green financing arena, we have enhanced our heritage mortgage product, by offering mortgage solutions for green certified building projects.

Our Green Mortgage Solution launched in 2025.

NB: Our Group rebranded from HFC to HFCB in May 2026

Our Green Mortgages will fund green certified buildings that support the efficiencies outlined below:



2. ENERGY EFFICIENCY

Energy efficiency aligns with **SDG 7: Affordable and Clean Energy.** Energy efficiency speaks to using less to perform the same task or achieve similar output and involves adopting technologies and practices that reduce energy consumption, minimise waste and enhance energy productivity. This goal aims to ensure access to affordable, reliable, sustainable and modern energy for all.

As our commitment to responsible energy consumption, we have made the following commitments:

i. Implementation of energy-saving fitting systems to reduce the negative environmental impact of inefficient energy consumption in our business activities and operations;

ii Review of our motor vehicles policy to adopt use of electric vehicles across the Group over time.

iii. Digitizing our processes in furtherance of our journey to reduce paper use;

iv By adopting IFRS S1 and IFRS S2, we will be able to use the available tools to eventually scope our energy consumption and opportunities and adopt appropriate interventions.

v. Going forward, as our inaugural ESG Strategy comes alive, giving preference to suppliers and contractors with environmentally friendly practices

In, 2025, our Head Office at Rehani House consumed a total of **17.09 million KWH** of electricity, of which **2.71 million KWH** was generated through solar power. This represents approximately **15.85%** of total annual energy consumption. Our solar installation avoided an estimated **742,177 kg** of **carbon$_2$ emissions**, equivalent to planting approximately **33,735 trees** or avoiding nearly **2.97 million kilometres** driven by a passenger vehicle.

We remain committed to our journey of adopting other renewable and efficient energy sources, acquiring more intelligent office equipment that uses lower power consumption and ensuring that our motor vehicle fleet is well maintained and consuming less petrol or diesel. Targets in this regard will be identified once an effective baseline is established.

A snapshot of the solar panels installed on various sections of the roof of our Head Office at Rehani House.

3. E-MOBILITY

Our fleet acquired 3 electric vehicles; 1 SUV and 2 saloon cars in promotion of **SDG 7: Affordable and Clean Energy** & **SDG 13: Climate Action** pursuits.

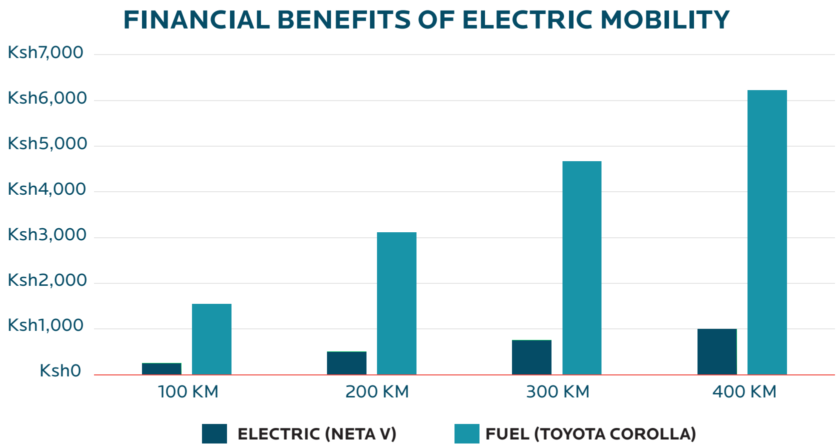
Our deployment of these 3 electric vehicles contributed to reduced fuel consumption and lower transport-related emissions during the year. Based on average annual vehicle usage, the EV fleet is estimated to avoid **approximately 8,000–12,000 kg of carbon$_2$ emissions** annually, supporting sustainable mobility initiatives, lowering operating costs and reducing dependence on fossil fuels.

The benefits of acquisition of our Electric Vehicles promotes and enjoy the following benefits:

- **Environmental Protection and Emissions Reduction:** Significantly reduce tailpipe emissions
- **Lower Operating Costs:** Electricity is cheaper and more stable than gasoline.
- **Convenient Charging:** Portable chargers allow our Team to charge anywhere; Home chargers allow our staff who have this facility installed to charge at their conveniencee. A large network of commercial chargers has already been established in Kenya.

Operational Breakdown for Electric Mobility

	KM	FUEL IN LITRES	PRICE PER LITRE	100KMS COST	400KMS COST
Fuel (Toyota Corolla)	400	8.2	189.94	1,556.68	6,226.75
	KM	CHARGE	PRICE PER UNIT	UNITS	400KMS COST
Electric (Neta V)	400	100%	26.4	38	1,003.58



We intend to eventually replace all our corporate vehicles across the network with Electric Vehicles, in the short and medium term.

NB: Our Group rebranded from HFC to HFCB in May 2026

SOCIAL

4. TALENT ATTRACTION, DEVELOPMENT & RETENTION

Talent attraction, development and retention align with **SDG 8: Decent Work and Economic Growth,** which promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work. Developing a skilled workforce contributes to promotion of the advancement of the socio-economic agenda of our country.

At HFCB Group, we are anchored on our purpose of **Enriching Lives** and cognizant of the fact that our people are our most valuable asset. We provide avenues to improve productivity, morale and nurture talent.

We recognise that different age groups are at various personal and professional development stages and therefore, have different needs and motivations.

Our organization's **Employee Value Proposition (EVP)** will be launched in 2026 having engaged extensively with the ESG Team and is part of the material topics in this report.This will also inform the requisite and documented engagement plan for our Team going forward.

Below and overleaf are some of the statistics in this regard.

- In 2025, we achieved **35,398.00 Learner Hours** across the organisation, which is **116%** of our annual target.

2024	39,928 LEARNER HOURS	158%
2025	35,398 LEARNER HOURS	116%

- The main areas of learning included:

2024

TECHNICAL SKILLS	POWER SKILLS	LEADERSHIP SKILLS	INDUCTION	CPD
Hrs 30,593	Hrs 3,130	Hrs 2,399	Hrs 3,360	Hrs 446
77%	8%	6%	8%	1%

2025

TECHNICAL SKILLS	POWER SKILLS	LEADERSHIP SKILLS	INDUCTION	CPD	COMPLIANCE
Hrs 19,939	Hrs 2,652	Hrs 1,889	Hrs 7,600	Hrs 919	Hrs 2,400
56%	7%	5%	21%	3%	7%

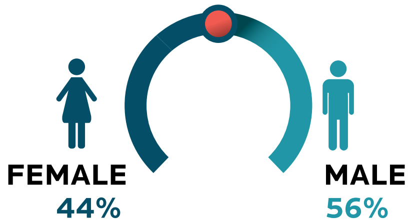
We also believe in the power of reward and recognition and undertake frequent award ceremonies for our top performing teams and team members.

Our Leadership Team celebrates our high performers across our banking, properties and insurance subsidiaries with cash prizes, local & international trips and other exotic gifts such as live goats!

5. DIVERSITY & INCLUSION

HFCB Group & Subsidiaries Board of Directors

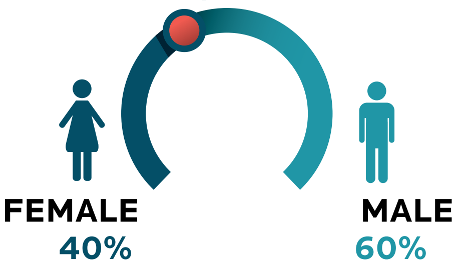
Gender May 2025



Gender May 2026

Senior Leadership Team by Gender

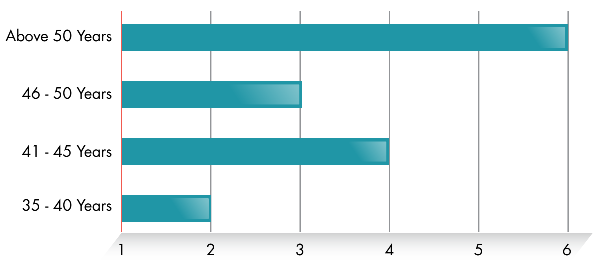
May 2025



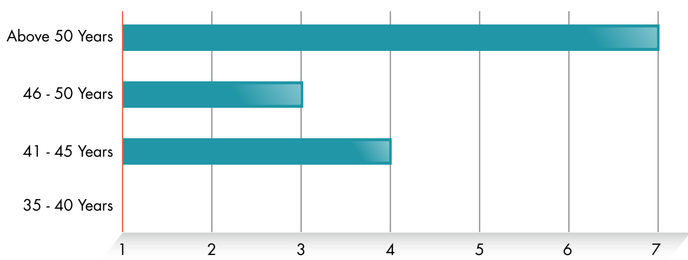
May 2026

Age Demographics Senior Management

Age Demographics
Senior Management Previous Year (2025)

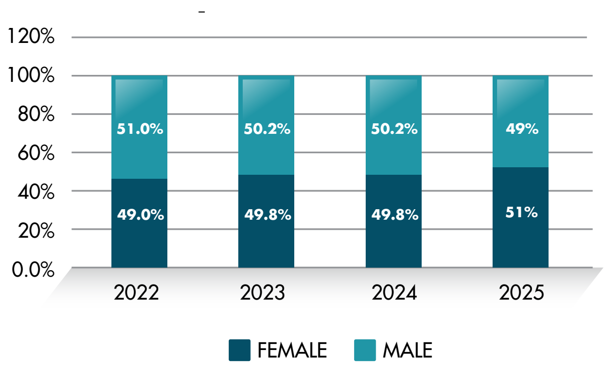


Age Demographics
Senior Management Current Year (2026)

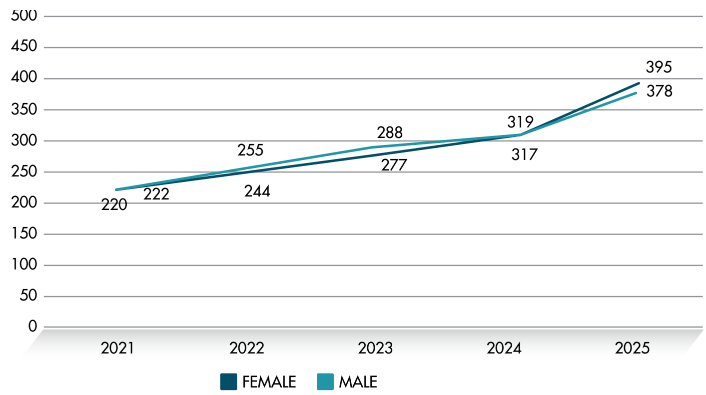


Average age of Senior Management is 49.4 years in 2026

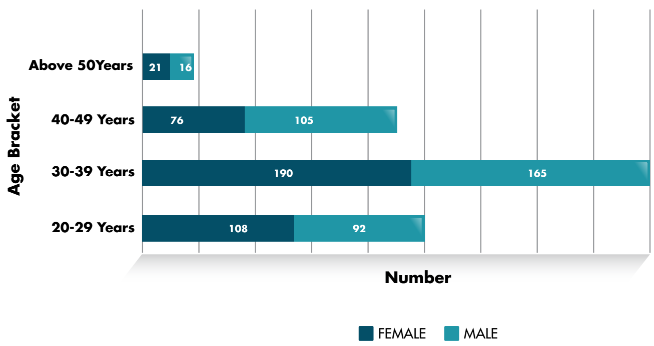
Overall Population Trend 2025



Male & Female Employees YoY

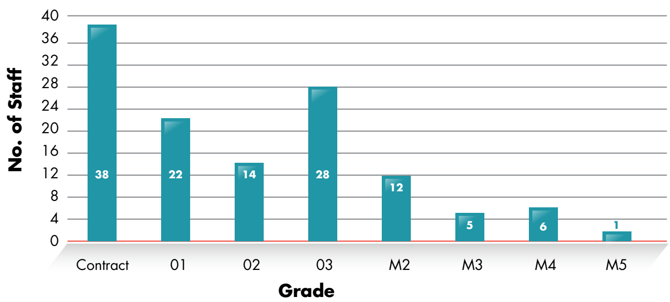


Age Distribution by Gender: 2025



268 Promotions 2025

78 Promotions in 2024



6. EMPLOYEE HEALTH, SAFETY & WELL-BEING

SDG 3 aligns with **Good Health and Well-being.** It refers to one being physically, mentally and socially healthy, living a fulfilling life and contributing positively to society. It seeks to ensure healthy lives and well-being for all ages.

Health and well-being are essential tenets for the financial services sector to create a productive and engaged workforce, capable of delivering on the innovative solutions the sector needs to deliver on, in order to drive the economy.

Occupational Health & Safety

As we seek to promote employee health, mental health and positive workplace culture and as a responsible employer, we are guided by the law under the **Occupational Health and Safety (OHS) and Occupational Health and Safety Administration (OSHA) Act.**

Our OSHA committee has designated first aiders and fire marshals accountable for executing the approach, based on established risk management practices.

Each year, we strive to increase the number of first aiders and fire marshals from certified organisations. The training comprises an examination and those who pass received certifications.

In 2025, a total of **74 fire marshals** were trained across HFCB to strengthen fire safety awareness, emergency preparedness and response capability. This supports compliance with occupational health and safety requirements, improves workplace safety readiness, reduces fire-related risks, and enhances regulatory compliance.

The OSHA committee holds periodic meetings, while the first aiders and marshals receive annual refresher training. We are committed to adhering to the OSHA guidelines to guarantee OHS compliance.

We certified the following staff, facilitated by Red Cross:

	2023	2024	2025
First Aiders	34	+50	-
Fire Marshals	34	-	75

Workplace Well-being

Currently, we have programs to provide insights and education on good health and wellness via programmes spanning counselling, nutrition, physical and mental health. From the financial wellness front, we offer personal financial planning seminars as well as loans and mortgages, however we ensure that employees only borrow within a limit they can comfortably repay.

As we endeavor to deliver on our purpose of **Enriching Lives**, we also engage our staff in multiple and various activities to enhance our positive work environment and organizational energy. Below are some highlights from the year.

Our Group CEO, Banking Subsidiary MD, Director - Marketing, Corporate Affairs & Sustainability as well as the Director - HR & Administration lead the charge to celebrate the women of HFCB on International Women's Day.

In pursuit of one of our Magic 6 Strategic Outcomes - HAPPY BRAND!

We undertake various activities within and outside our premises regularly to promote Team spirit and camaraderie. Below are highlights from the activities across the network in 2025. These span Interbank Games, Internal Game Nights, Theme Days based on various dress codes and so on.

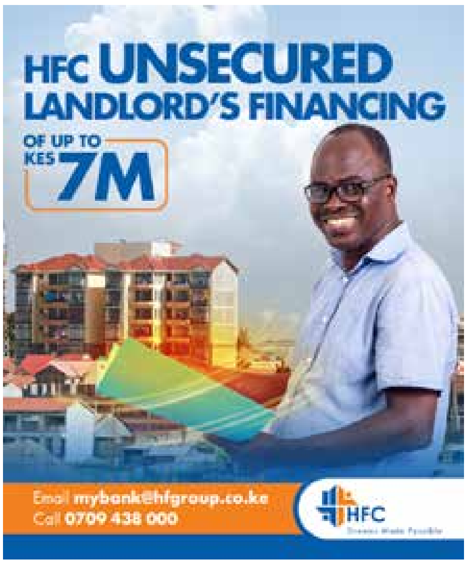





60th Anniversary Celebration Staff Event

7. RESPONSIVE SOLUTIONS & STRATEGIC PARTNERSHIPS

Responsive product solutions align with **SDG 8: Decent Work and Economic Growth.** Our Groups intention is to deliver fully integrated financial and property service solutions.Not only do we deliver diverse and dynamic solutions to the market, but our leaders take time to engage Kenyans in multiple languages and share our mission of enriching lives through financial empowerment. Indeed, to share our range of solutions, we run monthly campaigns from April to December 2025.



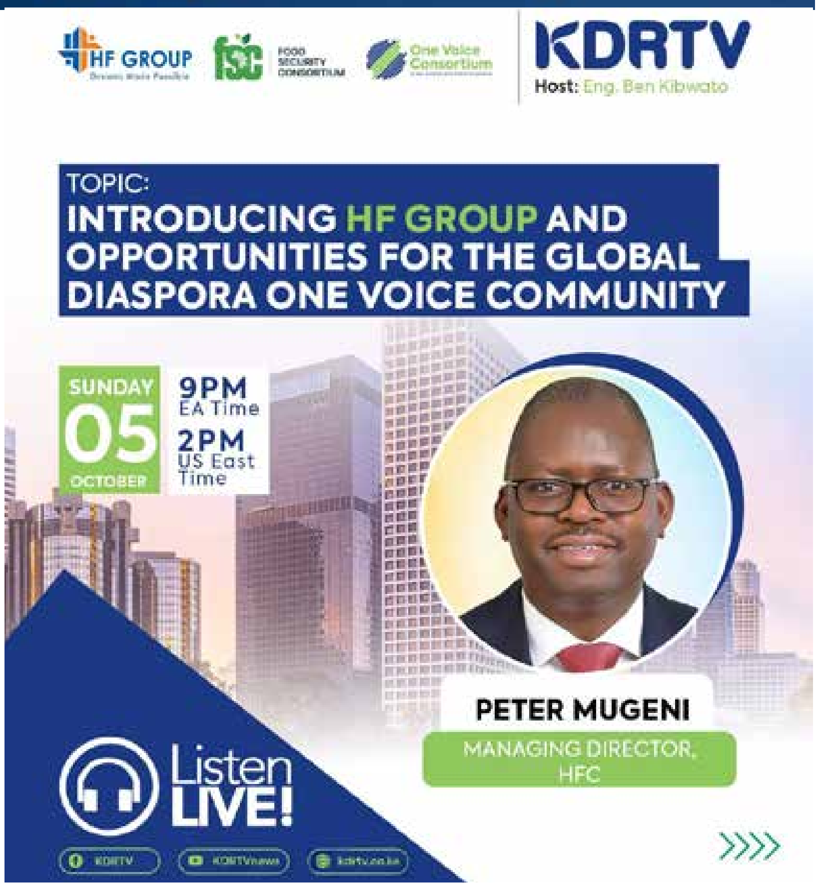
NB: Our Group rebranded from HFC to HFCB in May 2026

NB: Our Group rebranded from HFC to HFCB in May 2026

Diaspora Solutions

In 2025, our Group CEO and Banking Subsidiary MD led the charge with several visits across various continents to engage diaspora audiences. They visited Kenyans in multiple cities across the UK, USA, Malaysia, China and Australia, along with hosting webinars for the same countries throughout the year. We continue to enrich the lives of our existing and potential customers abroad by offering banking, property and insurance solutions. *Below are some highlights from our engagements from accross the globe:*

NB: Our Group rebranded from HFC to HFCB in May 2026



NB: Our Group rebranded from HFC to HFCB in May 2026

8. CUSTOMER EXPERIENCE EXCELLENCE

One of our core values is **Customer Centricity** and as such our customers are at the heart of everything we do. Accordingly, we strive to deliver a seamless and personalized experience that meets their needs and exceeds their expectations. Our customer-centric approach cuts across all aspects of our business, from product development to customer servicing.

Our goal is to understand the needs and wants of our customers and deliver a tailor-made experience that meets their unique and diverse needs.

We prioritize customer satisfaction and understand that it is a critical pillar of our business as we strive to provide a positive experience for every client interaction.

We have established clear procedures for responding to client issues, including a dedicated 24/7 customer service team to handle inquiries and resolve concerns. We can be reached via multiple contact points including face-to-face at our branches, or via call, social media, webchat, WhatsApp and text.

We train our team to respond professionally, empathetically, and promptly. We also have a complaints management system to log, track and systematically resolve complaints. We believe in open and transparent communication with our clients and regularly seek feedback on our services and performance via surveys and in-person engagements.

Award-Winning Group

Our banking subsidiary MD and our Branch Business & Customer Experience Leads receive the Kenya Bankers Association award for Best Bank In Customer Satisfaction for Tier 3 Banks (prior to our elevation to tier 2 in the same year).

Award-Winning Group

Our Team delights at receiving the Best Mortgage Provider Award at the Top Property Awards 2025

Our jubilant Team receives the Most Customer-Centric Bancassurance Intermediary (1st Runners Up); Best Bancassurance Intermediary in Technology Application (2nd Runners Up) and The Risk Management Award – Bancassurance Intermediaries (2nd Runners Up) at the Think Business Insurance Awards for 2025.

Our Team revels in receiving the Best Property Finance Solutions Provider Award from Real Estate Awards 2025

Nation-wide Client Engagements

In pursuit of our purpose - Enriching Lives and our core value - Customer Centricity, we spent a significant amount of time engaging with Clients across the Country. At these forums, our Leadership Team anchored by local teams shared industry trends and insights along with solutions that would enable them to be financially empowered for themselves or their businesses. These included but are not limited to:

9. SAFE & AFFORDABLE HOUSING

Safe and affordable housing aligns with **SDG 11, Sustainable Cities and Communities**, which aims to make cities and human settlements inclusive, safe, resilient and sustainable. Safe and affordable housing means having access to decent housing that is secure, affordable and meets basic standards of sanitation, privacy and structural integrity.

As a banking, property and insurance value chain player, we perform a critical role in promoting safe and affordable housing. We provide financing and advisory services for affordable housing projects and have partnered with government and industry bodies to curate financial products and services that cater to the needs of those seeking safe and affordable housing.

Further, HFCB, anchored on our rich heritage of over 110 years in the property value chain, offer wealth and project management, advisory, sales & marketing along with other products and services for various clients and partners. Critically, we offer financing and insurance solutions to make the dream of owning or investing in a home possible - true to our Brand Promise - **Dreams Made Possible.**

Another approach that HFCB is taking is providing education and resources on property financing. Many people experience challenges in understanding the financial aspects of buying or renting a home, which can be a significant barrier to safe and affordable housing. We are working to provide information and resources to help people understand the property finance and conveyancing process in order to and make informed decisions.

Furthermore, we continue to invest in technology to improve access to property financing. Our award-winning mobile banking platform **HFCB Whizz** allows customers to access various services, including saving for their homes via our **HFCB Nyumba Yangu Account** and **includes a 15% off tax incentive.** Further, as members of the Kenya Mortgage Refinance Company **(KMRC)** we are able to offer home loans that are incentivised at **less than 10% interest** for first time home owners of affordable housing properties (less than Kes 10M purchase price).

Our online property market place accessible via **www.hfcbmarketplace.hfcb.co.ke** allows potential buyers to view available properties across our value chain, on the portal. This platform has made it easier for people to access information and financing options, thereby improving access to safe and affordable housing. By partnering with stakeholders in the sector, providing education and resources on related financing and investing in technology, the company is making significant strides towards providing safe and affordable housing for all Kenyans.

In 2025, we partnered to deliver the following developments across different price points to the market with financing available for the eligible parties, including the incentivized KMRC option.

MANGU GARDENS
Live Well

BUY AND BUILD YOUR DREAM HOME
SERVICED PLOTS
Off Thika Superhighway, Exit 16
Along Bob Harris Road

FROM KSHS 4.5M

FEATURES

- Master-planned and controlled gated community
- House typologies to choose from
- Power & water on site
- All-weather roads
- Early childhood educational facility and children's play area
- Perimeter wall with an access gate

NGONG HILLS

INVEST IN A PRIME PROPERTY IN NGONG TOWN

EIGHTH ACRE & ABOVE STARTING FROM KSHS 7M

FEATURES

- Multi-dwelling residential plots in a high rental yield area
- Power & water on site
- Sewer on site
- All weather roads

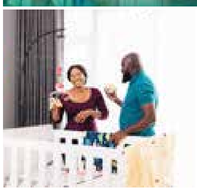
VillaKazi Homes

MASTER PLANNED SERVICED PLOTS
40X80 & 30X80 PLOTS IN ATHI RIVER
With 2 choices of pre-designed house types

FROM KSHS 2.75M

FEATURES

- Murram all-weather road
- Provision of convenience stores, gym and educational facilities
- Perimeter wall with access gate
- Power and water on site
- Borehole backup water supply



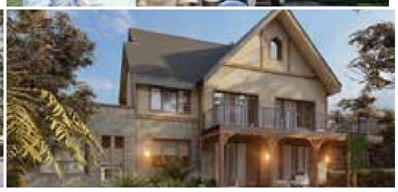
SAGANA RESIDENCES
Home of Happiness

BUY AND BUILD YOUR DREAM
¼ ACRE SERVICED PLOTS
At Sagana Getaway, right off the newly dualized Nairobi – Sagana Highway.

FROM KSHS 3M

FEATURES

- Controlled gated community
- Optional house typologies to choose from
- Power & water on site
- All-weather roads



GOVERNANCE

10. CORPORATE GOVERNANCE, INTEGRITY AND ETHICS

Corporate governance, integrity and ethics align with **SDG 16 Peace, Justice & Strong Institutions.** They refer to the principles and values that guide how companies conduct their business, make decisions and interact with stakeholders. It ensures transparency, accountability, fairness and responsible behaviour in the organization's operations.

Our Board of Directors and Senior Management are charged with our organization's corporate governance and **their profiles can be viewed** on **pages 8-19** of this report and are **also available on our website**.

During the period the Board and Management undertook capacity building in strategy execution, digital transformation, the future of Artifical Intelligence in banking, As well as board roles and responsibilities: fiduciary responsibilities and change management.

Our ongoing efforts to strengthen the Group's governance structures were further validated by attaining the highest rating; Leadership in the Capital Markets Authority (CMA)'s annual comprehensive assessment, reflecting our commitment to best practice and regulatory excellence.

Please see pages 50-57 of our Annual Report for our Corporate Governance Statement.

Strathmore University Business School

HF GROUP Dreams Made Possible

HFCB Group Board Governance Programme

NB: Our Group rebranded from HFC to HFCB in May 2026

11. ECONOMIC PERFORMANCE

Economic performance aligns with **SDG 8, Decent Work & Economic Growth**, which promotes sustained, inclusive and sustainable economic growth, full and productive employment, and decent work.

This annual report and financial statements contain all the information pertaining to our financial performance in 2024 and our contribution to the economy via staff salaries and taxes, over and above getting a view of our assets and liabilities. Read on to get a glimpse of how our turnaround strategy continues to gain momentum in 2025, within the macro environment. Indeed, as the theme of our report reads, we continued to create great results for all our stakeholders, delivering a profit for another consecutive year in 2025.

As a show of confidence in the Group's growth trajectory, in February 2025, HFCB Group Plc, was added to the prestigious **Morgan Stanley Frontier Markets Small Cap Index (MSCI)**, a key benchmark for institutional investors such as asset managers and pension funds, to guide investment decisions for those seeking opportunities in high-growth markets.


Companies & Industry

Banking.

HF upgraded to mid-tier bank on capital injection

George Ngigi

Listed mortgage lender Housing Finance (HF) has been upgraded back to a mid-tier bank after growing its market share following a capital injection by shareholders last year.

The Central Bank of Kenya disclosed that HF controlled one percent of the Kenyan banking market, which is the mark used to identify medium-sized banks.

BD Business Daily

Our banking subsidiary was upgraded to a Tier 2 bank in April 2025.


HF Group FY2025 Performance Highlights

	Dec-24	Dec-25	Movement
Profit Before Tax	Kshs. 0.46 B	Kshs. 1.61 B	250%
Net Interest Income	Kshs. 2.66 B	Kshs. 4.36 B	64%
Non Funded Income	Kshs. 1.51 B	Kshs. 1.81 B	20%
Interest on Government Securities	Kshs. 1.58 B	Kshs. 2.83 B	79%
Total Operating Income	Kshs. 4.17 B	Kshs. 6.17 B	48%
Total Deposits	Kshs. 47.86 B	Kshs. 56.90 B	19%
Total Assets	Kshs. 70.15 B	Kshs. 82.40 B	17%
Core Capital Ratio	21.4%	21.8%	
Liquidity Ratio	41.8%	51.5%	

Regulated by the Central Bank of Kenya

HF GROUP

Our audited financial statements can be reviewed from pages 88 - 222

12. TAX CONTRIBUTION

2022	2023	2024	2025
KShs 25.6 MILLION	KShs 29.7 MILLION	KShs 32.0 MILLION	KShs 38.5 MILLION

Corporate Income Tax

13. STAFF SALARIES & BENEFITS

2022	2023	2024	2025
KShs 1.33 BILLION	KShs 1.626 BILLION	KShs 1.894 BILLION	KShs 2.318 BILLION

FINANCIAL STATEMENTS

CREATING RESULTS

Translating strategy and performance into measurable financial outcomes.

CREATE GREAT


HFCB
create great

Report of the Directors

The directors submit their report together with the audited financial statements of HFCB Group Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2025.

Incorporation

The Group is domiciled in Kenya where it is incorporated as a private group limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 6.

Directorate

The directors who held office during the year and to date of this report are set out from pages 6-11.

Principal activities

HFCB Group Plc is an integrated financial and Property solutions provider that is registered as a non-operating holding company (under the Banking Act Cap.488) and licensed by the Central Bank of Kenya (CBK). The Group commenced operations on November 18th 1965, and has diversified from being a mortgage financier to a provider of integrated financial solutions with interests in banking, property and insurance. HFCB Group has been listed at the Nairobi Securities Exchange since 1992. The Group which repositioned its identity in May 2026 in order to operate under one unified brand name, has four subsidiaries including HFCB Limited, HFCB Properties Limited, HFCB Bancassurance Intermediary and HFCB Foundation.

In February 2025, the Group, was added to the prestigious MSCI Frontier Markets Small Cap Index, which serves as key performance indicator for investors tracking emerging markets. This addition affirms the Group's commitment to strengthening its market position, driving sustainable growth, and creating long-term value for shareholders.

The Group is listed on the Nairobi Securities Exchange (NSE), and has four operational subsidiaries:

- HFCB Limited - licensed to carry out the business of mortgage finance as well as banking services under the Banking Act.
- HFCB Properties Limited - undertakes property development and investment.
- HFCB Bancassurance Intermediary Limited - provides insurance solutions.
- HFCB Foundation Limited - the Group's social investment and impact arm.

Business review

In 2025, the Group demonstrated strong financial and operational resilience despite a volatile interest rate market. Profit before tax grew by 250% year-on-year to Shs 1.61 billion, while total assets grew by 17% to Shs 83 billion.

The banking subsidiary drove the Group's balance sheet growth with customer deposits growing by 20%, reflecting growing customer confidence and the continued adoption of digital banking solutions.

Interest Income went up by 17% to 7.6 billion, with net interest income growing by 60% while non-funded income went up by 50%. This performance was supported by an impressive improvement in interest expense management that resulted in interest expense reduction by 16% even when customer deposits went up by 18%. The revenue growth was additionally supported by a 22% increase in investment in interest earning assets.

Report of the **Directors** (Continued)

Operational efficiency improved significantly with the cost-to-income ratio improving from 90% to 76%, driven by disciplined expense management. All the operating subsidiaries registered impressive revenue and profitability growth.

Property subsidiary (HFCB Properties)

The subsidiary has undergone significant changes in its business structure and model. It has changed its traditional core business mandate of property development and is now focusing on landowner solutions and other property management consultancy. Consequently, its revenue grew by 37% year on year.

Bancassurance subsidiary (HFCB Banassurance Intermediary Ltd)

The subsidiary posted year on year profit before tax growth of 25% driven by growth in business undertaking and revenues. Total income grew by 35%. The gross written premiums grew by 11% to Shs 750 million.

Results and recommended dividend

The group profit for the year of Shs 1,422,292,000 (2024 Shs 524,685,000) has been deducted from accumulated losses. No interim dividend was paid during the year (2024 Nil). The directors do not recommend payment of a final dividend (2024: Nil).

Principal risks and uncertainties

The group principal risk and uncertainties together with process that are in place to monitor and mitigate those risks where applicable can be found under Note 4 to the financial statements.

Environmental, social and employee matters

Our environmental and social risk policy guides our commitments to environmental protection across all group subsidiaries. The Group views environmental sustainability from two perspectives:

1. We conduct business in a manner that protects our employees, the communities where we operate and the environment; and

2. We offer products and services that deliver efficiency contributing to an overall reduction in the usage of natural resources.

The environmental and social risk policy has been incorporated into our lending process and is aligned with recognised international performance standards. Our loan applications therefore include, among other issues, an environmental assessment and are in compliance with regulatory requirements.

Report of the Directors (Continued)

Statement as to disclosure to the group's auditor

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

a) there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and

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

Terms of appointment of the auditor

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 721 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.

Events after the reporting year

There have been no events after the reporting date that require adjustment or disclosure to these financial statements.

By order of the Board

Regina Anyika
Company secretary

30th March 2026

Directors' Remuneration Report

Information subject to audit

The directors' remuneration report has been prepared in compliance with the Group's remuneration policy, Capital Markets Authority Code of Corporate Governance Guidelines on Directors' remuneration and the Companies Act, 2015. The remuneration is reviewed regularly to ensure that it is within the existing market rates. This is done to ensure that individual directors are effective and continue to pursue the business strategy. Performance of each director is evaluated annually and communicated appropriately. All directors are expected to observe attendance of the board meetings and make valuable contributions depending on each member's area of speciality. The remuneration is disclosed through the periodic publications made by the Group.

There has been no change to the rate of remuneration for the non-executive directors during the year.

Directors' remuneration paid during the year was as per the table below.

Non-executive Directors

	Year ended 31 December 2025			**Year ended 31 December 2024**		
	Fees	**Sitting allowance**	**Total**	**Fees**	**Sitting allowance**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Prof. Olive Mugenda	4,875	-	4,875	4,875	-	4,875
Dr. Benson Wairegi, EBS	488	3,019	3,507	488	2,456	2,944
Dr. Peter K Munga	488	1,404	1,892	488	1,052	1,540
*Dr. Anthony Opare Omerikwa	203	421	624	488	1,123	1,611
Dr. Anne W. Kimari	488	1,404	1,892	488	1,332	1,820
Felister Kembi	488	1,404	1,892	488	1,404	1,892
Tom Gitogo	488	1,193	1,681	488	1,334	1,822
	7,518	8,845	16,363	7,803	8,701	16,504

* Retired on 28th May 2025

Executive Director

	2025	**2024**
Robert Kibaara	**Shs'000**	**Shs'000**
Salary	71,139	58,910
Gratuity	12,908	12,115
Total	84,047	71,025

Directors’ Remuneration Report (Continued)

Information not subject to audit

The basic pay and gratuity of the executive director is as per the negotiated employment contract. Other non-cash benefits include club subscription, security and medical cover. Travel and other reasonable expenses (including any associated taxes) incurred in the course of performing HFCB Group Plc official duties are reimbursed. This is meant to ensure that the package is competitive.

Non-executive Directors’ remuneration policy and framework

Non-executive directors are engaged on the basis of a letter of appointment. It is the policy of the Board of directors that non-executive directors are paid directors’ fees and sitting allowances but are not eligible to participate in any of the Group’s bonus, share option or pension schemes.

Details of the policy on fees paid to our non-executive directors are set out in the table below:

Directors fees and sitting allowances	Policy framework
To attract and retain non-executive directors of the highest calibre and having the necessary skills and expertise to exercise independent judgement on issues that promote the Group’s objectives.	The director’s fees and sitting allowances paid to non-executive directors are determined by the Board of Directors, with recommendations from the Group Nomination and Governance Committee.
	Members of the various committees are also eligible to receive an additional sitting allowance.
	The fees payable are reviewed periodically by the Group Nomination and Governance Committee to ensure that the fees remain competitive and in line with remuneration of other non-executive directors in the industry. Time commitment and responsibility are also taken into account when reviewing fees.
	Travel and expenses for non-executive Directors for Group related assignments are all met by the Group.

Approval of the directors’ remuneration report

The directors confirm that this report has been prepared in accordance with the Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure requirements under IFRS Accounting Standards.

By order of the Board

Regina Anyika
Company secretary

30 March 2026

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Approved by the Board of directors on 30 March 2026 and signed on its behalf by:

Mugenda

Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH
Chairperson

Robert N. Kibaara
Chief Executive Officer

BWairegi

Benson I. Wairegi, EBS
Director

Regina Anyika
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC (NOW HFCB GROUP PLC)

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of HF Group Plc (now HFCB Group Plc) (the "Company") and its subsidiaries (together, the "Group") set out on pages 100 to 222, which comprise the consolidated statement of financial position at 31 December 2025 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the company statement of financial position at 31 December 2025, and the company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

Key audit matters

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

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers Loans and advances to customers comprise a significant portion of the Group's total assets. The estimation of expected credit losses (ECL) on loans and advances to customers requires management's judgment in the assumptions that are applied in the models used to calculate ECL. The policies for estimating ECL are explained in Notes 2 (i) and 4 (a) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This determines whether a 12-month or lifetime PD is used; • the relevance of the forward-looking information assumptions used in the models; and • the reasonableness of the timing and amount of the present value of expected future cash flows on loans and advances to customers, which is the key driver for LGD for stage 3 loans. Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	We evaluated the appropriateness of the methodology applied by management in the estimation of expected credit losses for consistency with IFRS 9. We evaluated the appropriateness of segmentation of the loan portfolio. We validated management's basis for staging of loans and advances. We tested, on a sample basis, the accuracy of the computation of PDs, and the completeness and accuracy of the underlying historical data applied in the computation. We reviewed the suitability of forward-looking data used in estimating PDs together with the accuracy of its application in the PD computation process. For forward-looking information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios. We tested, on a sample basis the computation of EAD for both on and off-balance sheet items. We tested, on a sample basis, the reasonableness of the present values of expected future cashflows of loans and advances used in the estimation of LGD. We recomputed, on a sample basis, expected credit losses for loans and advances to customers. We reviewed the adequacy of financial statements disclosures.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC (NOW HFCB GROUP PLC) (Continued)

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HF GROUP PLC (NOW HFCB GROUP PLC) (Continued)

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

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

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

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

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

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the Report of the directors pages 90 to 92 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 93 to 94 has been properly prepared in accordance with the Companies Act, 2015.

CPA Patrick Kiambi, Practicing Certificate Number 2056
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

31 March 2026

UNIQUE CODE: 85708260331

Consolidated statement of profit or loss and other comprehensive income

	Note	2025 Shs'000	2024 Shs'000
Interest income	6	7,651,098	6,555,348
Interest expense	6	(3,151,397)	(3,744,072)
Net interest income		4,499,701	2,811,276
Allowance for expected credit losses	22	(408,283)	(364,460)
Net interest income after credit impairment losses		4,091,418	2,446,816
Fee and commission income	7	852,139	542,323
Fees and commission expense	7	(61,159)	(68,776)
Net fees and commission income		790,980	473,547
Trading income	8	258,990	227,197
Other income	9	858,192	568,500
Employee benefits	11	(2,318,406)	(1,894,275)
Depreciation and amortization	12	(220,150)	(238,518)
Other operating expenses	10	(1,976,970)	(1,166,517)
Share of profit in joint ventures	21	125,431	23,243
Investment property fair valuation gain	29	-	20,000
Profit before income tax		1,609,485	459,993
Income tax (expense)/credit	13	(187,193)	64,692
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Fair value loss on investments in financial instruments measured at fair value through other comprehensive income (FVOCI)	31	916,959	687,796
Deferred income tax	26	(275,088)	(206,339)
Total comprehensive profit for the year		2,064,163	1,006,142
Basic and diluted earnings per share – Shs	14	0.75	0.90

Company statement of profit or loss and other comprehensive income

	Note	2025 Shs'000	2024 Shs'000
Other income	9	149,339	109,961
Employee benefits	11	(111,850)	(94,436)
Depreciation and amortisation	12	(1,651)	(242)
Other operating expenses	10	(56,282)	(89,076)
Loss before income tax		(20,444)	(73,793)
Income tax (expense)/credit	13	(3,347)	18,438
Loss for the year		(23,791)	(55,355)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		(23,791)	(55,355)

Consolidated statement of financial position

Assets	Note	2025 Shs'000	2024 Shs'000
Cash and balances with banks	16	2,282,270	2,578,697
Placements with other banks	17	7,057	1,066,290
Investment in government securities	18	28,267,302	16,970,061
Loans and advances to customers	22	41,107,862	38,861,015
Other assets	23	2,796,798	2,687,452
Inventories	25	182,867	482,338
Property and equipment	19	1,149,052	872,546
Right-of-use asset	35	133,697	147,929
Intangible assets	20	494,017	316,318
Investment property	29	1,905,000	1,905,000
Investment in property fund	24	634,140	548,771
Investment in joint ventures	21	1,828,458	1,668,363
Derivative asset	37	962,539	952,937
Current income tax	13	365,293	372,751
Deferred income tax	26	1,229,814	1,654,454
Total assets		83,346,166	71,084,922
Liabilities			
Deposits from customers	27	55,874,371	47,470,795
Deposits from banks	27	1,022,568	388,106
Other liabilities	28	4,046,695	3,730,923
Derivative liabilities	37	946,776	937,140
Dividends payable	15	246	246
Deferred income tax	26	-	903
Borrowings	30	3,548,987	2,690,960
Government of Kenya income notes	32	52,860	52,860
Lease liabilities	35	179,330	192,819
Total liabilities		65,671,833	55,464,752
Shareholders' equity			
Share capital	31	9,427,440	9,427,440
Share premium	31	2,649,338	2,649,338
Regulatory reserve	31	4,640,537	4,808,520
Revaluation reserves	31	1,312,129	1,312,129
Fair value reserves	31	817,950	176,079
Accumulated losses		(1,173,061)	(2,753,336)
Total equity		17,674,333	15,620,170
Total liabilities and shareholders' equity		83,346,166	71,084,922

The financial statements statements on pages 100 to 222 were approved for issue by the Board of directors 30 March 2026 and signed on its behalf by:

Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH
Chairperson

Robert N. Kibaara
Chief Executive Office

Benson I. Wairegi, EBS
Director

Regina Anyika
Company Secretary

Company statement of financial position

	Note	2025 Shs'000	2024 Shs'000
Assets			
Cash and balances with banks	16	25,042	250,736
Other assets	23	7,820	552
Property and equipment	19	6,267	685
Investment in subsidiaries	21	15,587,594	15,587,594
Current income tax	13	59,463	59,657
Deferred income tax	26	64,468	67,815
Total assets		15,750,654	15,967,039
Liabilities			
Other liabilities	28	397,720	590,314
Dividends payable	15	246	246
Total liabilities		397,966	590,560
Shareholders' equity			
Share capital	31	9,427,440	9,427,440
Share premium	31	2,649,338	2,649,338
Retained earnings		3,275,910	3,299,701
		15,352,688	15,376,479
Total liabilities and shareholders' equity		15,750,654	15,967,039

The financial statements on pages 100 to 222 were approved for issue by the Board of directors on 30 March 2026 and signed on its behalf by:

Prof. Olive M. Mugenda, PhD, EBS, CBS, MGH
Chairperson

Robert N. Kibaara
Chief Executive Office

Benson I. Wairegi, EBS
Director

Regina Anyika
Company Secretary

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Revaluation reserves	Regulatory reserve	Accumulated losses	Fair value reserves	Total
		Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Year ended 31 December 2025								
At start of year		9,427,440	2,649,338	1,312,129	4,808,520	(2,753,336)	176,079	15,620,170
Profit for the year		-	-	-	-	1,422,292	-	1,422,292
Other comprehensive income for the year								
Transfer from statutory credit risk reserve		-	-	-	(167,983)	167,983	-	-
Other equity movements		-	-	-	-	(10,000)	-	(10,000)
At fair value through other comprehensive income	31	-	-	-	-	-	916,959	916,959
Deferred income tax on change in fair value		-	-	-	-	-	(275,088)	(275,088)
At end of year		9,427,440	2,649,338	1,312,129	4,640,537	(1,173,061)	817,950	17,674,333
Year ended 31 December 2024								
At start of year		1,923,071	4,343,512	1,312,129	4,854,473	(3,323,974)	(305,378)	8,803,833
Profit for the year		-	-	-	-	524,685	-	524,685
Other comprehensive income for the year								
Transfer from statutory credit risk reserve		-	-	-	(45,953)	45,953	-	-
At fair value through other comprehensive income	31	-	-	-	-	-	687,796	687,796
Deferred income tax on change in fair value		-	-	-	-	-	(206,339)	(206,339)
Transaction with owners								
Additional shares through rights issue		7,504,369	-	-	-	-	-	7,504,369
Discount shares fully paid through share premium		-	(1,499,995)	-	-	-	-	(1,499,995)
Total transaction cost, recorded directly in equity		-	(194,179)	-	-	-	-	(194,179)
At end of year		9,427,440	2,649,338	1,312,129	4,808,520	(2,753,336)	176,079	15,620,170

Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Year ended 31 December 2025				
At start of year	9,427,440	2,649,338	3,299,701	15,376,479
Profit and total comprehensive income for the year	-	-	(23,791)	(23,791)
At end of year	9,427,440	2,649,338	3,275,910	15,352,688

	Share capital	Share premium	Retained earnings	Total
Year ended 31 December 2024				
At start of year	1,923,071	4,343,512	3,355,056	9,621,639
Profit and total comprehensive in-come for the year	-	-	(55,355)	(55,355)
Transaction with owners				
Additional share capital	7,504,369	-	-	7,504,369
Total transaction cost, recorded di-rectly in equity	-	(1,694,174)	-	(1,694,174)
At end of year	9,427,440	2,649,338	3,299,701	15,376,479

Consolidated statement of cash flows

	Note	2025 Shs'000	2024 Restated Shs'000
Cash used in operations	33	(1,308,979)	(1,979,099)
Income tax paid	13	(31,086)	(37,451)
Net cash flows from operating activities		(1,340,065)	(2,016,550)
INVESTING ACTIVITIES			
Purchase of property and equipment	19	(363,284)	(166,896)
Purchase of intangible assets	20	(246,018)	(115,864)
Proceeds from disposal of repurchased properties		116,050	-
Net cash outflows from investing activities		(493,252)	(282,760)
FINANCING ACTIVITIES			
Additional capital through rights issue	31	-	5,810,195
Receipt of borrowed funds	30	2,052,359	-
Repayments of borrowings	30	(1,489,141)	(1,036,474)
Interest lease payments	35	(19,279)	(23,611)
Principal lease payments	35	(66,282)	(82,934)
Net cash inflows from financing activities		477,657	4,667,176
Net (decrease)/increase in cash and cash equivalents		(1,355,660)	2,367,866
Cash and cash equivalents at start of year		3,644,987	1,277,121
Cash and cash equivalents at end of year	16	2,289,327	3,644,987

Company statement of cash flows

	Note	2025 Shs' 000	2024 Shs' 000
Cash flows (used in) / generated from operations	33	(218,655)	171,805
Income tax credits/(paid)	13	194	(2,171)
Net cash flows (used in)/generated from operating activities		(218,461)	169,634
INVESTING ACTIVITIES			
Purchase of property and equipment	19	(7,233)	(200)
Net cash flows used in from investing activities		(7,233)	(200)
FINANCING ACTIVITIES			
Additional capital through rights issue	31	-	5,810,195
Additional investments in subsidiaries-HFCB Ltd		-	(5,730,000)
Net cash flows generated from financing activities		-	80,195
Net (decrease)/increase in cash and cash equivalents		(225,694)	249,629
Cash and cash equivalents at start of year		250,736	1,107
Cash and cash equivalents at end of year	16	25,042	250,736

Notes

1 General information

HFCB Group Plc is incorporated as a limited company in Kenya under the Kenyan Companies Act, 2015, and is domiciled in Kenya. The address of the Company's registered office is shown on Page 1. The consolidated financial statements comprise of the Company and its subsidiaries (together, the "Group" or "Consolidated" and individually referred to as "Group entities").

The Group is primarily involved in mortgage lending, provision of banking solutions, property development, bancassurance services, and social investment.

2 Material accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

Based on the materiality of HFCB Group Plc (Company), the group has not presented the IFRS 7 disclosures of the HFCB Group Plc (Company) since they have been included as part of the consolidated financial statements of HFCB Group Plc (Consolidated).

Notes (continued)

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

i. New and amended standards adopted by the Group

A few amendments to standards became effective for the first time in the financial year beginning 1 January 2025 and have been adopted by the Group. The amendments have not had an effect on the Group's financial statements. The amendments are as follows:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and do not have a material impact in the current year.

Notes (continued)

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(ii) Standards, amendments and interpretations issued but not yet effective

Title	Effective date	Key requirements
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published December 2024)	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as 'contracts referencing nature-dependent electricity'.

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(ii) Standards, amendments and interpretations issued but not yet effective (continued)

Title	Effective date	Key requirements
Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	Annual periods beginning on or after 1 January 2027, but can be early adopted subject to local endorsement where required. (Published November 2025)	These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if: • its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or • it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy. The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027 (Published May 2024)	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements. IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.

Notes (continued)

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(ii) Standards, amendments and interpretations issued but not yet effective (continued)

Title	Effective date	Key requirements
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Revenue recognition

Net interest income

Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss which are included under trading income and:

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

2 Material accounting policies (continued)

(b) Revenue recognition (continued)

Net interest income (continued)

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

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

Non – interest revenue

i. Net fee and commission revenue

Fee and commission revenue, including transaction fees, account servicing fees, custodial fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

ii. Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, including foreign exchange gains and losses from monetary assets and liabilities.

iii. Other revenue

Other revenue includes rental income, gains and losses from disposal of investment properties and property and equipment and other revenue realised as commissions.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment other than land and buildings are initially recognised at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs directly attributable to bringing the asset to a working condition for its intended use and the present value of the estimated costs of dismantling and removing the items and restoring the site on which they are located. After initial recognition, property and equipment is measured at cost less accumulated depreciation.

2 Material accounting policies (continued)

(c) Property and equipment (continued)

(i) Recognition and measurement (continued)

Land and Buildings held at fair value are subsequently carried at a revalued amount based on valuations, Buildings are then carries at revalued amounts less any accumulated depreciation and impairment losses. Increases in the carrying amount arising on revaluation are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced item is derecognised. The cost of day-to-day servicing of property and equipment is recognised in profit and loss.

(ii) Depreciation

Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount to their residual values over their estimated useful lives as follows:

Computers	20%
Motor vehicles	20%
Office equipment, fixtures and fittings	5% - 20%

Buildings on leasehold land are depreciated over the shorter of 50 years and the remaining period of the lease. Buildings on freehold land are depreciated over fifty years. The assets' residual values, useful lives and methods of depreciation are reassessed at each financial year-end and adjusted prospectively, as a change in an estimate, if appropriate.

(iii) Disposal of property and equipment

Gains and losses on disposal of property and equipment are determined by reference to the carrying amount and are recognised in profit or loss in the period in which they arise.

2 Material accounting policies (continued)

(d) Intangible assets

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

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The intangible assets with finite lives are amortised over the estimated useful life, currently estimated at five (5) to (8) years, on a straight-line basis from the date the software is available for use. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(e) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

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

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

Notes (continued)

2 Material accounting policies (continued)

(e) Leases (continued)

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

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

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

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

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

(i) Group acting as a lessee

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

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

The Group presents right-of-use assets separately while lease liabilities are presented in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

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

2 Material accounting policies (continued)

(e) Leases (continued)

(ii) Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(f) Employee benefits

(i) Employee retirement benefits plan

The Group operates a defined contribution scheme based on a percentage of pensionable earnings whose funds are held in a separate trustee administered and guaranteed scheme managed by an approved insurance company. The pension plan is funded by contributions from the employees and the Group. The Group's contributions are charged to profit or loss in the year to which they relate.

The employees and the Group also contribute to the National Social Security Fund. Contributions are determined by the local statute and the Group's contributions are charged to profit or loss in the period to which they relate.

(ii) Accrued leave

Accrual for annual leave is made as employees earn it and reduced when taken.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

2 Material accounting policies (continued)

(e) Leases (continued)

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(g) Income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Material accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits held at call, unrestricted balances held with the central bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Financial instruments

Initial recognition and measurement

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

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

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

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

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

Financial assets

(i) Classification and subsequent measurement

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

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

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets

(i) Classification and subsequent measurement

Debt instruments

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

(i) the Group and Company's business model for managing the asset; and

(ii) the cash flow characteristics of the asset

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

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance. Interest income from financial assets is included in "interest and similar income" using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net investment income" using the effective interest rate method.
- Fair value through the profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within "Net trading income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Net investment income". Interest income from these financial assets is included in "interest income" using the effective interest rate method

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Business model: The business model reflects how the Group and Company manages the assets in order to generate cash flows. That is, whether the Group and Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group and Company in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated.

For example, the liquidity portfolio of assets is held by the Group and Company as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

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

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

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

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets

(i) Classification and subsequent measurement

The Group and Company subsequently measures all equity investments at fair value through profit or loss, except where the entity's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group and Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group and Company's right to receive payment is established.

Gains and losses on equity investments at FVPL are included in the "Net trading income" line in the statement of profit or loss

(ii) Impairment of financial assets

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate. The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk (SICR) at the reporting date, which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL is set out below. ECL is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stages

Stage 1

A 12-month ECL is calculated for financial assets which are neither credit impaired on origination nor for which there has been a SICR.

Stage 2

A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed an SICR since origination and are not considered low credit risk.

Stage 3 (Credit impaired assets)

A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:

- Default (as defined below)
- Significant financial difficulty of borrower and/or modification

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets

(ii) Impairment of financial assets (continued)

- Probability of bankruptcy or financial reorganisation
- Disappearance of an active market due to financial difficulties

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

Significant increase in credit risk

At each reporting date, the Group and Company assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset.

Low credit risk

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

Default

The Group and Company's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- Significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- A breach of contract, such as default or delinquency in interest and/or principal payments
- Disappearance of active market due to financial difficulties
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- Where the Group and Company, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group and Company would not otherwise consider
- Exposures which are overdue for more than 90 days are also considered to be in default

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets

(ii) Impairment of financial assets (continued)

Forward-looking information

Forward-looking information is incorporated into the Group and Company's impairment methodology calculations and in the Group and Company's assessment of SICR. The Group and Company includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions and factors that are expected to impact portfolios or individual counterparty exposures.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

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

Financial assets measured at amortised cost (including loan commitments)

Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.

Off-balance sheet exposures (excluding loan commitments)

Recognised as a provision within other liabilities.

Financial assets measured at fair value through OCI

Recognised in the fair value reserve within equity. The carrying amount of the financial asset is recognised in the statement of financial position at fair value.

(iii) Modification of loans

The Group and Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and Company assesses whether the new terms are substantially different to the original terms. The Group and Company does this by considering, among others, the following factors:

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

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial assets

(iii) Modification of loans (continued)

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

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

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

(iv) Derecognition other than on a modification

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

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

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from assets without material delays

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

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Financial liabilities

(i) Classification and subsequent measurement

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

In both the current period and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

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

(ii) *Derecognition*

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

The exchange between the Group and Company and its original lenders of debt instruments with substantially different terms, as well as substantial modification of the terms of the existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs

or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange of modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2 Material accounting policies (continued)

(i) Financial instruments (continued)

Offsetting financial assets and financial liabilities

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group and Company (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

(j) Impairment of non-financial assets

Non-financial assets are tested annually for impairment and additionally whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

(k) Dividends

Dividends are recognised as a liability in the period in which they are declared.

2 Material accounting policies (continued)

(l) Deposits from customers

Deposits from customers are recognised and accounted for on receipt basis as liabilities. Interest expense for interest earning deposits is accrued on the deposits on a daily basis.

(m) Comparatives

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

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and direct overheads wherever appropriate on a weighted average basis, incurred in acquiring inventories or to bring them to the existing location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of the realisation and, where appropriate, the cost of conversion from its existing state to a realisable condition. Allowance is made for obsolete, slow moving and defective inventories.

(o) Contingent liabilities

Significant litigations and claims against the Group and Company, letters of credit, acceptances, guarantees and performance bonds are accounted for and disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is recognised in profit or loss.

(p) Fiduciary activities

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

(q) Derivative financial assets and liabilities

The Group and Company enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. The Group and Company may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Group and Company's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

Notes (continued)

2 Material accounting policies (continued)

(q) Derivative financial assets and liabilities (continued)

The Group and Company uses the following derivative instruments:

Currency forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. The Group and Company has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and result in market risk exposure.

(r) Earnings per share

Earnings per share is calculated based on the profit or loss attributable to shareholders divided by the weighted number of ordinary shares. Diluted earnings per share is the same as the basic earnings per share. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the period. During the year, there were no outstanding shares with dilutive potential.

(s) Investment property

Investment property comprises land, buildings and equipment (such as lifts and air-conditioning) that is considered an integral part of the building. Investment properties are held to earn rental income and for capital appreciation.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. The gain or loss on disposal of investment property is recognised in profit or loss. The fair value of investment property is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Gains and losses on disposal of investment properties are determined by reference to the carrying amount and are recognised in profit or loss in the period in which they arise.

(t) Provisions, contingent assets and contingent liabilities

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

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

Notes (continued)

2 Material accounting policies (continued)

(t) Provisions, contingent assets and contingent liabilities (continued)

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. A provision for restructuring is recognised when the Group and Company has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group and Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group and Company recognises any impairment loss on the assets associated with that contract.

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

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

Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote

(u) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred including acquisition cost, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

In the Company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

Notes (continued)

2 Material accounting policies (continued)

(v) Consolidation

i) Subsidiaries

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

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 IFRS 9 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 and other comprehensive income.

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 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.

Notes (continued)

2 Material accounting policies (continued)

(v) Consolidation (continued)

i) Subsidiaries (continued)

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 IFRS 9 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 and other comprehensive income.

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.

(ii) 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.

(iii) 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.

Notes (continued)

2 Material accounting policies (continued)

(w) Operating segments

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Strategy and Investment Committee that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Operating segments defined at HFCB Group Plc are organised in four main reporting segments. The segmentation is based on the Group's management and internal reporting structure.

The following summary describes the operations of each of the Group's reportable segment;

- Retail banking: This segment is mainly responsible for sourcing residential mortgages for individual owner occupiers, micro loans, personal loans and it forms the major proportion of the Group's loan book. The segment is also responsible for the sourcing of deposits from retail customers which are then used to finance the Group's loan products.
- Corporate banking: This segment is responsible for sourcing for deposits from corporate organizations. It is also in charge of projects, providing lending to property developers for construction. This includes construction of residential houses for sale, construction of office blocks, schools, hospitals and other related infrastructure.
- Property Development: This function is undertaken by one of the Group's subsidiaries, HF Development and Investment Limited and its core business is the development of housing projects and the sale of houses thereof.
- Bancassurance: The bancassurance function is based at the HF Insurance Agency Limited and the business is procuring insurance business and earning commissions thereof.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of each.

(x) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. The Group does not have joint operations arrangements.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position. The Group's joint venture arrangements have been disclosed under Note 20.

3 Critical accounting estimates and judgements

Use of estimates and judgements

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

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis and are based on experience and other factors, including expectations with regard to future events.

This note provides an overview of the areas that involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

(a) Measurement of the expected credit loss allowance

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

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are considered which include but not limited to future business prospects for the customer, realizable value of securities, the Group and Company's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.

The Group and Company reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are considered which include but not limited to future business prospects for the customer, realizable value of securities, the Group and Company's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.

The Group and Company reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

Use of estimates and judgements (continued)

Judgements

The following represent critical judgements adopted

- Ascertaining what constitutes significant increase in credit risk
- Criteria used in determination of which exposures should be individually assessed;
- Definition of default and/or credit impaired;

Estimates

The following approach was adopted to determine estimates

- Selecting and calibrating the PD, LGD and EAD models which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions
- Selecting model inputs including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected losses
- Determining balances to write off

The Group and Company has revised it's estimated expected credit losses, in response to uncertainties, elevated credit risks and weakening global market conditions due to the pandemic. The financial impact of the downturn in the economy on the Group and Company's financial instruments was reassessed with changes made to the Probability of Default (PD) rates and Loss Given Default (LGD). Where applicable, the probability weightings assigned to possible loss scenarios were also revised. In determining what was considered to be appropriate levels for these critical inputs. Some judgement was also applied, based on credit experience with the Group and Company's borrowing clients. Under Note 4 we have set out assumptions used in determining ECL and provides an indication of the sensitivity of the different weightings and changes to PD being applied in different scenarios.

4 Financial risk management

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

- credit risk
- liquidity risk
- market risk
- capital management

The directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

4 Financial risk management (continued)

(a) Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Group or if an obligor otherwise fails to perform as agreed.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally, are not updated except when a loan is individually assessed as impaired. Collateral is not held over placements with banks and investment in government securities as these are considered to be low credit risk.

Management of credit risk

The Board of directors has delegated responsibility for the management of credit risk to the Group's management through the Group Chief Executive Officer. Management has delegated this responsibility to head office and branch credit committees. The Group's credit committee, reporting to the Group Chief Executive Officer, is responsible for oversight of the credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees.
- Reviewing and assessing credit risk. The Group Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties and industries for loans and advances.
- Reviewing compliance with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Group's Credit department on the credit quality of different portfolios and appropriate corrective action is taken.

The Board of directors has delegated responsibility for the management of credit risk to the Group's management through the Group Chief Executive Officer. Management has delegated this responsibility to head office and branch credit committees. The Group's credit committee, reporting to the Group Chief Executive Officer, is responsible for oversight of the credit risk, including:

Regular audits of branches and Group's credit processes are undertaken by internal audit.

4 Financial risk management (continued)

(a) Credit risk (continued)

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the table below:

	Note	2025 Shs' 000	2024 Shs' 000
Credit exposures			
On – balance sheet items			
Balances and deposits due from financial institutions*	16	1,803,998	2,966,514
Investment securities	18	28,337,301	16,970,061
Loans and advances to customers	22	41,107,862	38,861,015
Other assets			
Trade receivables	23	1,738,714	1,430,790
Receivable from KMRC	23	50,000	50,000
Impairment for other assets	23	(67,381)	(26,957)
		72,970,494	60,251,423
Off-balance sheet items			
Guarantees	34	4,144,367	607,593
Letters of credit	34	175,932	94,935
Commitments	34	290,835	79,215
		4,611,134	781,743
		77,581,628	61,033,166

*Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 16 as this does not pose a credit risk.

The credit risk on balances and deposits due from financial institutions and investment securities is limited as the counterparties are all recognised financial institutions with high credit rating.

Prepayments and foreclosed assets (Note 23) have been excluded from credit risk exposure balances as they do not bear any credit risk. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest bearing and impairment of Shs 67,381,000 (2024: Shs 26,957,000) has been recognised against them at 31 December 2025.

Letters of credit, acceptances, guarantees and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customers.

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the table below:

	Note	2025 Shs' 000	2024 Shs' 000
Credit exposures			
Cash and cash equivalents	16	25,042	250,736
Other assets	23	7,820	552
		32,862	251,288

Exposure to credit risk (loans and advances)

	2025			
Amortised cost	Stage 1 12-month ECL Shs' 000	Stage 2 Lifetime ECL Shs' 000	Stage 3 Lifetime ECL Shs' 000	Total Shs' 000
Individually and collectively impaired				
Grade 3: Substandard	-	-	917,302	917,302
Grade 4: Doubtful	-	-	9,410,432	9,410,432
Grade 5: Loss	-	-	735,343	735,343
Gross amount	-	-	11,063,077	11,063,077
Provision for impairment losses	-	-	(4,082,888)	(4,082,888)
Carrying amount	-	-	6,980,189	6,980,189
Grade 1: Normal	30,754,817	-	-	30,754,817
Grade 2: Watch	-	3,733,986	-	3,733,986
Gross amount	30,754,817	3,733,986	-	34,488,803
Provision for impairment losses	(138,718)	(222,412)	-	(361,130)
Carrying amount	30,616,098	3,511,574	-	34,127,673
Total carrying amount	30,616,098	3,511,574	6,980,189	41,107,862

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (loans and advances)

	2024			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Amortized cost				
Individually and collectively impaired				
Grade 3: Substandard	-	-	1,571,423	1,571,423
Grade 4: Doubtful	-	-	9,976,276	9,976,276
Grade 5: Loss	-	-	416,776	416,776
Gross amount	-	-	11,964,475	11,964,475
Provision for impairment losses	-	-	(3,695,809)	(3,695,809)
Carrying amount	-	-	8,268,666	8,268,666
Grade 1: Normal	27,612,434	-	-	27,612,434
Grade 2: Watch	-	3,270,559	-	3,270,559
Gross amount	27,612,434	3,270,559	-	30,882,993
Provision for impairment losses	(136,208)	(154,436)	-	(290,644)
Carrying amount	27,476,226	3,116,123	-	30,592,349
Total carrying amount	27,476,226	3,116,123	8,268,666	38,861,015

Doubtful account includes loans and advances whose days past due is over 180 days. Loss account represents those accounts which are considered uncollectible by the Bank.

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk per segment

Gross carrying amounts	2025			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Commercial	4,900,191	941,692	1,185,699	7,027,582
IPF	124,375	3,038	5,924	133,337
Micro	546,396	689	404	547,489
Mortgage	20,940,209	2,430,648	3,100,674	26,471,531
Projects	681,503	94,177	6,070,881	6,846,561
Unsecured	3,575,306	255,638	694,436	4,525,380
Gross amount	30,767,980	3,725,882	11,058,018	45,551,880

Provision for impairment losses	2025			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Commercial	22,458	41,079	320,875	384,412
IPF	815	58	5,918	6,791
Micro	-	-	403	403
Mortgage	26,684	93,109	1,014,625	1,134,418
Projects	248	382	2,053,397	2,054,027
Unsecured	88,515	87,782	687,670	863,967
Gross amount	138,720	222,410	4,082,888	4,444,018

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk per segment

	2024			
Gross carrying amounts	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	Shs' 000	**Shs' 000**	**Shs' 000**	**Shs' 000**
Commercial	3,655,736	569,352	1,351,406	5,576,494
IPF	60,692	1,590	5,405	67,687
Micro	443,312	5,676	0	448,988
Mortgage	19,513,267	2,557,445	3,305,375	25,376,087
Projects	760,024	160,547	6,546,214	7,466,785
Unsecured	3,192,568	165,174	553,686	3,911,428
Gross amount	27,625,599	3,459,784	11,762,086	42,847,468

	2024			
Provision for impairment losses	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	Shs' 000	**Shs' 000**	**Shs' 000**	**Shs' 000**
Commercial	18,663	27,308	312,662	358,633
IPF	509	9	5,390	5,908
Micro	77	-	-	77
Mortgage	28,359	123,168	769,154	920,681
Projects	373	108	2,012,880	2,013,361
Unsecured	88,228	49,503	550,062	687,793
Gross amount	136,209	200,096	3,650,148	3,986,453

4 Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

Grade 1 and grade 2 represent loans and advances that are not impaired. Grade 3, grade 4 and grade 5 refer to loans and advances that have been impaired in line with the Group's credit policy and internal model. These represent the loans and advances that the Group cannot collect according to contractual terms of the loan agreements.

Impaired loans

Impaired loans are loans which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Bank.

Allowances for impairment

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

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

Write-off policy

The Group writes off a loan balance when the credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due default history.

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

Collateral on loans and advances

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, the business holding approved collateral must ensure that they are legally perfected devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice. The principal collateral types held by the Group for loans and advances are Mortgages over residential properties and commercial properties.

The Group has a panel of valuers who undertake valuation of property and other assets to be used as collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. The valuation is performed on origination, periodically in line with the Group policy and in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable, and that the impairment allowance remains appropriate given the current valuation.

The Group has considered all relevant factors, including local market conditions and practices, before any collateral is realized. The collateral held by the Group against loans and advances is as below;

	Group	
	2025	2024
	Shs' 000	Shs' 000
Property	73,175,858	69,760,879
Cash	850,372	2,458,693
	74,026,230	72,219,572

The Group monitors concentration of credit risk by sector. An analysis of concentration of credit risk at the reporting date is shown below:

	Group	
	2025	2024
	Shs' 000	Shs' 000
Concentration by segment (Gross)		
Commercial	7,027,582	5,576,494
IPF	133,337	67,687
Micro	547,489	448,988
Mortgage	26,471,531	25,376,086
Projects	6,846,561	7,466,785
Unsecured	4,525,380	3,911,428
	45,551,880	42,847,468

4 Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

Impairment assessment

The Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

All Stage 3 assets, regardless of the class of financial assets:

- The treasury, trading and interbank relationships (such as due from Banks, cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost/FVOCI)
- Exposures that have been classified as POCI when the original loan was derecognised, and a new loan was recognised as a result of a credit driven debt restructuring

Asset classes where the Group calculates ECL on a collective basis include:

- The smaller and more homogenous balances of the Group's loan portfolio
- Stage 1 and 2 retail mortgages, consumer lending and construction projects
- POCI exposures managed on a collective basis

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. On the basis of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities, other organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

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

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Measurement uncertainty and sensitivity analysis of ECL estimates

The ECL calculation is sensitive to changes in probability of default (PD) and LGD as explained below.

Probability of Default (PD) and Loss Given Default (LGD)

The credit allowance estimate is also sensitive to changes in PD and LGD. Worsening PDs and LGDs by 100bps results in an increase of Shs 1,226,980,000 in provisions (2024 increase: Shs 1,135,361,000)

Sensitivity Analysis: Impact of a 10% Increase in Probability of Default (PD) and Loss Given Default (LGD)

The case below considers a 10% deterioration in Probability of Default (PD) and Loss Given Default (LGD) for each IFRS 9 loan stage; Stage 1, Stage 2, and Stage 3 relative to the current portfolio

PDs are assumed to deteriorate by 10% for each IFRS 9 loan stage; Stage 1, Stage 2, and Stage 3, respectively

2025	**Base Case ECL (KES'000)**	**Stress Case ECL (PDs worse by 10%**	**Stress Case ECL (LGDs worse by 10%**	**Change in ECL allowance**	
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**%**
Stage 1	138,718	10,906	10,906	21,811	16%
Stage 2	222,412	22,173	22,173	44,347	20%
Stage 3	4,082,888	391,163	769,659	1,160,822	28%
	4,444,018	424,242	802,738	1,226,980	

2024	**Base case**	**Stress Case ECL (PDs worse by 10%**	**Stress Case ECL (LGDs worse by 10%**	**Change in ECL allowance**	
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**%**
Stage 1	136,208	10,447	10,447	20,894	15%
Stage 2	154,436	20,010	20,010	40,020	26%
Stage 3	3,695,809	365,015	709,433	1,074,448	29%
	3,986,453	395,471	739,890	1,135,362	

4 Financial risk management (continued)

(a) Credit risk (continued)

The simulations are run on a stand-alone basis and are independent of each other. The potential ECL impacts reflect the simulated impact as at 31 December 2025.

For 2025, the bank's expected credit loss (ECL) allowances were assessed under both a base case and a stress case scenario, which assumed a 10% worsening of probability of default (PD) and loss given default (LGD).

Measurement of ECL

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

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

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

PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities. LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Group estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and purchased or originated credit impaired (POCI) IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

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

4 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the obligor's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2, Stage 3 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that some events are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. For stage 1 loans and advances, a qualitative assessment is performed to determine whether there has been a significant increase in credit.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Contingent liabilities and commitments

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Notes (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of ECL (continued)

The nominal values of such commitments are listed below: -

	2025 Shs'000	2024 Shs'000
Undrawn overdrafts	290,835	79,215
Letters of credit	175,932	94,935
Guarantees	4,144,367	607,593
	4,611,134	781,743
Allowance for impairment losses	(28,271)	(7,749)
	4,582,863	773,994

The loss allowance on outstanding commitments and financial guarantees is carried in other liabilities and therefore no impact on the carrying amounts.

The loss allowance on outstanding commitments and financial guarantees is carried in other liabilities and therefore no impact on the carrying amounts.

Impairment losses for loans and advances

The reconciliation from the opening to the closing balance of the loss allowance for loans and advances has been disclosed under Note 21.

An estimate of the fair values of collateral held against loans and advances to customers is shown below:

	2025 Shs'000	2024 Shs'000
Against impaired accounts	11,136,403	13,015,176
Against accounts not impaired	62,889,827	59,204,396
	74,026,230	72,219,572

Notes (continued)

4 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management of liquidity risk

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposits from banks and borrowings due to mature within the next month.

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

4 Financial risk management (continued)

(b) Liquidity risk

Details of the reported Group ratio of net liquid assets to customers' deposits at the reporting date and during the reporting period were as follows:

Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Board Risk Management Committee.

Exposure to liquidity risk

The key measure used by the Group 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 securities for which there is an active and liquid market less any deposits from financial institutions and commitments maturing within the next 91 days.

	2025	2024
At 31 December	51.76%	41.90%
Average for the year	49.39%	27.71%
Maximum for the year	54.19%	41.90%
Minimum for the year	41.82%	24.30%
Minimum statutory requirement	20.00%	20.00%

Notes (continued)

4 Financial risk management (continued)

(b) Liquidity risk

Contractual maturity analysis of financial assets and liabilities

The table below analyses the liquidity position of the Group's financial assets and liabilities:

Year ended 31 December 2025	**Less than 3 months**	**3 - 6 months**	**6 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets						
Cash balances and deposits in financial institutions	2,282,270	-	7,057	-	-	2,289,327
Government securities	1,677,605	1,807,529	2,634,545	14,816,283	40,122,591	61,058,553
Loans and advances to customers	4,106,024	2,213,034	4,169,319	31,815,424	42,395,456	84,699,257
Other assets	2,085,314	-	-	-	-	2,085,314
Total financial assets	10,151,213	4,020,563	6,810,921	46,631,707	82,518,047	150,132,451
Financial liabilities						
Deposits from banks	1,023,899	-	-	-	-	1,023,899
Deposits from customers	43,278,568	8,409,947	4,649,268	482,969	317,545	57,138,297
Other liabilities	4,046,695	-	-	-	-	4,046,695
Borrowings	76,222	517,622	501,901	1,499,305	1,795,796	4,390,846
Lease liabilities	18,043	26,312	17,201	115,001	6,066	182,623
Total financial liabilities	48,443,427	8,953,881	5,168,370	2,097,275	2,119,407	5,168,370
Net liquidity gap	(38,292,214)	(4,933,318)	1,642,551	44,534,432	80,398,640	83,350,091

Notes (continued)

4 Financial risk management (continued)

(b) Liquidity risk

Contractual maturity analysis of financial assets and liabilities

The table below analyses the liquidity position of the Group's financial assets and liabilities:

Year ended 31 December 2024	Less than 3 months Shs'000	3 - 6 months Shs'000	6 months - 1 year Shs'000	1 - 5 years Shs'000	More than 5 years Shs'000	Total Shs'000
Financial assets						
Cash balances and deposits in financial institutions	3,482,293	181,877				2,578,697
Government securities	1,914,276	1,333,108	2,184,690	9,734,906	16,728,066	31,895,046
Loans and advances to customers	2,974,012	1,794,922	3,626,771	30,544,229	40,560,333	79,500,267
Other assets	1,820,847	-	-	-	-	1,820,847
Total financial assets	10,191,428	3,309,907	5,811,461	40,279,135	57,288,399	116,880,330
Financial liabilities						
Deposits from banks	388,105	-	-	-	-	388,105
Deposits from customers	37,810,717	5,982,018	3,576,856	1,237,937	809,008	49,416,536
Other liabilities	3,730,923	-	-	-	-	3,730,923
Borrowings	51,054	346,706	174,662	1,004,243	1,364,348	2,941,013
Lease liabilities	17,006	33,749	23,567	164,918	18,772	258,012
Total financial liabilities	41,997,805	6,362,473	3,775,085	2,407,098	2,192,128	56,734,589
Net liquidity gap	(31,806,377)	(3,052,566)	2,036,376	37,872,037	55,096,271	60,145,741

4 Financial risk management (continued)

(b) Liquidity risk

Year ended 31 December 2025	Less than 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Off balance sheet exposures						
Letters of credit	99,654	35,299	40,980	-	-	175,933
Guarantees	558,813	1,146,338	1,774,941	664,275	-	4,144,367
Forward derivatives		336,825	672,650	-	-	1,009,475
Unrecognised loan commitments	131,407	65,479	93,949	-	-	290,835
Total commitments and guarantees	789,874	1,583,941	2,582,520	664,275	-	5,620,610
Year ended 31 December 2024						
Off balance sheet exposures						
Letters of credit	34,029	60,906	-	-	-	94,935
Guarantees	270,506	119,736	171,880	45,471	-	607,593
Forward derivatives	511,346	202,825	275,100	-	-	989,271
Unrecognised loan commitments	42,266	4,133	32,816	-	-	79,215
Total commitments and guarantees	858,147	387,600	479,796	45,471	-	1,771,014

Notes (continued)

4 Financial risk management (continued)

(b) Liquidity risk

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 December.

Year ended 31 December 2025	**Up to 3 months**	**3-12 months**	**1 – 2 years**	**Total**
	Shs	**Shs**	**Shs**	**Shs**
Financial assets				
Cash and bank balances	25,042	-	-	25,042
Trade and other receivables	-	7,820	-	7,820
	25,042	7,820	-	32,682
Financial liabilities				
Trade and other payables	-	397,721	-	397,721
	-	397,721	-	397,721
Liquidity gap 31 December 2025	25,042	(389,901)	-	(364,859)

Year ended 31 December 2024	**Up to 3 months**	**3-12 months**	**1 – 2 years**	**Total**
	Shs	**Shs**	**Shs**	**Shs**
Financial assets				
Cash and bank balances	250,736	-	-	250,736
Trade and other receivables	-	552	-	552
	250,736	552	-	251,288
Financial liabilities				
Trade and other payables	-	590,314	-	590,314
	-	590,314	-	590,314
Liquidity gap 31 December 2024	250,736	(589,762)	0	(339,026)

4 Financial risk management (continued)

(b) Liquidity risk

Liquidity reserves

The following table sets out the components of the Group's liquidity reserves.

Liquidity reserves	2025 Shs'000	2024 Shs'000
Cash at hand	485,329	678,473
Balances with commercial banks	127,648	478,339
Balances with Central Bank of Kenya:	1,669,293	1,421,885
Placements with other banks	7,057	1,066,290
Government securities	28,267,302	16,970,061
Total liquidity reserves	30,556,629	20,615,048

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Management of market risks

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Group's Treasury is responsible for the development of detailed market risk management policies and for day-to-day implementation of those policies.

Furthermore, it includes the protection and enhancement of the statement of financial position and statement of profit or loss and other comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

All foreign exchange risk within the Group is managed by the Treasury department. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

Overall authority for market risk management is vested in the Board Risk Management Committee. The Finance and Treasury departments in collaboration with the Risk Management department are responsible for the development of detailed market risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation.

Notes (continued)

4 Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign exchange risk

Foreign exchange risk arises from recognised assets and liabilities. The Group's exposure to foreign currency risk arose from assets denominated in US Dollars, EUR and GBP was as follows:

31 December 2025	US$ Shs' 000	GBP Shs' 000	Euro Shs' 000	Total Shs' 000
Assets				
Cash and cash equivalents	376,894	38,252	82,603	497,749
Loans and advances to customers	1,362,207	31,207	2	1,393,416
Investment in government securities	2,569,813	-	-	2,569,813
Other assets	296,142	249	558	296,949
Total assets	4,605,056	69,708	83,163	4,757,927
Liabilities				
Customer deposits	3,063,663	10,903	19,331	3,093,897
Borrowed funds	361,805	-	-	361,805
Other liabilities	292,013	1,389	5,831	299,233
Total liabilities	3,717,480	12,292	25,162	3,754,935
Net financial position	887,576	57,416	58,000	1,002,992
31 December 2024				
Assets				
Cash and cash equivalents	(44,847)	40,062	98,102	93,317
Loans and advances to customers	1,428,412	30,805	1	1,459,218
Investment in government securities	1,945,701	-	-	1,945,701
Other assets	30,749	139	434	31,322
Total assets	3,360,015	71,006	98,537	3,529,558
Liabilities				
Customer deposits	2,131,124	13,612	5,793	2,150,529
Borrowed funds	892,287	-	-	892,287
Other liabilities	393,552	56,697	91,687	541,936
Total liabilities	3,416,963	70,309	97,480	3,584,752
Net financial position	(56,948)	697	1,057	(55,194)

Notes (continued)

4 Financial risk management (continued)

(c) Market risk (continued)

The following significant exchange rates applied during the period:

	Average rates	Closing rates	Average rates	Closing rates
	2025	2025	2024	2024
USD	129.30	129.01	134.70	129.25
EUR	146.06	151.43	145.83	134.68
GBP	170.41	173.65	172.18	162.45

Sensitivity analysis on exchange rates

The analysis below calculates the effect of a reasonably possible movement of the foreign currency rates against the Kenya Shilling (all other variables being constant) on the Bank's profit or loss and equity. A 10% strengthening or weakening of the currencies below will result into an increase/decrease in the Bank's profit or loss and equity as shown below:

	2025			2024		
	Change in currency	Effect on profit before income tax	Effect on equity	Change in currency	Effect on profit before income tax	Effect on equity
		Shs' 000	Shs' 000		Shs' 000	Shs' 000
USD	10%	1,215	850	10%	(5,694)	(3,986)
GBP	10%	9,841	6,888	10%	70	49
EURO	10%	(8,433)	(5,903)	10%	106	74

The Company does not have foreign currency denominated balances; as such it is not exposed for foreign currency exchange risk.

(ii) Sensitivity analysis to interest rate risk

The following table sets out the components of the Group's financial instruments subject to interest rate risk:

		2025	2024
Assets	**Interest rate**	**Shs'000**	**Shs'000**
Loans and advances	11.0%	41,107,862	38,861,015
Government securities	12.1%	28,267,302	16,970,061
Placements with banks	7.5%	7,057	1,066,290
Total liquidity reserves		69,382,221	56,897,366
Liabilities			
Deposits	4.9%	55,874,371	47,470,795
Deposits from local Banks	7.5%	1,022,568	388,106
Borrowings and income notes	9.3%	3,601,847	2,743,820
Lease liabilities	12.2%	179,330	192,819
Total liquidity reserves		60,678,116	50,795,540
Interest rate sensitivity gap		8,704,105	6,101,826

4 Financial risk management (continued)

(c) Market risk (continued)

A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

Interest rate risk table

31 December 2025	Carrying amount Shs'000	Non-interest bearing Shs'000	Less than 3 months Shs'000	3-6 months Shs'000	6-12 months Shs'000	1-5 years Shs'000	More than 5 years Shs'000
Assets							
Cash balances and deposits in financial institutions	2,289,327	2,282,270	-	-	7,057	-	-
Loans and advances	41,107,862	-	3,564,047	2,109,699	3,765,792	22,606,418	9,061,906
Investment in government securities	28,267,302	-	733,257	1,160,218	1,067,956	3,690,662	21,615,209
Other assets	2,085,314	2,085,314					
Total financial assets	73,749,805	4,367,584	4,297,304	3,269,917	4,840,805	26,297,080	30,677,115
Liabilities							
Deposits from customers	55,874,371	25,338,913	17,430,875	8,145,329	4,367,283	419,129	172,842
Deposits from banks	1,022,568	-	1,022,568	-	-	-	-
Borrowings	3,601,847	-	75,881	506,951	256,495	1,165,779	1,596,741
Lease liabilities	179,330	-	18,251	25,752	16,835	112,555	5,937
Other liabilities	4,046,695	4,046,695					
Total financial liabilities	64,724,811	29,385,608	18,547,575	8,678,032	4,640,613	1,697,463	1,775,520
Interest rate sensitivity gap	9,024,994	(25,018,024)	(14,250,271)	(5,408,115)	200,192	24,599,617	28,901,595

4 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk table (continued)

31 December 2024	Carrying amount Shs'000	Non-interest bearing Shs'000	Less than 3 months Shs'000	3-6 months Shs'000	6-12 months Shs'000	1-5 years Shs'000	More than 5 years Shs'000
Assets							
Cash balances and deposits in financial institutions	3,644,987	2,578,697	900,000	166,290	-	-	-
Loans and advances to customers	38,861,015	-	2,564,500	1,924,786	2,505,753	23,069,377	8,796,599
Investment in government securities	16,970,061	-	1,290,000	1,060,000	1,323,000	3,804,600	9,492,461
Other assets	1,820,847	1,820,847	-	-	-	-	-
Total financial assets	61,296,910	4,399,544	4,754,500	3,151,076	3,828,753	26,873,977	18,289,060
Liabilities							
Deposits from customers	47,470,795	21,327,803	15,766,537	5,697,196	3,291,337	973,098	414,824
Deposits from banks	388,105	-	388,105	-	-	-	-
Borrowings	2,743,820	-	46,713	317,228	159,812	918,859	1,301,208
Lease liabilities	192,819		20,231	27,592	18,038	120,597	6,361
Other liabilities	3,730,923	3,730,923	-	-	-	-	-
Total financial liabilities	54,526,462	25,058,726	16,221,586	6,042,016	3,469,187	2,012,554	1,722,393
Interest rate sensitivity gap	6,770,448	(20,659,182)	(11,467,086)	(2,890,940)	359,566	24,861,423	16,566,667

4 Financial risk management (continued)

(c) Market risk (continued)

At 31 December 2025, if interest rates at that date had been 50 basis points higher for assets and 100 basis points higher for liabilities with all other variables held constant, pre-tax profit for the year would have been Shs 138,687,043 (2024: Shs 330,156,000) lower arising mainly as a result of lower interest income and other components of equity

Interest Rate Risk Sensitivity Analysis (Effective Duration)

The Bank assesses interest rate risk using an effective duration approach based on full portfolio revaluation under a +100 basis points parallel shift in interest rates

Year	Market Value	Current MTM	Stressed MTM (+100bps)	MTM Shock Loss	Effective Duration after Stress Test (Years)
	Shs'000	Shs'000	Shs'000	Shs'000	
2024	13,640,839	226,547	(261,168)	(487,715)	3.6
2025	24,490,703	1,143,507	(354,237)	(1,497,744)	6.0

The Bank assessed interest rate risk by applying a +100 basis points (1%) increase in market interest rates and measuring the resulting change in portfolio value.

As at 31st December 2025, the portfolio recorded a valuation decline of Kes 1,497,744,000, implying an effective duration of 6.0 years, compared to a valuation decline of Kes 487,714,810 and an effective duration of 3.6 years as at 31st December 2024.

The increase in interest rate risk is driven by portfolio growth, with market value rising from Kes 13,640,838,738 in December 2024 to Kes 24,490,703,102 in December 2025, and a higher allocation to longer-term instruments such as FXD and IFB.

These valuation changes are recorded in Other Comprehensive Income (OCI) and therefore do not impact reported profits. The portfolio remains within the Bank's risk appetite and modified duration limit of 6 years, while the stress test provides valuable insight for risk management and monitoring under adverse market conditions.

(d) Operational risk

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The responsibility is supported by the development of overall Group standards for the management of operational risks. Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit committee and senior management of the Group.

4 Financial risk management (continued)

(d) Operational risk (continued)

Risk measurement and control

Interest rate, credit, liquidity, operational risk and other risks are actively managed by the Group's independent risk control to ensure compliance with the Group's risk limits. The Group's risk limits are assessed regularly to ensure their appropriateness given the Group's objectives and strategies and current market conditions.

(e) Capital management

The responsibility of capital management lies with the assets and liabilities management committee which ensures that all strategies conform to the Group's risk appetite and levels of exposure. The committee is also responsible for recommending to the Board of directors, prudent capital management policies and procedures that will enable the Group to achieve its objectives and goals while operating in full compliance with all capital requirements.

The Central Bank of Kenya sets and monitors capital requirements for banks and other non-bank financial institutions. In implementing the current capital requirements Central Bank of Kenya requires the Group to maintain a prescribed ratio of total risk weighted assets. This requirement is calculated for market risk in the banking portfolio of HFCB Limited.

The regulatory capital is analysed in two tiers:

- Tier 1 capital includes ordinary share capital, share premium, perpetual bonds, retained earnings, translation reserve and non-controlling interest after deduction of goodwill and 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 includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserves relating to unrealized gains on equity instruments classified as available for sale.

The Group's policy is to maintain 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 Group recognizes 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.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year except for core and total capital ratio

Notes (continued)

4 Financial risk management (continued)

(e) Capital management (continued)

The regulatory capital position for HFCB Limited, the Group's banking subsidiary, as at 31 December 2025 was as follows:

Tier 1 capital	**2025**	**2024**
	Shs'000	**Shs'000**
Ordinary share capital	10,820,000	10,820,000
Share premium	3,513,662	3,513,662
Accumulated losses	(3,935,840)	(5,115,436)
Deferred income tax asset	(248,835)	(550,957)
Total tier 1 capital	10,148,987	8,667,269
Tier 2 capital		
Revaluation reserve (25%)	105,000	105,000
Subordinated debt	467,417	667,417
Regulatory reserves	581,110	506,338
Total tier 2 capital	1,153,527	1,278,755
Total regulatory capital	11,302,514	9,946,024
Risk weighted assets	46,488,796	40,507,073

Capital ratios	**2025**	**2024**
Total regulatory capital expressed as a percentage of total risk-weighted assets	24.31%	24.6%
CBK minimum requirement	14.50%	14.50%
Total tier 1 capital expressed as a percentage of risk-weighted assets	21.83%	21.4%
CBK minimum requirement	10.50%	10.50%

Central Bank of Kenya required the Group to maintain a minimum core capital of Shs 3 billion as at 31 December 2025. The Group is compliant with this requirement. The Central Bank of Kenya has further communicated a revised minimum core capital requirement of Shs 10 billion to be met by 2029. As at 31 December 2025, the Bank's core capital already exceeds this forthcoming regulatory threshold.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may limit the amount of dividends paid to shareholders.

4 Financial risk management (continued)

(f) Fair value measurement

The fair value of financial instruments is included at 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, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of cash and cash equivalents, loans and advances, customer deposits and borrowed funds are evaluated by the Group based on parameters such as interest rates, specific country factors and individual creditworthiness of the customer. The valuation is performed on a discounted cash flow basis. Based on this evaluation, allowances are taken to account for the expected losses of the receivables.

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowings and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair values of remaining FVOCI financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2025 (2024: Nil).

The table below sets out the Bank's classification of each class of financial assets and liabilities, their amortised cost and fair values including accrued interest:

31 December 2025	FVTPL	FVOCI	At amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets				
Cash and cash equivalents	-	-	2,282,270	2,282,270
Placements with banks	-	-	7,057	7,057
Investment in Government securities	-	24,589,574	3,677,728	28,267,302
Loan and advances to customers	-	-	41,107,862	41,107,862
Derivatives	962,539	-	-	962,539
Other assets	-	-	2,085,314	2,085,314
	962,539	24,589,574	49,160,231	74,712,344
Financial liabilities				
Deposits from Banks	-	-	1,022,568	1,022,568
Customer deposits	-	-	55,874,371	55,874,371
Government of Kenya income notes	-	-	52,860	52,860
Borrowings		-	3,548,987	3,548,987
Derivative liabilities	946,776	-	-	946,776
Other liabilities			4,046,695	4,046,695
	946,776	-	64,545,481	65,492,257

4 Financial risk management (continued)

(f) Fair value measurement

31 December 2024	FVTPL	FVOCI	At amortised cost	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets				
Cash and cash equivalents	-	-	2,578,697	2,578,697
Placements with banks	-	-	1,066,290	1,066,290
Investment in government securities	-	13,741,761	3,228,300	16,970,061
Loan and advances to customers	-	-	38,861,015	38,861,015
Derivatives	952,937	-	-	952,937
Other assets	-	-	1,820,847	1,820,847
	952,937	13,741,761	47,555,149	62,249,847
Financial liabilities				
Deposits from Banks	-	-	388,106	388,106
Customer deposits	-	-	47,470,795	47,470,795
Government of Kenya income notes	-	-	52,860	52,860
Borrowings	-	-	2,690,960	2,690,960
Derivative liabilities	937,140	-	-	937,140
Other liabilities	-	-	3,730,923	3,730,923
	937,140	-	54,333,644	55,270,784

Loans and advances to customers are net of provisions for impairment. A substantial proportion of loans and advances is subject to price adjustments and hence the fair value approximates their carrying amounts.

Valuation hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates.	Valuation models using significant unobservable market data
Types of financial assets:	Actively traded government and other securities.	Corporate and other government bonds and loans	Corporate bonds in illiquid markets
Types of financial liabilities:	Actively traded corporate bonds in liquid markets.	Leases whose valuation model references directly or indirectly market observable inputs.	Actively traded corporate bonds in illiquid markets.

4 Financial risk management (continued)

(f) Fair value measurement

Valuation hierarchy (continued)

The table below shows the classification of assets held at fair value by the level in the fair value hierarchy as at 31 December 2025:

31 December 2025	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Financial assets				
Investment in government securities	-	24,589,574	-	24,589,574
Derivative assets	-	962,539	-	962,539
Non-financial assets				
Investment properties	-	-	1,905,000	1,905,000
	-	25,552,113	1,905,000	27,457,113
Financial liabilities				
Derivative liabilities	-	946,776	-	946,776
	-	946,776	-	946,776

31 December 2024	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Financial assets				
Investment in government securities	-	13,741,761	-	13,741,761
Derivative assets	-	952,937	-	952,937
Non-financial assets				
Investment properties	-	-	1,905,000	1,905,000
	-	14,694,698	1,905,000	16,599,698
Financial liabilities				
Derivative liabilities	-	937,140	-	937,140
	-	937,140	-	937,140

Notes (continued)

4 Financial risk management (continued)

(f) Fair value measurement

Valuation hierarchy (continued)

The income approach is used in valuing investment property. The market value of such property is mainly based on the property's anticipated income (rent) from the perspective of a prudent investor. The rate is obtained by analysing actual and prudent property sales and rental incomes. This has also been closely compared with the recent trends in the market where such rental spaces are sold as small office suites.

5 Operating segments

The Group offers its services through various business segments, each business unit (entity) is reviewed separately for decision making.

- The HFCB Bancassurance Intermediary – offers insurance solutions to both HFCB customer base and currently reaching out to the general public and partnering with underwriters on different bancassurance solutions including general and life insurance.
- HFCB Properties Limited – was previously a property development company. The current entity strategy is providing wealth management solutions, affordable housing partnership and property advisory and sales services.
- Retail Banking - This segment encompasses branch-based solutions tailored for individual customers and small businesses.
- Corporate Banking - This comprises of treasury, custodial and financial institutions solutions, serving the financial needs of larger corporate clients, institutions, and government entities.

Notes (continued)

5 Operating segments (continued)

Statement of financial position

For the year ended 31 December 2025

	Banking	Property Development	Bancassurance	Others	Elimination	Totals
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Interest income	7,813,256	-	9,885	897	(172,940)	7,651,098
Interest expense	(3,162,051)	(162,159)	(128)	-	172,940	(3,151,397)
Net interest income	4,651,205	(162,159)	9,757	897		4,499,701
Allowance for expected credit losses	(408,283)	-	-	-	-	(408,283)
Net fees and commission income	322,545	468,435	-	-	-	790,980
Other income	349,162	742,737	164,775	149,339	(163,399)	1,242,614
Operating expenses	(3,706,555)	(708,751)	(92,994)	(170,626)	163,399	(4,515,527)
Profit before tax	1,208,074	340,262	81,538	(20,390)	-	1,609,485

Notes (continued)

5 Operating segments (continued)

Statement of financial position

For the year ended 31 December 2024

	Banking	Property Development	Bancassurance	Others	Elimination	Totals
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Interest income	6,608,694		6,211	909	(60,465)	6,555,349
Interest expense	(3,750,982)	(53,347)	(209)		60,465	(3,744,073)
Net interest income	2,857,712	(53,347)	6,002	909		2,811,276
Allowance for expected credit losses	(364,460)	-	-	-	-	(364,460)
Net fees and commission income	196,775	-	-	-	-	196,775
Other income	331,670	666,884	123,321	109,961	(117,537)	1,114,299
Operating expenses	(2,807,301)	(360,147)	(64,046)	(183,940)	117,537	(3,297,897)
Profit before tax	214,396	253,390	65,277	(73,070)	-	459,993

Notes (continued)

5 Operating segments (continued)

Statement of profit or loss

For the year ended 31 December 2025

31-Dec-25	Banking	Property Development	Bancassurance	Others	Elimination	Totals
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and cash equivalents	2,289,327	155,896	93,440	25,770	(275,106)	2,289,327
Loans and advances	41,901,454	-	-	-	(793,592)	41,107,862
Other assets	36,254,275	4,455,169	170,624	15,737,175	(16,668,266)	39,948,977
Total Assets	80,445,056	4,611,065	264,064	15,762,945	(17,736,964)	83,346,166
Customer deposits	57,172,045	-	-	-	(275,106)	56,896,939
Borrowed funds	3,601,847	871,881	-	-	(871,881)	3,601,847
Other liabilities	3,223,195	2,455,668	94,315	402,254	(1,002,385)	5,173,047
Shareholder's funds	16,447,969	1,283,516	169,748	15,360,692	(15,587,592)	17,674,333
Total liabilities and shareholder's funds	80,445,056	4,611,065	264,063	15,762,946	(17,736,964)	83,346,166

Notes (continued)

5 Operating segments (continued)

Statement of profit or loss

For the year ended 31 December 2024

31-Dec-24	Banking	Property Development	Bancassurance	Others	Elimination	Totals
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and cash equivalents	3,644,987	155,896	93,440	25,770	(412,490)	3,507,603
Loans and advances	39,797,555	-	-	-	(936,540)	38,861,015
Other assets	25,055,325	4,074,499	102,354	15,952,913	(16,469,246)	28,715,845
Total Assets	68,497,867	4,230,395	195,793	15,978,683	(17,817,817)	71,084,922
Customer deposits	48,271,391	-	-	-	(412,490)	47,858,901
Borrowed funds	2,743,820	946,130	-	-	(946,130)	2,743,820
Other liabilities	2,688,172	2,378,578	72,895	593,986	(871,600)	4,862,031
Shareholder's funds	14,794,484	905,688	122,898	15,384,697	(15,587,597)	15,620,170
Total liabilities and shareholder's funds	68,497,867	4,230,396	195,793	15,978,683	(17,817,817)	71,084,922

6 Interest income and expense

(a) Interest income

	Group		Company	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Loans and advances	4,766,065	4,914,481	-	-
Deposit with banks	58,361	57,776	-	-
Financial assets at amortised cost/FVOCI	2,826,672	1,583,091	-	-
	7,651,098	6,555,348	-	-

(b) Interest expense

	Group 2025 Shs'000	Group 2024 Shs'000	Company 2025 Shs'000	Company 2024 Shs'000
Deposits from customers	2,761,114	2,937,070	-	-
Deposits from banks	59,524	91,384	-	-
Repurchase agreement with CBK	-	356,259	-	-
Borrowings	311,480	335,748	-	-
Lease liabilities	19,279	23,611	-	-
	3,151,397	3,744,072	-	-

7 (a) Fee and commission income

Fees and commissions charged for services provided or received by the Group and Company are recognised as the service is performed.

	Group		Company	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Service fees and commission / transactional banking**	238,846	184,505	-	-
Custodial services	144,858	81,046	-	-
Other commissions*	468,435	276,772	-	-
	852,139	542,323	-	-

* Other commissions majorly consist of commission on house and plot sales from HFCB Properties.

** The service fees largely relate to fees earned from transactions with customers and commissions charged on facilitation of remittances.

Notes (continued)

7 (b) Fee and commission expense

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Fees and commission expense	61,159	68,776	-	-
	61,159	68,776	-	-

8 Net trading income

Foreign currency exchange gains	243,227	211,400	-	-
Fair value gain on derivatives (Note 37)	15,763	15,797	-	-
	258,990	227,197	-	-

9 Other income

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Rental income	94,541	86,893	-	-
Sales income	347,866	58,518	-	-
Other income *	333,368	349,979	149,339	109,961
Insurance commission	82,417	73,110	-	-
	858,192	568,500	149,339	109,961

* Other income includes project management fees and commissions, Bancassurance profit share as well as gains on disposal of property plant and equipment.

10 Other operating expenses

	Group		Company	
	2025	2024	2025-	2024-
	Shs'000	Shs'000	Shs'000	Shs'000
Deposit protection fund	90,786	86,985	-	-
Cost of sales Theta plots	299,351	43,482	-	-
Marketing expenses	289,257	148,072	14,126	61,571
Information technology expenses	351,846	355,311	-	-
Legal expenses	98,447	38,754	-	-
Office expenses	113,016	130,862	4,485	5,316
Auditor remuneration	23,225	23,715	1,669	2,029
General administration expenses	711,042	339,336	36,002	20,160
	1,976,970	1,166,517	56,282	89,076

11 Employee benefits

The following items are included in salaries and employee benefits:

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and other staff costs	2,084,084	1,681,109	60,119	50,262
Remuneration to executive directors	84,036	95,627	51,632	42,918
NSSF contributions	29,033	13,889	99	49
Contributions to the defined contribution retirement scheme	95,124	85,106	-	507
Contributions to housing levy	26,129	18,544	-	700
	2,318,406	1,894,275	111,850	94,436
Average number of employees	817	634	2	2

Notes (continued)

12 Depreciation and amortisation

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation of property and equipment (Note 19)	84,806	84,211	1,651	242
Amortisation of intangible assets (Note 20)	68,319	77,443	-	-
Amortisation of right-of-use asset (Note 35)	67,025	76,864	-	-
	220,150	238,518	1,651	242

13 Income tax

(a) Income tax credit

The tax on the Group's and Company's loss before income tax differs from the theoretical amount using the basic tax rate as follows:

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Profit /(loss) before income tax	1,609,485	459,993	(20,444)	(73,793)
Tax at the applicable tax rate of 30% (2024: 30%)	482,846	137,998	-	-
Tax effect of non-chargeable income	(418,245)	(246,325)	(3,347)	(18,438)
Tax effect of non-deductible costs	122,592	43,635	-	-
Income tax expense/ (credit)	187,193	(64,692)	3,347	(18,438)
Current income tax at 30% (2024: 30%)	38,544	31,955	-	-
Deferred tax movement (Note 26)	149,766	(96,647)	4,464	(18,438)
Prior year deferred tax over provision (Note 26)	(1,117)	-	(1,117)	-
	187,193	(64,692)	3,347	(18,438)

(b) Current income tax recoverable

At start of year	372,751	367,255	59,657	57,486
Charge for the year	(38,544)	(31,955)	-	-
Paid during the year	31,086	37,451	(194)	2,171
At end of year	365,293	372,751	59,463	59,657

Notes (continued)

14 Earnings per share

Basic earnings per share is calculated based on the loss attributable to shareholders divided by the number of ordinary shares in issue in each year as follows:

	2025 Shs'000	2024 Shs'000
Net profit for the year attributable to shareholders	1,422,292	524,685
Number of ordinary shares in issue (000's)	1,885,488	1,885,488
Weighted average number of ordinary shares (000's)	1,885,488	582,429
Basic earnings per share	0.75	0.90
Diluted earnings per share	0.75	0.90

15 Dividends

(a) Proposed dividends

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. No dividend in respect of the year ended 31 December 2025 (2024: Nil) has been proposed.

(b) Reconciliation of dividends payable – Group and Company:

	2025 Shs'000	2024 Shs'000
At start of year	246	246
Dividends paid during the year	-	-
At end of year	246	246

16 (a) Cash and balances with banks

	Group		Company	
	2025 Shs'000	2024 Shs'000	2025 Shs'000	2024 Shs'000
Cash at hand	485,329	678,473	-	-
Balances with commercial banks	127,757	478,454	25,059	250,753
Placements with other banks (Note 17)	7,057	1,066,290	-	-
Balances with Central Bank of Kenya:				
Cash reserve with Central Bank of Kenya (CRR)	1,669,293	1,421,885	-	-
	2,289,436	3,645,102	25,059	250,753

Notes (continued)

16 (a) Cash and balances with banks (continued)

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
12-month ECL:				
At start of year	115	80	17	-
Re-measurement during the year	(6)	35	-	17
Allowance for impairment losses	109	115	17	17
	2,289,327	3,644,987	25,042	250,736
Cash and balances with banks	2,282,270	2,578,697	25,042	250,736
Placement with other banks	7,057	1,066,290	-	-
	2,289,327	3,644,987	25,042	250,736

The group cash and cash equivalents subject to credit risk is broken down as follows:

Balances and deposits due from financial institutions*		
Balances with Central Bank of Kenya	1,669,293	1,421,885
Placement with other banks	7,057	1,066,290
Other balances with banks	127,648	478,339
	1,803,998	2,966,514

The Cash Reserve Ratio (CRR) is non-interest earning and is based on the value of deposits as adjusted for the Central Bank of Kenya requirements. At 31 December 2025, the Cash Reserve Ratio was 3.25% (2024: 3.25%) of all deposits.

16 (b) Restatement of presentation of cashflow on cash and cash equivalents

In prior periods, the Group excluded Cash Reserve Ratio (CRR) balances held with the Central Bank of Kenya from cash and cash equivalents in the statement of cash flows. During the current period, the Group reassessed this presentation in light of the requirements of IAS 7, as well as recent industry guidance issued by ICPAK to enhance consistency in practice within the banking sector.

Following this reassessment, the Group concluded that CRR balances meet the definition of cash, as they are demand deposits accessible on demand, with restrictions relating to their use rather than their accessibility. Accordingly, the comparative statement of cash flows has been restated to reflect this refined presentation.

Notes (continued)

16 (b) Restatement of presentation of cashflow on cash and cash equivalents (continued)

	2024 Shs'000	Restatement Shs' millions	2024 Restated Shs'000
Movement in restricted cash	53,455	1,421,885	1,475,340
Net cash from operating activities	(3,256,873)	1,421,885	(1,834,988)
Net cash from investing activities	(451,324)	-	(451,324)
Net cash from financing activities	4,654,178	-	4,654,178
Net increase in cash and cash equivalents	945,981	1,421,885	2,367,866
Cash and cash equivalents at the end of the year	2,223,102	1,421,885	3,644,987

17 Placements with other banks

	Group	
	2025 Shs'000	2024 Shs'000
Placements with other banks	7,144	1,066,655
Less: Allowance for impairment losses	(87)	(365)
	7,057	1,066,290

The weighted average effective interest rate on placements with other banks was 9.26% (2024: 13.52%).

18 Investment in government securities

	Group	
	2025 Shs'000	2024 Shs'000
Held at amortised cost		
Treasury bills and bonds	3,677,728	3,228,300
FVOCI		
Treasury bonds	24,589,574	13,741,761
	28,267,302	16,970,061

The weighted average effective interest rate on government securities at 31 December was 12.80% (2024: 113.23%).

Notes (continued)

18 Investment in government securities (continued)

The table below shows the movement in the investments in the year:

Held at amortised cost	**Group**	
	2025	**2024**
	Shs'0000	**Shs'0000**
At start of year	3,235,322	4,044,852
Purchases during the year	847,450	20,000
Sales/Maturities during the year	(399,837)	(829,530)
Re- measurement during the year	(5,207)	(7,022)
At end of year	3,677,728	3,228,300
Fair value through other comprehensive income (FVOCI)		
At start of year	13,771,435	5,645,273
Purchases during the year	72,513,470	30,426,413
Sales/maturities during the year	(62,577,652)	(22,988,047)
(Gain/(loss) on fair valuation (Note 31)	916,959	687,796
Re- measurement during the year	(34,638)	(29,674)
At end of year	24,589,574	13,741,761
Total government securities	28,307,147	17,006,757
Less 12 months ECL		
At start of year	(36,696)	(7,984)
Re-measurement during the year	(3,149)	(28,712)
At end of year	(39,845)	(36,696)
Total government securities net ECL	28,267,302	16,970,061
Maturity analysis for the investments in government securities		
Maturing within 90 days	733,2577	1,290,000
Maturing after 90 days	27,534,045	15,680,061
	28,267,302	16,970,061

Notes (continued)

19 Property and equipment

(a) Group

Year ended 31 December 2025	Freehold land Shs'000	Leasehold land Shs'000	Buildings Shs'000	Furniture, fixtures, equipment & motor vehicles Shs'000	Total Shs'000
Cost or valuation					
At start of year	62,000	180,000	380,000	1,544,431	2,166,431
Additions	-	-	-	363,284	363,284
Disposals				(1,972)	(1,972)
At end of year	62,000	180,000	380,000	1,905,743	2,527,743
Accumulated depreciation					
At start of year	-	6,310	34,008	1,253,567	1,293,885
Charge for the year	-	-	10,233	74,573	84,806
At end of year	-	6,310	44,241	1,328,140	1,378,691
Net book value at end of year	62,000	173,690	335,759	577,603	1,149,052

Notes (continued)

19 Property and equipment (continued)

(b) Group

Year ended 31 December 2024	Freehold land Shs'000	Leasehold land Shs'000	Buildings Shs'000	Furniture, fixtures, equipment & motor vehicles Shs'000	Work in progress	Total Shs'000
Cost or valuation						
At start of year	62,000	180,000	380,000	1,380,309	-	2,002,309
Additions	-	-	-	159,936	6,960	166,896
Disposals	-	-	-	(2,774)	-	(2,774)
Valuation gain						
At end of year	62,000	180,000	380,000	1,537,471	6,960	2,166,431
Accumulated depreciation						
At start of year	-	6,310	23,775	1,179,589	-	1,209,674
Charge for the year	-	-	10,233	73,978	-	84,211
At end of year	-	6,310	34,008	1,253,567	-	1,293,885
Net book value at end of year	62,000	173,690	345,992	283,904	6,960	872,546

19 Property and equipment (continued)

The buildings were revalued as at 31 December 2025 by Centenary Valuers Limited, a firm of independent professional valuers based on open market value approach. The net book value of properties at their historical cost is as follows:

	2025 Shs'000	2024 Shs'000
Free hold land	52,000	52,000
Buildings	330,000	330,000
	382,000	382,000

(b) Company

	Furniture, fixtures, equipment & motor vehicles	
	2025 **Shs'000**	**2024** **Shs'000**
Cost or valuation		
At start of year	1,927	1,727
Additions	7,233	200
At end of year	9,160	1,927
Accumulated depreciation		
At start of year	1,242	1,000
Charge for the year	1,651	242
At end of year	2,893	1,242
Net book value at end of year	6,267	685

Notes (continued)

20 Intangible assets

	Group	
	2025	**2024**
	Shs'000	**Shs'000**
Cost:		
At start of year	2,235,188	2,119,324
Additions during the year	101,262	89,531
Work in progress	144,756	26,333
At end of year	2,481,206	2,235,188
Accumulated amortisation		
At start of year	1,918,870	1,841,427
Amortisation during the year	68,319	77,443
At end of year	1,987,189	1,918,870
Net book value at end of year	494,017	316,318

21 Investments in subsidiary companies and ventures

(a) Subsidiaries

		Company	
		2025	**2024**
		Shs'000	**Shs'000**
HFCB Limited	100%	14,333,662	14,333,662
HFCB Properties Limited	100%	1,243,912	1,243,912
First Permanent (East Africa) Limited (FPEAL)	100%	5,020	5,020
HFCB Bancassurance Intermediary Limited	100%	5,000	5,000
		15,587,594	15,587,594

An impairment assessment was conducted on the investments in subsidiaries and no impairment was identified. All the above investee companies are profitable, have adequate liquidity and with no regulatory breaches.

21 Investments in subsidiary companies (continued)

(b) Investment in Joint ventures & associate

		Group	
		2025	2024
		Shs'000	Shs'000
Kahawa Downs Limited	50%	100,111	103,155
Precious Heights Limited	50%	90,753	87,815
Richland Development Limited	50%	130,004	101,572
Claycity Limited	33%	488,972	483,144
Theta Dam Estate Limited	50%	1,018,618	892,677
At end of year		1,828,458	1,668,363
Group's share of profit in joint ventures			
Kahawa Downs Limited	50%	(131)	(97)
Precious Heights Limited	50%	25	1,509
Richland Development Limited	50%	(111)	163
Claycity Limited	33%	(293)	(485)
Theta Dam Estate Limited	50%	125,941	22,153
		125,431	23,243

21 Investments in subsidiary companies (continued)

(b) Investment in Joint ventures & associate (continued)

The following are summarized financial information for Kahawa Downs Limited, Precious Heights Limited, Richland Development Limited, Claycity Limited and Theta Dam Estate Limited based on their financial statements prepared in accordance with IFRS Accounting Standards.

Group **Year ended 31 December 2025**	**Kahawa Development Limited**	**Precious Heights Limited**	**Richland Development Limited**	**Claycity Limited**	**Theta Dam Estate Limited**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
% Holding	**50%**	**50%**	**50%**	**33%**	**50%**	
Revenue	-	1,635	415	105	311,092	313,247
Operating costs	(262)	(1,585)	(637)	(993)	(36,577)	(40,054)
Income tax expense	-	-	-	-	(22,633)	(22,633)
(Loss)/profit and other comprehensive income	(262)	50	(222)	(888)	251,882	250,560
Group share of net (loss)/profit	(131)	25	(111)	(293)	125,941	125,431
Net assets	(262)	50	(222)	(888)	251,882	250,560
Groups share of net assets	(131)	25	(111)	(293)	125,941	125,431
Group's interest in net assets at the beginning of the year	100,242	90,728	101,572	483,144	892,677	1,668,363
Group share of current year total comprehensive income/(loss)	(131)	25	(111)	(293)	125,941	125,431
Impairment writeback	-	-	28,543	6,121	-	34,664
Carrying amount of interest in investee at end of year	100,111	90,753	130,004	488,972	1,018,618	1,828,458

Notes (continued)

21 Investments in subsidiary companies (continued)

(b) Investment in Joint ventures & associate (continued)

Group Year ended 31 December 2024	Kahawa Development Limited	Precious Heights Limited	Richland Development Limited	Claycity Limited	Theta Dam Estate Limited	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
% Holding	**50%**	**50%**	**50%**	**33%**	**50%**	
Revenue	20	5,787	470	2,530	251,316	260,123
Operating costs	(213)	(2,771)	(145)	(3,999)	(188,021)	(195,149)
Income tax expense					(18,989)	(18,989)
(Loss)/profit and other comprehensive income	(193)	3,016	325	(1,469)	44,306	45,985
Group share of net (loss)/profit	(97)	1,509	163	(485)	22,153	23,243
Net assets	206,310	175,634	203,140	1,464,074	1,785,354	3,834,512
Groups share of net assets	103,155	87,817	101,570	483,144	892,677	1,668,363
Group's interest in net assets at the beginning of the year	103,252	86,308	101,407	483,629	870,524	1,645,120
Group share of current year total comprehensive income	(97)	1,509	163	(485)	22,153	23,243
Carrying amount of interest in investee at end of year	103,155	87,817	101,570	483,144	892,677	1,668,363

Notes (continued)

22 Loans and advances

Group	2025 Shs'000	2024 Shs'000
Gross loans and advances to customers	45,551,880	42,847,468
Less: Provision for expected credit losses	(4,444,018)	(3,986,453)
Net loans and advances to customers	41,107,862	38,861,015
Current	9,439,538	7,931,579
Non-current portion	36,112,342	34,915,889
Gross loans and advances	45,551,880	42,847,468
Stage 1 loans	30,754,817	27,612,434
Stage 2 loans	3,733,986	3,270,559
Stage 3 loans	11,063,077	11,964,475
	45,551,880	42,847,468
Stage 1 impairment	(138,718)	(136,208)
Stage 2 impairment	(222,412)	(154,436)
Stage 3 impairment	(4,082,888)	(3,695,809)
	(4,444,018)	(3,986,453)
Net loans and advances	41,107,862	38,861,015

Notes (continued)

22 Loans and advances (continued)

Provision for expected credit losses on loans and advances

	Stage 1	Stage 2	Stage 3	Total
		Lifetime ECL		
	12-month ECL	Not credit impaired	Lifetime ECL	
Year ended 31 December 2025	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At start of the year	136,208	154,436	3,695,809	3,986,453
Movements during the year:				
Transfer to 12 months ECL	34,394	(30,007)	(4,387)	-
Transfer to lifetime ECL not credit impaired	(5,702)	58,837	(53,135)	-
Transfer to lifetime ECL credit impaired	(4,510)	(41,497)	46,007	-
Net remeasurement of loss allowance	(53,684)	31,488	557,980	535,784
Net financial assets originated	61,353	55,901	129,886	247,140
Financial assets derecognised	(29,341)	(6,746)	(289,272)	(325,359)
Loss allowance as at 31 December	138,718	222,412	4,082,888	4,444,018
Year ended 31 December 2024				
At start of the year	124,595	131,715	3,383,399	3,639,709
Movements during the year:				
Transfer to 12 months ECL	284,787	(84,025)	(200,762)	-
Transfer to lifetime ECL not credit impaired	(663)	269,630	(268,967)	-
Transfer to lifetime ECL credit impaired	(16)	(6,546)	6,562	-
Net remeasurement of loss allowance	(292,743)	(163,125)	1,032,377	576,509
Net financial assets originated	26,022	11,410	-	37,432
Financial assets derecognised	(5,774)	(4,623)	(256,800)	(267,197)
Loss allowance as at 31 December	136,208	154,436	3,695,809	3,986,453

Notes (continued)

22 Loans and advances (continued)

	2025			
	Stage 1	Stage 2	Stage 3	Total
Year ended 31 December 2025	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Gross carrying amount at start of year	27,612,434	3,270,559	11,964,475	42,847,468
Transfer to 12 months ECL	879,185	(585,175)	(294,010)	-
Transfer to lifetime ECL not credit impaired	(1,130,963)	1,399,031	(268,068)	-
Transfer to lifetime ECL credit impaired	(432,210)	(705,118)	1,137,328	-
Net remeasurement	(2,545,272)	(12,068)	(964,955)	(3,522,295)
Net financial assets originated	10,474,546	745,099	353,001	11,572,646
Financial assets derecognised	(4,102,903)	(378,342)	(864,694)	(5,345,939)
Gross carrying amount at end of year	30,754,817	3,733,986	11,063,077	45,551,880

Year ended 31 December 2024	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Gross carrying amount at start of year	27,817,660	3,790,128	10,819,714	42,427,502
Transfer to 12 months ECL	2,178,688	(1,670,739)	(507,949)	-
Transfer to lifetime ECL not credit impaired	(245,246)	1,678,542	(1,433,296)	-
Transfer to lifetime ECL credit impaired	(1,375)	(152,796)	154,171	-
Net remeasurement	(4,741,314)	(553,630)	3,342,989	(1,951,955)
Net financial assets originated	4,295,371	328,205		4,623,576
Financial assets derecognised	(1,691,350)	(149,151)	(162,735)	(2,003,236)
Write offs	-	-	(248,419)	(248,419)
Gross carrying amount at end of year	27,612,434	3,270,559	11,964,475	42,847,468

The weighted average effective interest rate on loan advances to customers as at 31 December 2025 was 11.92% (2024: 12.11%).

22 Loans and advances (continued)

Movements by segment

Year ended 31 December 2025

Movement Per Segment	Mortgage				Projects			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross as at 1 Jan 2025	19,513,267	2,557,445	3,305,375	25,376,087	760,024	160,547	6,546,214	7,466,785
Transfer to Stage 1	618,704	(420,627)	(198,077)	-	87,506	-	(87,506)	-
Transfer to Stage 2	(662,614)	910,858	(248,244)	-	(50,869)	50,869	-	-
Transfer to Stage 3	(204,464)	(490,866)	695,330	-	-	(29,887)	29,887	-
Remeasurement	(336,373)	(3,904)	(3,060)	(343,337)	(793)	(4,200)	(2,000)	(6,993)
New loans originated	5,424,146	401,809	43,456	5,869,411	-	49,676	191,842	241,518
Loans derecognized/repaid	(3,412,457)	(524,067)	(494,106)	(4,430,630)	(114,365)	(132,828)	(607,556)	(854,749)
Gross as at 31 Dec 2025	20,940,209	2,430,648	3,100,674	26,471,531	681,503	94,177	6,070,881	6,846,561
Loan Allowance as at 1 Jan 2025	28,359	123,168	769,154	920,681	373	108	2,012,880	2,013,361
Transfer to Stage 1	9,864	(9,864)	-	-	-	-	-	-
Transfer to Stage 2	(1,098)	38,407	(37,309)	-	(13)	13	-	-
Transfer to Stage 3	(595)	(22,227)	22,822	-	-	(27)	27	-
Remeasurement				-				-
New loans originated	8,728	23,049	5,838	37,615	-	93	93,380	93,473
Loans derecognized/repaid	(18,574)	(59,424)	254,120	176,122	(112)	195	(52,890)	(52,807)
Loan Allowance as at 31 Dec 2025	26,684	93,109	1,014,625	1,134,418	248	382	2,053,397	2,054,027
Net Loans & Advances	20,913,525	2,337,539	2,086,049	25,337,113	681,255	93,795	4,017,484	4,792,534

Notes (continued)

22 Loans and advances (continued)

Movements by segment

Year ended 31 December 2025

Movement Per Segment	Commercial				Unsecured			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross as at 1 Jan 2025	3,655,736	569,352	1,351,406	5,576,494	3,192,568	165,174	553,686	3,911,428
Transfer to Stage 1	124,358	(120,317)	(4,041)	-	48,616	(44,230)	(4,386)	-
Transfer to Stage 2	(517,947)	519,427	(1,480)	-	(114,424)	132,767	(18,343)	-
Transfer to Stage 3	(97,348)	(132,194)	229,542	-	(125,828)	(52,171)	177,999	-
Remeasurement	-	-	-	-	-	-	-	-
New loans originated	2,999,441	210,960	106,453	3,316,854	1,619,946	79,140	10,734	1,709,820
Loans derecognized/repaid	(1,264,049)	(105,536)	(496,181)	(1,865,766)	(1,045,572)	(25,042)	(25,254)	(1,095,868)
Gross as at 31 Dec 2025	4,900,191	941,692	1,185,699	7,027,582	3,575,306	255,638	694,436	4,525,380
Loan Allowance as at 1 Jan 2025	18,663	27,308	312,662	358,633	88,228	49,503	550,062	687,793
Transfer to Stage 1	6,002	(6,002)	-	-	18,528	(14,142)	(4,386)	-
Transfer to Stage 2	(3,075)	3,075	-	-	(3,197)	19,023	(15,826)	-
Transfer to Stage 3	(274)	(4,590)	4,864	-	(3,639)	(14,653)	18,292	-
Remeasurement				-				-
New loans originated	11,270	5,709	22,295	39,274	40,540	26,992	7,856	75,388
Loans derecognized/repaid	(10,128)	15,579	(18,946)	(13,495)	(51,945)	21,059	131,672	100,786
Loan Allowance as at 31 Dec 2025	22,458	41,079	320,875	384,412	88,515	87,782	687,670	863,967
Net Loans & Advances	5,671,325	900,613	864,824	7,436,762	3,486,791	167,856	6,766	3,661,413

Notes (continued)

22 Loans and advances (continued)

Movements by segment

Year ended 31 December 2025

Movement Per Segment	Micro				IPF			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross as at 1 Jan 2025	443,312	5,676	-	448,988	60,692	1,590	5,405	67,687
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(7,519)	7,519	-	-	(397)	397	-	-
Transfer to Stage 3	(4,396)	-	4,396	-	(174)	-	174	-
Remeasurement	-	-	-	-	-	-	-	-
New loans originated	449,584	495	-	450,079	124,375	3,018	516	127,909
Loans derecognized/repaid	(334,585)	(13,001)	(3,992)	(351,578)	(60,121)	(1,967)	(171)	(62,259)
Gross as at 31 Dec 2025	546,396	689	404	547,489	124,375	3,038	5,924	133,337
Loan Allowance as at 1 Jan 2025	77	-	-	77	509	9	5,390	5,908
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(2)	2	-	-	(1)	1	-	-
Transfer to Stage 3	(1)	-	1	-	(1)	-	1	-
Remeasurement				-				-
New loans originated	-	-	-	-	815	58	516	1,389
Loans derecognized/repaid	(74)	(2)	402	326	(507)	(10)	11	(506)
Loan Allowance as at 31 Dec 2025	-	-	403	403	815	58	5,918	6,791
Net Loans & Advances	546,396	689	1	547,086	123,560	2,980	6	126,546

Notes (continued)

22 Loans and advances (continued)

Movements by segment

Year ended 31 December 2024

Movement Per Segment	**Mortgage**				**Projects**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross as at 1 Jan 2024	16,706,513	2,368,366	3,107,351	22,182,230	950,878	29,059	5,783,090	6,763,027
Transfer to Stage 1	269,213	(269,213)	-	-	-	-	-	-
Transfer to Stage 2	(1,014,061)	1,144,357	(130,296)	-	(29,059)	29,059	-	-
Transfer to Stage 3	(284,514)	(397,522)	682,036	-	-	(807,698)	807,698	-
Remeasurement	(391,874)	(3,904)	(3,060)	(398,838)	(793)	(4,200)	(2,000)	(6,993)
New loans originated	4,835,063	304,716	17,646	5,157,425	-	134,860	105,825	240,685
Loans derecognized/repaid	(607,073)	(589,355)	(368,302)	(1,564,730)	(161,002)	779,467	(148,399)	470,066
Gross as at 31 Dec 2024	19,513,267	2,557,445	3,305,375	25,376,087	760,024	160,547	6,546,214	7,466,785
Loan Allowance as at 1 Jan 2024	23,123	54,707	666,364	744,194	221	4	1,781,715	1,781,940
Transfer to Stage 1	4,859	(4,859)	-	-	-	-	-	-
Transfer to Stage 2	(1,270)	24,269	(22,999)	-	(4)	4	-	-
Transfer to Stage 3	(256)	(13,004)	13,260	-	-	(8,901)	8,901	-
Remeasurement				-				-
New loans originated	11,035	11,459	170	22,664	-	80	55,382	55,462
Loans derecognized/repaid	(9,132)	50,596	112,359	153,823	156	8,921	166,882	175,959
Loan Allowance as at 31 Dec 2024	28,359	123,168	769,154	920,681	373	108	2,012,880	2,013,361
Net Loans & Advances	19,484,908	2,434,277	2,536,221	24,455,406	759,651	160,439	4,533,334	5,453,424

Notes (continued)

22 Loans and advances (continued)

Movements by segment

Year ended 31 December 2024

Movement Per Segment	**Commercial**				**Unsecured**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross as at 1 Jan 2024	2,975,277	473,817	1,624,742	5,073,836	2,140,252	152,481	490,359	2,783,092
Transfer to Stage 1	9,776	(9,776)	-	-	14,684	(14,684)	-	-
Transfer to Stage 2	(300,384)	323,191	(22,807)	-	(98,085)	101,045	(2,960)	-
Transfer to Stage 3	(24,821)	(177,370)	202,191	-	(157,403)	(42,288)	199,691	-
Remeasurement	-	-	-	-	-	-	-	-
New loans originated	1,163,995	93,981	3,978	1,261,954	1,192,326	17,376	9,444	1,219,146
Loans derecognized/repaid	(168,107)	(134,491)	(456,698)	(759,296)	100,794	(48,756)	(142,848)	(90,810)
Gross as at 31 Dec 2024	3,655,736	569,352	1,351,406	5,576,494	3,192,568	165,174	553,686	3,911,428
Loan Allowance as at 1 Jan 2024	10,201	9,691	330,990	350,882	67,920	18,969	303,797	390,686
Transfer to Stage 1	591	(591)	-	-	3,613	(3,613)	-	-
Transfer to Stage 2	(706)	4,310	(3,604)	-	(3,050)	5,324	(2,275)	(1)
Transfer to Stage 3	(55)	(3,115)	3,170	-	(4,769)	(10,876)	15,645	-
Remeasurement				-				-
New loans originated	9,370	3,508	290	13,168	31,427	3,347	9,444	44,218
Loans derecognized/repaid	(738)	13,505	(18,184)	(5,417)	(6,913)	36,352	223,451	252,890
Loan Allowance as at 31 Dec 2024	18,663	27,308	312,662	358,633	88,228	49,503	550,062	687,793
Net Loans & Advances	4,573,613	542,044	1,038,744	6,154,401	3,104,340	115,671	3,624	3,223,635

Notes (continued)

22 Loans and advances (continued)

Movements by segment

Year ended 31 December 2024

Movement Per Segment	**Micro**				**IPF**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross as at 1 Jan 2024	73,559	2,517	-	76,076	176	-	4,957	5,133
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	(2,517)	2,517	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	(500)	(4,450)	4,950	-
Remeasurement	-	-	-	-	-	-	-	-
New loans originated	392,139	3,330	-	395,469	60,553	1,590	44	62,187
Loans derecognized/repaid	(19,869)	(2,688)	-	(22,557)	463	4,450	(4,546)	367
Gross as at 31 Dec 2024	443,312	5,676	-	448,988	60,692	1,590	5,405	67,687
Loan Allowance as at 1 Jan 2024	10	-	-	10	-	-	43	43
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	(3)	(33)	36	-
Remeasurement				-				-
New loans originated	73	-	-	73	509	9	43	561
Loans derecognized/repaid	(6)	-	-	(6)	3	33	5,268	5,304
Loan Allowance as at 31 Dec 2024	77	-	-	77	509	9	5,390	5,908
Net Loans & Advances	443,235	5,676	-	448,911	60,183	1,581	15	61,779

22 Loans and advances (continued)

Loss allowance on financial instruments

The following table provides a reconciliation between the ‘impairment losses on financial instruments’ line item in the statement of profit or loss and other comprehensive income

	Loans and advances to customers Shs’000	Guarantees and letters of credit Shs’000	Cash and Bank Balances Shs’000	Placements with other banks Shs’000	Other financial assets and receivables Shs’000	Investment in Government securities Shs’000	Total Shs’000
Year ended 31 December 2025							
Net re-measurement of loss allowance	535,784	20,522	(6)	(278)	40,424	3,149	599,595
New financial assets originated or purchased	247,140	-	-		-	-	247,140
Financial assets derecognized	(325,359)	-	-		-	-	(325,359)
Write-offs	(49,282)	-	-		-	-	(49,282)
	408,283	20,522	(6)	(278)	40,424	3,149	472,094

22 Loans and advances (continued)

Loss allowance on financial instruments (continued)

	Loans and advances to customers	Guarantees and letters of credit	Cash and Bank balances	Placements with other banks	Other financial assets and receivables	Investment in Government securities	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
Year ended 31 December 2024							
Net re-measurement of loss allowance	576,509	(15,981)	35	357	(34,877)	28,712	554,755
New financial assets originated or purchased	37,432	-	-		-	-	37,432
Financial assets derecognized	(231,765)	-	-		-	-	(231,765)
Write offs	(17,716)	-	-		-	-	(17,716)
	364,460	(15,981)	35	357	(34,877)	28,712	342,706

Notes (continued)

22 Loans and advances (continued)

Analysis of loans per segment

	2025			2024		
Segment	Gross Shs'000	Loss allowance Shs'000	Carrying amount Shs'000	Gross Shs'000	Loss allowance Shs'000	Carrying amount Shs'000
Commercial	7,027,582	(384,412)	6,643,170	5,576,494	(358,633)	5,217,861
IPF	133,337	(6,791)	126,546	67,687	(5,908)	61,779
Micro	547,489	(403)	547,086	448,988	(77)	448,911
Mortgage	26,471,531	(1,134,418)	25,337,113	25,376,086	(920,681)	24,455,405
Projects	6,846,561	(2,054,027)	4,792,534	7,466,785	(2,013,361)	5,453,424
Unsecured	4,525,380	(863,967)	3,661,413	3,911,428	(687,793)	3,223,635
	45,551,880	(4,444,018)	41,107,862	42,847,468	(3,986,453)	38,861,015

23 Other assets

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	1,738,714	1,430,790	-	-
Less: Allowance for impairment losses	(67,381)	(26,957)	-	-
	1,671,333	1,403,833	-	-
Prepayments	264,673	267,706	7,820	552
Receivable from KMRC	50,000	50,000	-	-
Foreclosed assets deposits	99,308	99,308	-	-
Foreclosed assets	711,484	866,605	-	-
	2,796,798	2,687,452	7,820	552
12-month ECL:				
At start of year	(26,957)	(61,834)	(13)	(6,970)
Re-measurement during the year	(40,424)	34,877	-	6,957
At end of year	(67,381)	(26,957)	(13)	(13)

Other assets are settled no more than 12 months after the reporting date. All the balances are non-interest bearing.

24 Investment in property fund

	2025 Shs'000	2024 Shs'000
Assets as at start of the year	548,771	380,207
Impairment writeback	85,369	168,564
As at end of the year	634,140	548,771

HFCB Properties Limited has invested in HF Property fund with a partner Crescent Finco. The assets owned by the property fund will be realized progressively and the proceeds distributed to the partners (Crescent Finco and HFCB Properties Limited) in accordance with the partnership agreement. Crescent Finco will receive cash distribution first until its investment plus a return of 12% is fully paid. The residue will be distributed to HFCB Properties Limited.

The proceeds from the sale of the assets (housing units) would be used to settle the loan balance to Crescent Finco and any residual balance after clearing the loan balance would go to HFCB Properties Limited.

In December 2024, HFCB Properties paid off Cresent Finco

25 Inventories

	Group	
	2025	**2024**
	Shs'000	**Shs'000**
At start of the year	482,338	525,819
Inventories (housing units and plots) (sales/additions)	(299,471)	(43,481)
At end of year	182,867	482,338

Inventories held comprise of 2- and 3-bedroom units at Komarock Heights and Theta Dam plots for sale.

Notes (continued)

26 Deferred income tax

(a) Group

Year ended 31 December 2025	At start of year Shs'000	Recognised in profit or loss Shs' 000	Recognised in other comprehensive income Shs'000	Prior year (under)/ over provision	At end of year Shs'000
Property and equipment	(27,900)	(32,100)	-	-	(60,000)
Revaluation surplus	(182,088)	3,000	-	-	(179,088)
Financial assets at FVOCI	(76,532)	-	(275,088)	-	(351,620)
Investment property	(44,454)	-	-	-	(44,454)
Other general provisions	(8,448)	(35,459)	-	-	(43,907)
Right of use asset	78,840	(64)	-	-	78,776
Trading losses	821,785	(223,705)	-	1,117	599,197
General provision on loans and advances	1,093,251	137,270	-	-	1,230,521
Deferred income tax	1,654,454	(151,058)	(275,088)	1,117	1,229,425

Deferred tax (liability)/asset

Year ended 31 December 2025	At start of year Shs 000	Charge to P&L Shs 000	At end of year Shs 000
Furniture, fittings and equipment	-	243	243
Provisions	(903)	1,049	146
	(903)	1,292	389

Notes (continued)

26 Deferred income tax (continued)

Balance sheet reconciliation (Group)	2025		2024	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	Shs 000	Shs 000	Shs 000	Shs 000
Deferred tax asset	1,229,425	-	1,654,454	-
Deferred tax (liability)/asset	389	-	-	(903)
	1,229,814	-	1,654,454	(903)

(a) Group

Year ended 31 December 2024

	At start of year	Recognised in profit or loss	Recognised in other comprehensive income	Prior year under provision	At end of year
	Shs'000	Shs' 000	Shs'000	Shs'000	Shs'000
Property and equipment	(15,240)	(12,660)	-	-	(27,900)
Revaluation surplus	(182,088)	-	-	-	(182,088)
Financial assets at FVOCI	130,548	-	(206,339)	(741)	(76,532)
Investment property	(44,454)	-	-	-	(44,454)
Other general provisions	16,953	(25,401)	-	-	(8,448)
Right of use asset	97,513	(18,673)	-	-	78,840
Trading losses	772,009	49,776	-	-	821,785
General provision on loans and advances	989,228	104,023	-	-	1,093,251
Deferred income tax	1,764,469	97,065	(206,339)	(741)	1,654,454

Deferred tax liability

Year ended 31 December 2024	At start of year	Charge to P&L	At end of year
	Shs 000	Shs 000	Shs 000
Furniture, fittings and equipment	27	(27)	-
Provisions	460	443	903
	487	416	903

26 Deferred income tax (continued)

(b) Company

Year ended 31 December 2025

	At start of year	Recognised in profit or loss	Over/under provision of tax	At end of year
	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment	(74)	425	-	351
Trading losses	61,357	(137)	1,117	62,337
General provisions	6,532	(4,752)	-	1,780
Net deferred tax	67,815	(4,464)	1,117	64,468

Year ended 31 December 2024	**Shs'000**	**Shs'000**	**Shs'000**
Property and equipment	(44)	(30)	(74)
Trading losses	7,551	53,806	61,357
General provisions	41,870	(35,338)	6,532
Net deferred tax	49,377	18,438	67,815

27 (a) Deposits from customers

	Group	
	2025	2024
	Shs'000	Shs'000
Government and parastatals:		
Payable within 90 days	13,326,577	14,048,664
Payable after 90 days and within one year	-	3,268,948
Private sector and individuals:		
Payable within 90 days	29,443,211	23,045,676
Payable after 90 days and within one year	12,512,612	5,719,585
Payable after one year	591,971	1,387,922
	55,874,371	47,470,795

27 (a) Deposits from customers (continued)

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2025 was 5.34% (2024 7.46%). The carrying value of customer deposits approximates their fair value.

The summary of terms and conditions for the various categories of deposits are below:

(a) Mortgage scheme deposits – These are deposits under scheme arrangements where an employer has provided funds for onward lending to their staff within set rules and regulations. Funded schemes have a lower interest rate than the market whereas for unfunded schemes the interest rates are usually at commercial rates and any discount on rates is based on volumes.

(b) Fixed term deposits – This account targets both individuals and corporates that will not need to access their funds for duration of time which is usually from 1 to 12 months. The minimum operating balance is Shs 50,000.

(c) Housing development bond – This account targets individuals who wish to save towards home ownership while at the same time earning attractive interest rates on their deposits. interest earned is subjected to a 10% withholding tax consolidated amount of up to Shs 300,000 as opposed to the normal rate of 15%. The minimum operating balance is Shs 50,000.

(d) Transactional deposits – These accounts are characterized by unlimited access to funds and they earn no interest. They attract fees based on transactions. The minimum opening balance is Shs 200.

(e) Current accounts – It allows unlimited access to funds through various channels with the cheque book being the unique instrument used to access the funds. It earns no interest. The minimum opening balance is Shs 2,000.

(f) Savings accounts - A savings account that earns relatively higher interest. It has limited access to funds. There’s no minimum operating balance.

(b) Deposits from banks

	Group	
	2025	**2024**
	Shs’000	**Shs’000**
Inter- bank lending	1,022,568	388,106

Notes (continued)

28 Other liabilities

	Group		Company	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
House sales deposits	98,235	398,569	-	-
Withholding tax payable	170,526	110,831	-	-
Sundry creditors	360,244	360,656	-	-
Trade creditors	1,772,567	1,977,463	-	-
Insurance premium payable	333,472	307,798	-	-
Contractors payables	320,334	169,160	-	-
Asset retirement obligation – right of use asset	-	21,717	-	-
Other payables	991,317	384,729	397,721	590,314
	4,046,695	3,730,923	397,721	590,314

29 Investment property

Investment properties are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are presented in the income statement in the year to which they relate.

	2025	2024
	Shs'000	Shs'000
Fair value		
At start and end of year	1,905,000	1,885,000
Fair value gain	-	20,000
	1,905,000	1,905,000

Income from investment property

	2025	2024
	Shs'000	Shs'000
Rental income from operating leases	32,818	33,101
Direct operating expenses from property that generated rental income	(7,518)	(7,785)
	25,300	25,316

29 Investment property (continued)

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2025	-	-	1,905,000	1,905,000
31 December 2024	-	-	1,905,000	1,905,000

The following are the main inputs:

- Average occupancy rate: 97% (2024: 96%)
- Weighted average rent of Shs 1,193 (2024: Shs 1,193) per square metre

30 Borrowings

	Group	
	2025 Shs'000	2024 Shs'000
European Investment Bank (EIB)	259,065	629,938
Shelter Afrique	79,178	239,026
Britam	1,027,000	1,032,501
Kenya Mortgage Refinance Company	2,183,744	789,495
	3,548,987	2,690,960
Current	1,095,695	2,047,419
Non-current portion	2,453,292	643,541
	3,548,987	2,690,960
At start of year	2,690,960	3,740,432
Additions	2,052,359	-
Interest charged in the year *	311,480	335,748
Principal repayments	(1,182,882)	(722,654)
Interest repayments	(306,259)	(313,820)
Foreign exchange impact	(16,671)	(348,746)
At end of year	3,548,987	2,690,960

*Excludes interest charged on GoK income notes Shs 4,198,000 (2024 : Shs 4,198,000)

Notes (continued)

30 Borrowings (continued)

During the year, the Bank did not default on any of the following loan repayment obligations from all the existing lenders.

At 31 December 2025, HFCB Limited, a subsidiary of HFCB Group Plc was in breach of the following loan covenants

Lender	Covenant	Required limit	HFCB Ltd ratio at end of year
Shelter Afrique	Cost to income ratio	Maximum of 60%	77.19%
Britam	Non - Performing Loans to Total Loans	Minimum of 19.2%	23.90%
European Investment Bank (EIB)	Non-Performing loans to total loans ratio	Minimum of 15%	29.26%
	Open exposure ratio	Maximum of 30%	44.37%

As at 31 December 2025, all the lenders above had provided waivers and hence no impact on the classification of the borrowings

At 31 December 2024, HFCB Ltd Limited, a subsidiary of HFCB Group Plc was in breach of the following loan covenants

Lender	Covenant	Required limit	HFCB Ltd ratio at end of year
Shelter Afrique	Cost to income ratio	Maximum of 60%	93.68%
Britam	Non - Performing Loans to Total Loans	Minimum of 19.2%	26.78%
European Investment Bank (EIB)	Non -Performing loans to total loans ratio	Minimum of 15%	26.78%
	Open exposure ratio	Maximum of 30%	34.05%

Notes (continued)

30 Borrowings (continued)

31 December 2025 Lender	Loan balance Shs' 000	Current Shs' 000	Non-current Shs' 000	Interest rate	Issue date	Maturity date
European Investment Bank (EIB)	259,065	259,065	-	4.3%	24 Jul 2017	1 Oct 2026
Shelter Afrique Limited	79,178	79,178	-	10.6%	28 Dec 2015	31 Jan 2026
Britam	1,027,000	27,000	1,000,000	15.6%	1 Feb 2021	1 Feb 2028
Kenya Mortgage Refinance Company	2,183,744	730,452	1,453,292	5.4%	31 Mar 2021	31 Mar 2028
	3,548,987	1,095,695	2,453,292			

31 December 2024 Lender	Loan balance Shs' 000	Current Shs' 000	Non-current Shs' 000	Interest rate	Issue date	Maturity date
European Investment Bank (EIB)	629,938	629,938	-	4.32%	24 July 2017	1 Oct 2026
Shelter Afrique Limited	239,026	239,026	-	11.50%	28 Dec 2015	31 Jan 2026
Britam	1,032,501	1,032,501	-	20%	01 Feb 2021	01 Feb 2028
Kenya Mortgage Refinance Company	789,495	145,954	643,541	5.00%	31 Mar 2021	31 Mar 2028
	2,690,960	2,047,419	643,541			

The interest rate for EIB, KMRC is fixed. Shelter Afrique borrowing interest rate is based on 6 months SOFR +5.4% margin and Britam loan interest rate is based of CBR+4%.

Notes (continued)

31 Capital and reserves

(a) Share capital

	Group		Company	
	2025	2024	2025	2024
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Authorised – 1,999,995,255 (2023: 500,000,000) ordinary shares of Shs 5 each	9,999,976	9,999,976	9,999,976	9,999,976
Issued and fully paid – 1,885,488,016 (2023: 384,614,168) ordinary shares of Shs 5 each	7,541,940	7,541,940	7,541,940	7,541,940
Movement in ordinary shares				
At start of year (384,614,168)	1,885,485	384,614	1,885,485	384,614
Additional shares (rights Issue)	-	1,500,871	-	1,500,871
	1,885,485	1,885,485	1,885,485	1,885,485
In monetary terms:				
At start of year	9,427,440	1,923,071	9,427,440	1,923,071
Additional capital (rights issue)	-	7,504,369	-	7,504,369
	9,427,440	9,427,440	9,427,440	9,427,440

In December 2024 HFCB Group Plc mobilized capital through a rights issue. The rights issue priced at Shs 4.00 per share, was structured to offer shareholders two (2) new ordinary shares for every one (1) existing ordinary share held, with the shareholders having the option to apply for additional shares. In addition, it had a green shoe option of up to 30% (equivalent to 384,614,168 shares) to accommodate any potential oversubscription. The grand total number of new shares applied for under the rights issue (Entitlement shares + Additional shares) was 1,595,995,966 with a total gross value of Shs 5,999,999,999.

Notes (continued)

31 Capital and reserves

(a) Share capital (continued)

HFCB Group established an Employee Share Options Programme (ESOP) Scheme in 2007, whose main aim was to ringfence talent during the vesting period.

In September 2022,1,437,500 shares at a price of Shs 3.72 with a vesting period of 2 years were granted to staff based on 2021 individual performance ratings to eligible staff. These shares were to come from the authorised but not paid up shares of the group.

The vesting date was in September 2024 and the options exercised were 878,593 shares with a par value of Shs 4,392,965 out of which Shs 3,268,365 was paid for by staff while the difference of Shs 1,124,600 was expensed to the statement of profit or loss. The balances were deemed not material to be disclosed in the prior year financial statements.

(b) Share premium

This reserve arises when the shares of the Company are issued at a price higher than the nominal (Par) value. In 2024 the Group raised additional capital, issuing 1,499,999 shares at Shs 4 per share. There was a bonus/discount given of Shs 1 for the shares issued which were fully paid through Group share premium account.

	2025	2024
	Shs' 000	Shs' 000
At start of year	2,649,338	4,343,512
Bonus shares fully paid through share premium	-	(1,499,995)
Transactions cost recorded directly in equity	-	(194,179)
At end of year	2,649,338	2,649,338
Reconciliation of the additional capital on the cashflow		
Additional capital	-	7,504,369
Bonus shares fully paid through share premium	-	(1,499,995)
Transaction costs recorded directly in equity	-	(194,179)
	-	5,810,195

(c) Revaluation reserve

The revaluation reserves include the net change in the fair value of land and buildings are to be held until the property is derecognised.

	2025	2024
	Shs'000	Shs'000
At end of year	1,312,129	1,312,129

Notes (continued)

31 Capital and reserves

(d) Statutory credit risk reserve

The loan loss reserve represents excess of the loans and advances impairment provision determined in accordance with the Central Bank of Kenya's prudential guidelines compared with the requirements of IFRS 9 - *Financial instruments*. These reserves are not available for distribution.

The movement during the year is as below:

	2025 Shs' 000	2024 Shs' 000
At start of year	4,808,520	4,854,473
Transfer	(167,983)	(45,953)
At end of year	4,640,537	4,808,520

(e) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of debt investments and treasury bonds held at FVOCI until the investment is derecognised when the net changes are recycled to profit or loss.

	2025 Shs'000	2024 Shs'000
At start of year	176,079	(305,378)
Change in fair value during the year:		
Fair value losses on treasury bonds classified as FVOCI	916,959	687,796
Less: Deferred income tax	(275,088)	(206,339)
At end of year	817,950	176,079

32 Government of Kenya income notes and loans

	Group	
	2025 Shs'000	2024 Shs'000
Government of Kenya – Income Notes	52,860	52,860

* The Government of Kenya – Income notes were transferred from HFCB Group Plc with effect from 3 August 2015. They carry no redemption date and are charged interest at a fixed rate of 8.25% per annum.

Notes (continued)

33 Cash flows from operating activities

	Note	Group 2025 Shs'000	Group 2024 Shs'000
Profit before income tax		1,609,485	459,993
Adjustments for:			
Group's share of profit from investments in joint ventures	21	(125,431)	(23,243)
Interest expense on lease liabilities	35	19,279	23,611
Depreciation of property and equipment	19	84,806	84,211
Amortisation of right of use asset	35	67,025	76,864
Amortisation of intangible assets	20	68,319	77,443
Loss on sale of repurchased property		30,000	-
Fair value gain on derivatives	37	(15,763)	(15,797)
Fair value gain on investment property	29	-	(20,000)
Gain on modification on lease liabilities		-	(15,491)
Asset retirement liability adjustment		(21,717)	-
Investment in JV impairment writeback	21	(34,664)	-
Investment in LLP writeback	24	(85,369)	(168,564)
Operating profit before changes in operating assets and liabilities		1,595,970	479,027
Increase in customer and banks deposits		9,038,005	4,415,446
Movement in restricted cash balances	16	-	1,475,340
Increase in loans and advances to customers		(2,246,847)	(73,222)
Increase in investment in government securities		(10,263,475)	(7,019,439)
Decrease in inventory		299,471	43,481
Increase in other assets		(109,349)	(192,003)
Increase in other liabilities		377,246	392,271
Decrease in deposit with Central Bank		-	(1,500,000)
Net cash flows from operating activities before tax		(1,308,979)	(1,979,099)

Notes (continued)

33 Cash flows from operating activities (continued)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	Group	
	2025	**2024**
	Shs'000	**Shs'000**
Cash and balances with banks (Note 16 (a))	2,282,270	2,578,697
Placements with other banks (Note 16 (a))	7,057	1,066,290
	2,289,327	3,644,987

	Company	
	2025	**2024**
	Shs'000	**Shs'000**
Loss before income tax	(20,444)	(73,793)
Depreciation on property and equipment	1,651	242
Decrease in other assets	(7,268)	2,481
Increase/(decrease) in other liabilities	(192,594)	242,875
Net cash flows from operating activities before tax	(218,655)	171,805

Notes (continued)

34 Off-balance sheet contingencies and commitments

(a) Guarantees, letters of credit and commitments

As at 31 December 2025, the Group had issued guarantees and letters of credit in the ordinary course of business to third parties as shown below.

	2025 Shs'000	2024 Shs'000
Guarantees	4,144,367	607,593
Letters of credit	175,932	94,935
Commitments	290,835	79,215
	4,611,134	781,743

Commitments contracted for at the reporting date but not recognised in the financial statements are as follows:

	2025 Shs'000	2024 Shs'000
Loans approved but not yet disbursed	23,047,852	1,643,193

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

(b) Other contingent liabilities

In the ordinary course of business, the Group is a defendant in various litigations and claims. Although there can be no assurances, the Directors believe, based on the information currently available and legal advice, that the claims can successfully be defended and therefore no provision has been made in the financial statements.

Notes (continued)

35 Leases

The Group as a lessee

The Group leases a number of branch and office premises. The leases typically run for a period between 3 and 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(a) Right-of-use assets

Year ended 31 December 2025	Leasehold land Shs '000	Office premises Shs '000	IT equipment Shs '000	Total Shs '000
Cost				
At start of year and end of year	-	645,810	158,888	804,698
Remeasurement during the year	-	52,793	-	52,793
	-	698,603	158,888	857,491
Accumulated depreciation				
At start of year	248	(513,121)	(143,896)	(656,769)
Charge for the year	(248)	(51,785)	(14,992)	(67,025)
	-	(564,906)	(158,888)	(723,794)
At end of year	-	133,697	-	133,697

Notes (continued)

35 Leases (continued)

The Group as a lessee

(a) Right-of-use assets (continued)

	Leasehold land	Office premises	IT equipment	Total
	Shs '000	Shs '000	Shs '000	Shs '000
Year ended 31 December 2024				
Cost				
At start of year and end of year	-	615,121	158,888	774,009
Remeasurement during the year	-	15,198	-	15,198
Adjustments due to changes in cashflows	-	15,491	-	15,491
	-	645,810	158,888	804,698
Accumulated depreciation				
At start of year	248	(461,682)	(118,471)	(579,905)
Charge for the year	-	(51,439)	(25,425)	(76,864)
	248	(513,121)	(143,896)	(656,769)
At end of year	248	132,689	14,992	147,929

Amounts recognised in profit or loss

Leases under IFRS 16		
Interest on lease liabilities	19,279	23,611
Depreciation of right-of-use assets	67,025	76,864

Amounts recognised in statement of cash flows

Total cash outflow for leases	85,561	106,545

(b) Lease liabilities

	2025	2024
	Shs '000	Shs '000
Current	63,804	68,057
Non-current	115,526	124,762
	179,330	192,819

Notes (continued)

35 Leases (continued)

(b) Lease liabilities

	2025 Shs '000	2024 Shs '000
Movement in lease liabilities		
At start of year	192,819	261,513
Additions	52,793	15,198
Remeasurement (cashflows)	-	(958)
Interest expense charged	19,279	23,611
Interest elements of lease payments	(19,279)	(23,611)
Principal elements of lease payments	(66,282)	(82,934)
At end of year	179,330	192,819

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group as a lessor

The Group leases out part of its property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income earned during the period was Shs.94,541,000 (2024: Shs 86,893,000)

36 Related parties and related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. HFCB Group Plc is listed on the Nairobi Securities Exchange. The largest shareholder of HFCB Group Plc is Britam Holdings Plc, which has 48% shareholding. There are other companies which are related to HFCB Limited through common shareholdings or common directorships.

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group (including subsidiaries) and its employees. The Group considers the Board of Directors, executive and non-executive directors, to be key management personnel for the purposes of IAS 24 - related party disclosures.

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business.

36 Related parties and related party transactions (continued)

(a) Loans to key management personnel

	Group	
	2025	2024
	Shs' 000	Shs' 000
At start of year	237,045	204,650
Loans disbursed	59,247	115,415
Repayments	(63,516)	(83,020)
At end of year	232,776	237,045
Current	20,647	24,656
Non - current	212,129	212,389
Total	232,776	237,045

(b) Loans to employees

	2025 Shs' 000	2024 Shs' 000
At start of year	1,395,058	1,252,502
Loans advanced during the year	588,662	1,094,157
Loans repayments received	(562,785)	(951,601)
At end of year	1,420,935	1,395,058
Comprising:		
Mortgages and advances	645,388	789,024
Personal loans	744,778	584,861
Staff car loans	30,769	21,173
	1,420,935	1,395,058
Current	150,753	138,099
Non - current	1,270,182	1,256,959
Total	1,420,935	1,395,058

Interest income arising from these employees' facilities amounted to Shs 126,632,000 (2024: Shs 110,366,000)

36 Related parties and related party transactions (continued)

(c) Remuneration to directors and key management personnel

	Group	
	2025	2024
	Shs' 000	Shs' 000
Remuneration to executive directors:		
Company*	51,632	74,104
Group**	84,036	50,873
Remuneration to key management	186,019	178,740
	321,687	303,717

* Remuneration to the executive directors of the parent Company, HFCB Group Plc

** Remuneration to the executive directors of the subsidiary companies in the Group.

	Group	
	2025	2024
	Shs' 000	Shs' 000
Remuneration to key management:		
Salaries and short-term benefits	186,019	178,740
Pension	47,095	28,552
	233,114	207,292

(d) Transactions with Britam Insurance Company (Kenya) Limited

	Group	
	2025	2024
	Shs' 000	Shs' 000
Bank balances held with HFCB Limited	55,866	58,872

Notes (continued)

36 Related parties and related party transactions (continued)

	Group	
	2025	2024
	Shs' 000	Shs' 000
Group Life Assurance	30,046,298	23,257,937
GPA & WIBA	12,308,930	10,862,943
Inpatient Medical Insurance	45,650,689	39,872,341
Bankers Blanket Insurance	24,082,835	19,949,483
Outpatient Medical Insurance	66,261,636	58,877,719
Others	17,446,728	14,452,699
	195,797,116	167,273,122

(e) Transactions with Britam SEZ Limited

Bank balances held with HFCB Limited	14,703	45,144

(f) Transactions with Britam Foundation

Bank balances held with HFCB Limited	1,500	45,144

(g) Transactions with HFCB Properties Limited

Bank balances held with HFCB Limited	156,050	80,813
Loans and other receivables	1,393,496	1,423,844
	1,549,546	1,504,657
Opening balance	1,423,844	344,096
Cost recharges and advances	152,537	1,073,516
Interest charged	162,159	53,682
Payments	(345,044)	(47,450)
	1,393,496	1,423,844

Notes (continued)

36 Related parties and related party transactions (continued)

(h) Transactions with HFCB Bancassurance Intermediary

	Group	
	2025	2024
	Shs'000	Shs'000
Bank balances held with HFCB Limited	98,928	103,730
Other receivables	52,289	28,384
	151,217	132,114
Opening balance	38,384	17,146
Cost recharges	31,445	21,238
Payments	(17,539)	-
	52,290	38,384

(i) Transactions with HFCB Foundation

	2025	2024
Bank balances held with HFCB Limited	710	686
Other receivables	-	4,139
	710	4,825
Opening balance	4,825	4,262
Cost recharges	544	563
Payments	(5,369)	-
	-	4,825

(j) Transactions with First Permanent (East Africa) Limited

	2025	2024
Bank balances held with HFCB Limited	1	283
Other receivables	-	455
	1	738

36 Related parties and related party transactions (continued)

(j) Transactions with First Permanent (East Africa) Limited (continued)

	Group	
	2025	2024
	Shs'000	Shs'000
Opening balance	455	455
Cost recharges	-	-
Payments	(454)	-
	1	455

(k) Transactions with Precious Heights Limited

Bank balances held with HFCB Limited	8,121	1,244

(l) Transactions with Kahawa Downs Limited

Bank balances held with HFCB Limited	19,179	17,932

(m) Transactions with Clay City Limited

Bank balances held with HFCB Limited	2,598	1,758

(n) Transactions with Richland Development Limited

Bank balances held with HFCB Limited	99	11,693

(o) Transactions with Housing Finance Development and Investment Property Fund

Bank balances held with HFCB Limited	41	34

(p) Transactions with Agricultural and Industrial Holdings Ltd

Opening balance	25,777	58,199
Payments	(14,618)	(32,422)
	11,159	25,777

Notes (continued)

36 Related parties and related party transactions (continued)

(q) Transactions with Micro Land Investments

	Group	
	2025	**2024**
	Shs'000	**Shs'000**
Opening balance	9,205	9,452
Payments	(317)	(247)
	8,888	9,205

36 Derivative liabilities

The Group's derivative financial instruments are entered into for trading purposes. The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously At 31 December 2025 all derivatives are to be settled on a gross basis.

The table below shows the fair values of currency forwards recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off-balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end.

	2025				2024			
	Notional amount asset	**Notional amount liability**	**Fair value asset**	**Fair value liability**	**Notional amount asset**	**Notional amount liability**	**Fair value asset**	**Fair value Liability**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Forwards	1,009,475	1,009,475	962,539	946,776	989,271	989,271	952,237	937,140

The table below summarises the currency forwards subject to offsetting, whose net amounts are presented in other assets.

	2025			2024		
	Fair value asset	**Fair value Liability**	**Fair value asset**	**Fair value asset**	**Fair value Liability**	**Fair value liability**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Forwards	962,539	946,776	15,763	952,937	937,140	15,797

Proxy Form

HFCB GROUP PLC
(the "Company")

CDC A/C No:
Shareholder No:
ID/Registration No:

FORM OF PROXY-2026 ANNUAL GENERAL MEETING (AGM)

Please complete in BLOCKS CAPITALS

I/We ____

of ____

Being a shareholder /shareholders of **HFCB Group Plc** hereby appoint ______________________

____

of ____

or failing him/her the Chairlady of the meeting in respect of my...................................(Number of shares) as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held electronically on 26th May 2026 at 11.00 a.m and at any adjournment thereof.

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with 'X'. If no indication is given, my/our proxy will vote or withhold his or her discretion and I/WE authorise my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

Please clearly mark the box below to instruct your proxy how to vote

Item No.	*Resolutions:*	For	Against	Withheld
1)	To receive and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2025, together with the Chairman's, the Directors' and Auditor's Reports thereon.			
2)	In accordance with Article 105 of the Company's Articles of Association the following Directors retire by rotation and being eligible, offer themselves for re-election.			
	• Dr. Benson Wairegi, who is over seventy years.			
	• Mr. Tom Gitogo			
3)	In accordance with Article 104 of the Company's Articles of Association, Ms. Elizabeth Gitau, retires, and being eligible, offers herself for re-election.			
4)	Ms. Felister Kembi, having served the maximum tenure of nine years, retires at this meeting and does not offer herself for re-election.			
5)	In accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected individually to continue to serve as members of the said Committee: -			
	• Dr. Anne Kimari			
	• Ms. Elizabeth Gitau			
6)	To approve the Directors Remuneration Report as detailed in the Annual Report for the year ended 31st December 2025.			
7)	To appoint PricewaterhouseCoopers (PWC) Kenya as the auditors of the Company in accordance with Sections 721 of the Companies Act, No. 17 of 2015 and to authorize the Directors to fix the remuneration of the auditors in terms of section 724 of the said Companies Act.			

Proxy Form

HFCB GROUP PLC ELECTRONIC COMMUNCATION PREFERENCE FORM
Please complete in BLOCK CAPITALS

Full name of member(s) ____

____

____

Address ____

____

____

CDSC No (If known ____
(This can found on your CDSC Statement)

Mobile Number (of the proxy holder) ____

Date: ____

Please tick the boxes below and return to Image Registrar at P.O Box 92877, GPO 00100,5th Floor, ABSA Towers (formerly Barclays Plaza), Loita Street.

Approval of Registration

I/WE approve to register to participate in the virtual AGM to be held on 26th May 2026.

☐

Consent for use of the Mobile Number provided

I/WE would give/our consent for the use of the mobile number provided for purposes of voting at the AGM.

☐

Signature..

Notes:

1 If a member is unable to attend personally, this Proxy Form should be completed and returned to the Company Secretary P.O. Box 30088 GPO 00100 Nairobi or physically to the registered office of the Company, or to Image Registrars on P. O. Box 9287 – 00100, Nairobi, Kenya or through their email address info@image.co.ke to arrive not later than 11:00 a.m. on 23rd May 2026 at 11.00am i.e. 48 hours before the meeting or any adjournment thereof.

2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.

3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.

4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

5. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Company Secretary, P.O. Box 30088 GPO 00100 Nairobi or Image Registrars, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street and address P.O. Box 9287-00100 Nairobi not later than 11.00 am on 23rd May 2026 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.

6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.

Proxy Form

HFCB GROUP PLC
(“Kampuni”)

CDC A/C No:
Namba ya mwanahisa
ID/Namba ya usajili:

FOMU YA USHIRIKI KWENYE MKUTANO WA PAMOJA WA MWAKA 2025 (AGM)

Tafadhali jaza kwa kutumia HERUFI KUBWA

Mimi/ Sisi ____

Kutoka ____

Kama mwanahisa/ wanahisa wa **HFCB Group Plc** twamteua ______________________

____

Kutoka ____

Au akikosa mwenyekiti wa mkutano kwa mujibu wa .... (idadi ya hisa) kuwa kama wakala wangu/ wetu kuhudhuria na kupiga kura kwa niaba yangu/ yetu wakati wa Mkutano wa Pamoja wa Mwaka wa Kampuni utakaofanyika kwa mfumo ya kielekitgronikli Mnamo **Mei 26, 2026** kuanzia saa tano asubuhi au kuahirishwa kwake.

MIMI/ SISI twampa uhuru wakala wangu/ Wetu kupiga kura kuhusu azimio lifuatalo kama MIMI/ SISI tulivyoonyesha kwa kuweka alama ya ‘X’ kwenye sanduku linalofaa. Endapo hakutakuwa na ishara iliyotolewa , Wakala wangu/ Wetu atapiga kura au kutopiga kwa hiari yake kama MIMI/ SISI tutakavyomwamuru wakala WANGU/ WETU kupiga kura (au kutopiga kura yake) kulingana na jinsi atakavyoona inafaa kwa mujibu wa swala lolote ambalo litakuwa limewasilishwa mbele ya mkutano.

Tafadhali weka alama ipasavyo ndani ya kijisanduku kilichoko hapa chini kumshauri wakala wako atakavyopiga kura.

Namb.	*Maazimio :*	*Kuunga mkono*	Kupinga mkono	Kutopiga kura
1)	Kupokea na endapo itakubaliwa, kupitisha ukaguzi wa pesa uliokaguliwa kwa kipindi cha mwaka uliomalizika Desemba 31, 2025 pamoja na ripoti kutoka kwa mwenyekiti, wakurugenzi na wahasibu.			
2)	Kwa mujibu wa kifungu nambari 105 cha sheria za kampuni, wakurugenzi wafuatao wanastaafu kwa zamu na kwa kuwa hali inawaruhusu, wamejitokeza ili kuchaguliwa tena.			
	• Dkt. Benson Wairegi			
	• Bw. Tom Gitogo			
	• Bi. Elizabeth Gitau			
3)	Bi. Felister Kembi ambaye amehudumu kwa kipindi cha miaka 9, anastaafu baada ya mkutano huu na hatajitokeza kuchaguliwa tena			
4)	Kwa mujibu wa sehemu nambari 769 ya sheria za makampuni ya mwaka 2015, wakurugenzi wafuatao ambao ni wanachama wa kamati ya halmashauri ya kundi kuhusu uhasibu na athari wachaguliwe tena kibnafsi ili kuendelea na jukumu la utoaji huduma kama wanachama wa kamati husika;-			
	• Bi. Elizabeth Gitau			
	• Dkt. Anne Kimari			
5)	Kuidhinisha ripoti ya marupurupu ya wakurugenzi kwa kipindi cha mwaka uliomalizika Desemba 31, 2025 kama ilivyofafanuliwa kupitia ripoti ya mwaka.			
6)	Kuteua PricewaterhouseCoopers (PWC) Kenya Kama wahasibu wa Kampuni kufungamana na sehemu za 721 ya sheria za makampuni nambari 17 ya mwaka 2015 na kuwaamuru wakurugenzi kuamua marupurupu ya wakaguzi kulingana na sehemu ya 724 ya sheria zilizotajwa.			
7)	Kuangazia shughuli nyingine za kibiashara ambazo notisi yake itakuwa imetolewa.			

Proxy Form

FOMU YA MAWASILIANO YA KIELEKTRONIKI YA HFCB GROUP PLC

Tafadhali jaza kwa kutumia HERUFI KUBWA

Jina kamili la mwanachama/wanachama ____

____

____

Anwani ____

____

____

Nambari ya akaunti ya CDSC (endapo inajulikana) ____________________________________
(Hii inaweza kupatikana kupitia taarifa yako ya CDSC)

Nambari yako ya simu ya mkono (ya wakala) ____

Tarehe: ____

Tafadhali weka alama kwenye sanduku lililoko hapa chini na kuirejesha kwa Image Registrar Slp 92877, GPO 00100,Orofa ya 5, ABSA Towers (zamani ikijulikana kama Barclays Plaza), Loita Street.

Kuidhishwa kwa usajilin

MIMI/SISI twaidhinisha kusajiliwa kushiriki Mkutano wa Pamoja wa Mwaka kwa mfumo wa kielektroniki utakaofanyika Ijumaa Mei 26, 2026.

☐

Idhini ya matumizi ya nambari ya simu ya mkononi iliyotolewa

MIMI/ SISI tumetoa/ nimetoa ruhusa kwa matumizi ya nambari ya simu iliyotolewa kwa madhumuni ya kupiga kura wakati wa mkutano wa pamoja wa Mwaka.

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Sahihi ....

Nukuu:

1 Endapo mwanachama hataweza kuhudhuria mwenyewe, fomu hii ya wakala ijazwe kikamilifu na kutumwa kwa; Company Secretary S.L.P. 30088 GPO 00100 Nairobi au iwasilishwe moja kwa moja katika ofisi ya kampuni iliyosajiliwa au kwa, Image Registrars S.L.P 9287 – 00100, Nairobi, Kenya au kupitia anwani ya barua pepe: info@image.co.ke ili kupokelewa kabla ya saa tano asubuhi Mei 23, 2026 au saa 48 kabla ya kuanza kwa mkutano au kuahirishwa kwake.

2. Endapo mwanachama ni shirika, ni lazima fomu ya uwakala ipigwe mhuri wake rasmi na kutiwa sahihi na afisa au wakili aliyeidhinishwa na shirika kama hilo.

3. Kama mwanahisa, una ruhusa kumteua wakala mmoja au zaidi kutekeleza majukumu yako yote ya mwanahisa, kuhudhuria, kuchangia na kupiga kura kwa niaba yako wakati wa mkutano. Uteuzi wa Mwenyekiti wa Mkutano kama Wakala wako umeambatanishwa ili kuwa rahisi. Ili kumteua mtu mwingine kama wakala, futilia maneno '' the Chairman of the Meeting'' na badala yake kuingiza majina kamili ya wakala wako kwenye nafasi iliyoachwa wazi. Si lazima wakala wako kuwa mwanahisa wa kampuni.

4. Kukamilisha na kuwasilisha fomu ya uwakala hakutakuzuia kuhudhuria mkutano na kupiga kura wakati wa mkutano kibinafsi ambapo katika hali hiyo kura yoyote iliyopigiwa na mwakilishi wako haitazingatiwa.

5. Ili kuwa halali, fomu ya uwakala inafaa kujazwa, kutiwa sahihi na kuwasilishwa (pamoja na sahihi ya wakili au mwakilishi mwingine (endapo yuko) ambaye ameidhinishwa au kwa nakala iliyotiwa sahihi na mtu kama huyo au mamlaka) kwa Company Secretary, S.L.P 30088 GPO 00100 Nairobi au Image Registrars, Absa Towers (zamani Barclays Plaza), Orofa ya 5, Loita Street au S.L.P 9287-00100 Nairobi kabla ya saa tano asubuhi Mei 23, 2026 au endapo kutakuwa na kura itakayopigwa baada ya tarehe ya mkutano, au kuahirishwa kwake, kabla ya saa 24 ya wakati uliotengwa kupigwa kwa kura ambayo inapigwa zaidi ya saa 48 baada ya siku ya mkutano au kuahirishwa kwake

6. Kwa hali ambapo shirika ni mwanahisa,basi, basi fomu hii ya uwakala ijazwe na kupigwa mhuri wake rasmi au kutiwa sahihi kwa niaba yake na afisa wa kampuni hiyo au wakili wake aliyeidhinishwa

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