

CITIBANK N.A.
(KENYA BRANCHES)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025

CITIBANK N.A.
(KENYA BRANCHES)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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CITIBANK N.A.
(KENYA BRANCHES)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Glossary of abbreviations

ALCO	Asset and Liability Management Committee
Basel III	Basel III: International regulatory framework for banks
Bps	Basis points
BRCC	Business Risk and Controls Committee
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CCC	Country Coordinating Committee
CC	Credit Committee
EAD	Exposure at default
ECL	Expected credit loss
EIR	Effective interest rate
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
IAS 1	IAS 1 Presentation of Financial Statements
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IBR	Incremental Borrowing Rate
IFRS	International Financial Reporting Standards
IFRS 3	IFRS 3 Business Combinations
IFRS 7	IFRS 7 Financial Instruments: Disclosures
IFRS 9	IFRS 9 Financial Instruments
IFRS 13	IFRS 13 Fair Value Measurement
LGD	Loss given default
MPC	Monetary Policy Committee
OCI	Other comprehensive income
PD	Probability of default
POCI	Purchased or originated credit-impaired
SICR	Significant Increase of credit risk
SPPI	Solely payments of principal and interest

CITIBANK N.A.
(KENYA BRANCHES)

PRINCIPAL OFFICERS AND STATUTORY INFORMATION

MANAGEMENT COMMITTEE MEMBERS

M. Mugambi	Managing Director
N. Njoroge	
M. Mwaura	
L. Muturi	
G. Wakaria	
J. Keru	
S. Kaminchia	
D. Mogoi	
T. Okeyo	
S. Sawe	
N. Mathenge	
G. Ng'ang'a	
O. Mwangolo	
A. Matu	
J. Karingi	Appointed 19 December 2025

HEAD OFFICE

Citibank House
Upper Hill Road
Upper Hill
P.O. Box 30711
00100 Nairobi GPO

BRANCHES

Citibank House
Upper Hill Road
Upper Hill
P.O. Box 30711
00100 Nairobi GPO

Citibank Mombasa Branch
Nkrumah Road
PO Box 83615
Mombasa

ADVOCATES

Njoroge Regeru & Company, Advocates
Arbor House, Arboretum Drive
P.O. Box 46971
00100 Nairobi GPO

Oraro & Company Advocates
6th Floor, ACK Annex Garden House
First Ngong Avenue
P.O. Box 51236 – 00200
Nairobi

Kaplan & Stratton
Williamson House, 4th Ngong Avenue
P.O. Box 40111
00100 Nairobi GPO

Hamilton Harrison & Mathews Advocates
1st Floor, Delta Office Suites, Block A
Off Waiyaki Way, Muthangari
P.O. Box 30333 – 00100 Nairobi GPO

Anjarwalla & Khanna Advocates
ALN House, Eldama Ravine Close
Off Eldama Ravine Road, Westlands
P.O. Box 200 – 00606, Sarit Centre
Nairobi

AUDITOR

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
P.O. Box 40612
00100 Nairobi GPO

CITIBANK N.A.
(KENYA BRANCHES)

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2025

Management is responsible for the preparation and presentation of the financial statements of Citibank N.A. (Kenya Branches) set out on pages 9 to 83 which comprise the statement of financial position at 31 December 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

Management's responsibility includes: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; preparation and presentation of financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, Management is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank as at the end of the financial year and of the profit and loss of the Bank for that year. It also requires Management to ensure the Bank keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bank and its profit or loss.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015. Management is of the opinion that the financial statements give a true and fair view of the financial position of the Bank and its profit and loss.

Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Management has made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the branches will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the management on


Martin Mugambi
Managing Director


John Keru
Chief Financial Officer

Date: 30/03/2026

CITIBANK N.A.
(KENYA BRANCHES)
MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025

1. Background of Citibank

Citibank N.A. is a corporate Bank in Kenya and is part of the global Citigroup (Citi) franchise. Citi's core business is corporate and investment banking and currently offers the following services among others; investment banking, advisory services, foreign exchange, public sector financing, trade financing, cash management and internet banking. Citi offers these banking services to governments and parastatals, global multinationals and top-tier corporates across a number of industries including aviation, shipping, power, energy, manufacturing and infrastructure.

Citi first entered the Kenyan market under the name "The First National City Bank of New York" and has been operating for 51 years, since 1974. Citi Kenya maintains two branches; one in Nairobi and one in Mombasa, and directly employs 203 (31 December 2024-201) staff. In addition to the two branches, Citi offers services to all its corporate and institutional clients through several partnerships across the country, providing various branch access points through partnerships with local financial institutions.

2. Business environment

Kenya's economy is showing resilience, with Q3 2025 growth at 4.9%. Full-year 2025 growth is estimated around 4.9%–5.0%, with projections for 2026 accelerating to 5.3%–5.5%. The growth is supported by a recovery in agriculture and services. Overall headline inflation closed 2025 at 4.5% in December (unchanged from November), remaining within the central bank's 2.5%–7.5% target range for the 19th consecutive month. It eased slightly to 4.4% in January 2026.

The Monetary Policy Committee (MPC) has been on an easing cycle, delivering 10 consecutive rate cuts. The CBR was lowered to 8.75% in February 2026 from 9.0% in December 2025, and down from a peak of 13% in August 2024, while noting there was scope for a further easing of the monetary policy stance to continue to support economic activity. Fiscal pressures persist. The budget deficit for the 2024/25 financial year widened to 5.8%–5.9% of GDP. The Treasury projects a return to consolidation with a deficit of 4.7% of GDP for the 2025/26 cycle.

Kenya's current-account deficit widened in Q2 2025 to KShs 85 billion, up from KShs 47 billion in Q2 2024. The deterioration was driven primarily by a larger goods-trade imbalance, weaker services performance, and only modest gains in remittances. It is projected to narrow further to roughly 2.2%–2.4% of GDP in 2026. Foreign exchange reserves remained adequate, standing at KShs 1,570 billion as of December 2025 (5.3 months of import cover). This meets the CBK's statutory requirement of 4 months import cover. This underlines improved macroeconomic stability, allowing for a more stable exchange rate.

Growth in credit to the private sector has rebounded, reaching 6.4% in January 2026, compared to a contraction of 2.9% a year earlier, reflecting the impact of the easing monetary stance.

3. Nature of business and principal activity

The Bank is registered as a bank under the Banking Act and is engaged in the business of banking and the provision of related services.

CITIBANK N.A.
(KENYA BRANCHES)

MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. Results/business review

Citi's performance in 2025 had a pre-tax profit of KShs 10.6 billion (2024 – KShs 15.3 billion) and net interest income of KShs 10.0 billion (2024 – KShs 13.1 billion), and non-interest income of KShs 7.3 billion (2024 – KShs 8.9 billion). Net interest income was largely attributed to exposures to the Government and corporate borrowers, respectively amounting to KShs 4.8 billion (2024 – KShs 5.4 billion) and KShs 7.3 billion (2024 – KShs 11.5 billion) respectively. Non-interest income was mainly from foreign exchange trade income at KShs 3.0 billion (2024 – KShs 4.9 billion). The profit after tax in 2025 was at KShs 6.7 billion compared to 2024 at KShs 10.5 billion. The operating expenses for the bank marginally decreased to KShs 6.37 billion in 2025 compared to KShs 6.4 billion in 2024.

The management is confident that the Bank will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.

Total assets decreased from KShs 171.8 billion in 2024 to KShs 169.5 billion in 2025. The capital adequacy ratios remained strong, well above the regulatory minimum requirements. In 2025, the bank maintained a low level of non-performing loans, with the gross non-performing loans and advances marginally decreasing to KShs 1.9 billion in December 2025 compared to KShs 2.2 billion in December 2024.

The financial results of the Bank are as set out within this report. A summary has been included above. The principle risks and uncertainties facing the Bank as well as the risk management framework are outlined in note 4 of the financial statements

5. Repatriation of income

In the current year, the Bank remitted dividends of KShs 10.5 billion to Citibank N.A., United States of America being 100% of the financial year 2024 profits.

6. Prospects for 2026

In 2026, Citibank intends to focus on both existing and new initiatives that align with the growth opportunities within the Kenyan economy. The bank is committed to delivering excellent service, fostering innovation, optimizing operations and reducing risks across its business. This positive outlook is supported by a stable political environment and reduced geopolitical risks, despite the operating environment headwinds. In 2026, the initiatives include funding of new projects which are expected to be a mix of both pre-planned initiatives and episodic transactions while upholding a robust risk and control environment to ensure its ongoing stability and security. Strategic efforts will include expanding its service capabilities and enhancing its digital presence, building on its strong market position and relationships within both public and multinational sectors. These initiatives are designed to contribute to sustainable growth and reinforce the bank's role as a trusted financial partner.

The Country Coordinating Committee (CCC) is Citibank Kenya's Board equivalent and is the primary governance committee of the Bank. The Committee meets once a month to discuss specific matters and during the year ended 31 December 2025, the CCC met every month as scheduled. Evaluations of the members of the Country Coordinating Committee have been completed and submitted to the Central Bank of Kenya (CBK).

CITIBANK N.A.
(KENYA BRANCHES)

MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

6. Prospects for 2026 (Continued)

Name	Position	% of meetings attended
M. Mugambi	Chair, Citi Country Officer	92%
J. Keru	Chief Financial Officer	100%
L. Muturi	Credit Risk Head	92%
G. Ng'ang'a	Markets Head	92%
A. Matu	Compliance Officer	100%
N. Njoroge	General Counsel	92%
S. Kaminchia	Senior Country Operations Officer	92%
D. Mogoi	Head of Human Resources	100%
G. Wakaria	Services Head	92%
O. Mwangolo	Corporate and Investment Bank Head	100%
M. Mwaura	Public Affairs Officer	100%
T. Okeyo	Head of Internal Audit	92%
J. Karingi	Financial Institutions & Hub Managed Countries Head	83%
S. Sawe	Global Network Bank Head	92%
N. Mathenge	Business Execution Lead	92%

7. Relevant audit information

Management in office at the date of this report confirm that:

- (i) There is no relevant audit information of which the Company's auditor is unaware; and
- (ii) Management has taken all the steps that they ought to have taken as a management so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

8. Auditor

The Company's auditor, KPMG Kenya, continue in office in accordance with Section 719 of the Kenyan Companies Act, 2015, and subject to Section 24(1) of the Banking Act (Cap 488).

9. Approval of the financial statements

The financial statements were approved and authorized for issue by the management on 30/03/2026


Martin Mugambi
Managing Director


John Keru
Chief Financial Officer

Date: 30/03/2026



KPMG Kenya
Certified Public Accountants
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PO Box 40612 00100 GPO
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Website www.kpmg.com/eafrica

INDEPENDENT AUDITOR'S REPORT **TO MANAGEMENT OF CITIBANK N.A. (KENYA BRANCHES)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Citibank N.A. (Kenya Branches) (the "Bank") set out on pages 9 to 83 which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including material accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of the financial statements of public interest entities together with the ethical requirements that are relevant to our audit of financial statements of public interest entities in Kenya. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Citibank N.A. (Kenya Branches) *Annual Report and Financial Statements for the year ended 31 December 2025*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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



**INDEPENDENT AUDITOR'S REPORT
TO MANAGEMENT OF CITIBANK N.A. (KENYA BRANCHES)
(CONTINUED)**

Report on the audit of the financial statements (Continued)

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal controls as the management determine 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 management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Bank or to cease operations, or has 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 auditors' 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 judgment 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 Bank 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.



**INDEPENDENT AUDITOR'S REPORT
TO MANAGEMENT OF CITIBANK N.A. (KENYA BRANCHES)
(CONTINUED)**

Report on the audit of the financial statements (Continued)

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

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, solely based on our audit of the financial statements, that in our opinion the information in the report of the management on pages 3 to 5 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Dr. Alexander Mbai – Practicing Certificate No P/2172.

For and on behalf of:

**KPMG Kenya
Certified Public Accountants
P.O Box 40612 – 00100
Nairobi**

Date: 30 March 2026



UNIQUE CODE: 70898260330

CITIBANK N.A.
(KENYA BRANCHES)

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

		2025	2024
	Note	KShs '000	KShs '000
Interest income calculated using the effective interest rate method	7	13,491,365	17,894,441
Interest expense	8	(3,538,280)	(4,787,950)
Net interest income		9,953,085	13,106,491
Impairment losses on financial instruments	18(c)	(314,620)	(248,179)
Net interest income after impairment losses on loans and advances		9,638,465	12,858,312
Non interest income	9	7,286,763	8,855,166
Non interest expenses	10	(6,369,314)	(6,423,186)
Profit before taxation	11	10,555,914	15,290,292
Income tax expense	12	(3,863,514)	(4,809,953)
Profit after taxation		<u>6,692,400</u>	<u>10,480,339</u>
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Change in fair value of debt instruments at FVOCI	14	(1,589,364)	2,251,143
Deferred tax on change in FVOCI investments	21	<u>476,810</u>	(675,343)
Other comprehensive income, net of tax		<u>(1,112,554)</u>	<u>1,575,800</u>
Total comprehensive income		<u>5,579,846</u>	<u>12,056,139</u>

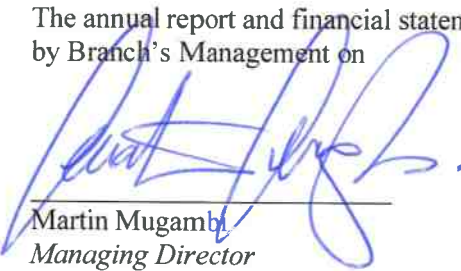
The notes set out on pages 14 to 83 form an integral part of these financial statements.

CITIBANK N.A.
(KENYA BRANCHES)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

ASSETS	Note	2025 KShs '000	2024 KShs '000
Cash and balances with Central Bank of Kenya	13	29,586,818	33,460,135
FVTPL debt instruments	14	281,343	676,946
FVOCI debt instruments	14	47,920,113	44,319,602
Derivative instruments	15	191,956	870,059
Placements with other banks	16	8,500	533
Balances due from foreign branches	17	40,226,222	22,649,520
Loans and advances to customers	18(a)	48,064,267	64,987,924
Tax recoverable	12(c)	719,023	837,179
Property and equipment	20	840,620	854,728
Deferred tax asset	21	496,953	52,659
Other assets	19	<u>1,155,361</u>	<u>3,112,454</u>
TOTAL ASSETS		<u>169,491,176</u>	<u>171,821,739</u>
LIABILITIES AND EQUITY			
Liabilities			
Derivative instruments	15	133,305	1,142,469
Balance due to other banks and banking institutions	22	3,113,071	9,072,082
Customer deposits	23	130,500,150	122,190,401
Other liabilities	24(a)	2,386,740	1,116,452
Lease liabilities	24(b)	<u>102,963</u>	<u>141,272</u>
Total liabilities		<u>136,236,229</u>	<u>133,662,676</u>
Equity			
Assigned capital	25(a)	4,582,975	4,582,975
Fair value reserve	25(b)	468,695	1,581,249
Statutory credit risk reserve	25(c)	227,504	925,555
Equity compensation reserve	25(d)	95,502	99,125
Retained earnings		<u>27,880,271</u>	<u>30,970,159</u>
Total equity		<u>33,254,947</u>	<u>38,159,063</u>
TOTAL LIABILITIES AND EQUITY		<u>169,491,176</u>	<u>171,821,739</u>

The annual report and financial statements set out on pages 9 to 83 were approved and authorised for issue by Branch's Management on 30/03/2026 and were signed on its behalf by:


Martin Mugambi
Managing Director


John Keru
Chief Financial Officer

The notes set out on pages 14 to 83 form an integral part of these financial statements

CITIBANK N.A.
(KENYA BRANCHES)

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

2025	Assigned capital KShs'000	Retained earnings KShs'000	Fair value reserve KShs'000	Statutory credit risk reserve KShs'000	Equity compensation reserve KShs'000	Total KShs'000
As at January 2025	4,582,975	30,970,159	1,581,249	925,555	99,125	38,159,063
Total comprehensive income						
Profit for the year*	-	6,692,400	-	-	-	6,692,400
Other comprehensive income						
Change in FVOCI debt investments	-	-	(1,589,364)	-	-	(1,589,364)
Deferred tax on change in FVOCI investments	-	-	476,810	-	-	476,810
Transfer from statutory credit risk reserve	-	698,051	-	(698,051)	-	-
Total other comprehensive income	-	698,051	(1,112,554)	(698,051)	-	(1,112,554)
Total comprehensive income	-	7,390,451	(1,112,554)	(698,051)	-	5,579,846
Transactions with owners recorded directly in equity						
Decrease in equity awards (Note 10)	-	-	-	-	(3,623)	(3,623)
Repatriation of profits	-	(10,480,339)	-	-	-	(10,480,339)
Total transactions with owners for the year recorded directly in equity	-	(10,480,339)	-	-	(3,623)	(10,483,962)
At 31 December 2025	4,582,975	27,880,271	468,695	227,504	95,502	33,254,947

The notes set out on pages 14 to 83 form an integral part of these financial statements.

*The management proposes to repatriate 50% of the current year profits of KShs 3,346,200,000 to the head office, Citibank N.A., United States of America.

CITIBANK N.A.
(KENYA BRANCHES)

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

	Assigned capital KShs'000	Retained earnings KShs'000	Fair value reserve KShs'000	Statutory credit risk reserve KShs'000	Equity compensatio n reserve KShs'000	Total KShs'000
2024						
As at January 2024	4,582,975	24,589,781	5,449	1,001,460	116,509	30,296,174
Total comprehensive income						
Profit for the year*	-	10,480,339	-	-	-	10,480,339
Other comprehensive income						
Change in FVOCI debt investments	-	-	2,251,143	-	-	2,251,143
Deferred tax on change in FVOCI investments	-	-	(675,343)	-	-	(675,343)
Transfer from statutory credit risk reserve	-	75,905	-	(75,905)	-	-
Total other comprehensive income	-	75,905	1,575,800	(75,905)	-	1,575,800
Total comprehensives income	-	10,556,244	1,575,800	(75,905)	-	12,056,139
Transactions with owners recorded directly in equity						
Decrease in equity awards (Note 10)	-	-	-	-	(17,384)	(17,384)
Repatriation of profits	-	(4,175,866)	-	-	-	(4,175,866)
Total transactions with owners for the year recorded directly in equity	-	(4,175,866)	-	-	(17,384)	(4,193,250)
At 31 December 2024	4,582,975	30,970,159	1,581,249	925,555	99,125	38,159,063

The notes set out on pages 14 to 83 form an integral part of these financial statements.

CITIBANK N.A.
(KENYA BRANCHES)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
	Note	KShs '000	Restated* KShs '000
Net cash flows from operating activities	26(a)	<u>26,106,964</u>	<u>6,122,883</u>
Cashflows from investing activities			
Disposal of property and equipment	20	9,140	-
Purchase of property and equipment	20	(226,671)	(375,183)
Net cash used in investing activities		<u>(217,531)</u>	<u>(375,183)</u>
Cashflows from financing activities			
Payment of lease liabilities	27(iii)	(43,264)	(61,792)
Repatriation of profits		(10,480,339)	(4,175,866)
Net cash used in financing activities		<u>(10,523,603)</u>	<u>(4,237,658)</u>
Increase in cash and cash equivalents	26(b)	15,365,830	1,510,042
Effect of movements in exchange rates on cash and cash equivalents held		<u>32,935</u>	<u>(1,796,487)</u>
Cash at the start of the year	26(b)	<u>51,819,355</u>	<u>52,105,800</u>
Cash at the end of the year	26(b)	<u>67,218,120</u>	<u>51,819,355</u>

The notes set out on pages 14 to 83 form an integral part of these financial statements.

*The comparative information is restated on account of correction of errors. See Note 3(q).

CITIBANK N.A.
(KENYA BRANCHES)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

1. GENERAL INFORMATION

The Bank is a branch of Citibank N.A, a national banking association formed under the laws of the United States of America. The Bank is licensed under the Banking Act (chapter 488). The address of its registered office is as follows:

Citibank House
Upper Hill Road
P.O. Box 30711 – 00100 Nairobi, GPO

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

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

(b) Basis of measurement

The financial statements set out on pages 9 to 83 have been prepared under the historical cost basis of accounting except for the following:

- derivative financial instruments are measured at fair value
- Financial instruments at Fair Value Through Profit or Loss (FVTPL) are measured at fair value
- Fair Value Through Other Comprehensive Income (FVOCI) financial assets are measured at fair value.
- Share based payments are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Kenya shillings (KShs), which is the bank's functional currency. Except as indicated, financial information presented in Kenya shillings has been rounded to the nearest thousand.

Items included in the financial statements are measured using the currency of primary economic environment in which the entity operates i.e. Kenya shillings.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

CITIBANK N.A.
(KENYA BRANCHES)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgments (continued)

The estimates and assumptions are based on managements' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements as set out below have been applied consistently to all periods presented in the financial statements.

(a) Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognised on an accrual basis in the period in which it accrues.

(i) *Calculation of effective interest rate*

Interest income and expenses are recognised in the profit or loss for all interest bearing instruments on an accrual basis using the effective interest method.

Income from loans and advances to customers, placements with other banks and Investments in government securities is recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

CITIBANK N.A.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(a) Revenue recognition (continued)

(i) *Interest income and expense – continued*

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

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

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

(ii) *Fees and commission income*

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

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

CITIBANK N.A.
(KENYA BRANCHES)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(a) Revenue recognition (continued)

(ii) Fees and commission income – continued

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

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

(iv) Net income from other financial instruments at fair value

Net income from other financial instruments at fair value relates to derivatives held for risk management purposes and includes all realised and unrealised fair value changes and foreign exchange differences.

(b) Financial instruments

(i) Introduction

IFRS 9 - Financial Instruments includes a model for classification and measurement of financial assets, a forward-looking 'expected loss' impairment model for debt instruments and a substantially reformed approach to hedge accounting.

Classification and measurement

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of:

- (i) the entity's business model for managing the assets (and whether collecting cash flows, selling financial assets, or both are integral to the business model), and
- (ii) the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest (SPPI)).

The IFRS 9 measurement categories include: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 also allows entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(i) *Introduction – continued*

Classification and measurement – continued

Under IFRS 9, the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL and such movements are now presented in OCI (instead of P&L) with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise from presentation in OCI, in which case the own credit gains or losses continue to be presented in P&L.

Impairment

IFRS 9 introduces an expected credit loss (ECL) impairment model. Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as FVOCI, and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

(ii) *Recognition*

The Bank initially recognizes loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit and loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method except where the Bank designates liabilities at fair value through profit and loss.

(iii) *Financial assets and financial liabilities*

Classification and measurement

Financial assets - Derivatives and Equity instruments

Under IFRS 9, derivatives and in-scope equity instruments are measured at fair value, with changes reflected through the profit and loss account (FVTPL). Exceptions can only apply if the derivative is part of a hedge accounting programme.

The Bank measures all equity instruments in scope of IFRS 9 at FVTPL.

CITIBANK N.A.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) *Financial assets and financial liabilities – continued*

Classification and measurement – continued

Financial assets - Debt Instruments

Under IFRS 9, the following primary classification and measurement categories exist for financial assets-debt instruments:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL)

In addition, IFRS 9 provides special designation options for financial assets-debt instruments that are either measured at 'amortized cost' or 'FVOCI'. An entity has an option to designate such instruments at FVTPL only where this designation eliminates or significantly reduces an accounting mismatch.

The following paragraphs explain the classification criteria for the 3 categories in more detail.

Amortized cost

A financial asset-debt instrument shall be classified and subsequently measured at amortized cost (unless designated under Fair Value Option) only if both of the following conditions are met:

- (a) Business Model test: the financial asset--debt instrument is held in a business which has a business model whose objective is to hold assets in order to collect contractual cashflows; and
- (b) SPPI test: the contractual terms of the financial asset-debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

FVOCI

A financial asset shall be classified and measured at FVOCI if both of the following conditions are met:

- (a) Business Model test: the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) SPPI test: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

FVTPL

Any financial instrument that does not fall into either of the above categories shall be classified and measured at fair value through profit and loss. For example, where the asset is not held within a business model whose objective is to hold to collect the contractual cash flows or within a business model whose objective is to both collect the cash flows and to sell the assets, then the asset will be classified as FVTPL.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) *Financial assets and financial liabilities - continued*

Classification and measurement – continued

Financial assets - Debt instruments – continued

FVTPL - continued

Moreover, any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) must be classified in the FVTPL category.

Business Model Assessment

The Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Bank has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative factors and qualitative factors.

Financial assets - Debt instruments

The Bank considers all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- (a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's/Company's key management personnel;
- (b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- (c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- (d) The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.
- (e) Assessment of whether the contractual cash flows are solely payments of principal and interest

CITIBANK N.A.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) Financial assets and financial liabilities - continued

Classification and measurement - continued

Financial assets - Debt instruments - continued

If an instrument is held in either a hold to collect or a hold to collect and sell business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI) is required to determine classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

Financial liabilities

For financial liabilities there are two measurement categories: amortized cost and fair value through profit and loss (including a fair value option category).

The Bank separates derivatives embedded in financial liabilities where they are not closely related to the host contract.

The Bank designates financial liabilities at fair value through profit or loss if one of the following exist:

- The liability is managed and performance evaluated on a fair value basis;
- Electing fair value will eliminate or reduce an accounting mismatch; or
- The contract contains one or more embedded derivatives

For financial liabilities designated at fair value through profit or loss, fair value changes are presented as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability must be recorded in OCI, and
- The remaining amount of the change in the fair value of the liability is recorded in P&L.

CITIBANK N.A.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) *Financial assets and financial liabilities - continued*

Financial liabilities - continued

Upon early extinguishment (e.g., liability is repurchased before maturity), changes in own credit previously recorded in OCI will not be recycled to P&L. The OCI balance is reclassified directly to retained earnings

Reclassifications

Financial asset classification is determined at initial recognition and reclassifications are expected to be extremely rare. A financial asset can only be reclassified if the business model for managing the financial asset changes.

Reclassification of financial liabilities is not permitted. Reclassification of financial instruments designated under FVOCI is also not permitted.

Modifications of financial assets

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

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss.

As the Bank classifies a financial asset at initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a financial asset's contractual cash flows is not permitted, unless the asset is sufficiently modified that it is derecognized.

Financial liabilities

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

Impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees.

CITIBANK N.A.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) *Financial assets and financial liabilities - continued*

Expected credit loss impairment model

Credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 - From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 - Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.
- The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Company such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Loans are written off when there is no realistic probability of recovery.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) Financial assets and financial liabilities - continued

Expected credit loss impairment model - continued

The estimation of an expected credit loss (ECL) is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Bank will utilise a 12-month PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

Wholesale Classifiably Managed Exposures

An impairment allowance will be estimated for corporate loans utilising sophisticated models depending on the relative size, quality and complexity of the portfolios

Staging

Financial assets can move in both directions through the stages of the IFRS 9 impairment model depending on whether the assessment of whether there is a significant increase of credit risk since initial recognition or whether the asset is credit impaired subsequently changes.

In order to determine the ECL reporting stage for an obligation, the Bank will check whether the asset is already impaired (Stage 3) or not (Stage 1 and 2).

Stage 2 will be determined by the existence of a significant credit deterioration (or credit improvement) compared with the credit rating at initial recognition. Stage 1 assets do not have significant credit deterioration compared with that at initial recognition. All newly acquired or originated financial assets that are not purchased or originated credit impaired (POCI) are recognised in Stage 1 initially.

The existence of a (statistically) significant deterioration/improvement is combined with the materiality of the probability of default to determine whether a transfer in stages is required. Further, the Bank will not rebut the presumption that exposures 30 days past due are deemed to have incurred a significant increase in credit risk.

Additional qualitative reviews are also performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

CITIBANK N.A.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) *Financial assets and financial liabilities - continued*

Expected credit loss impairment model - continued

Staging

Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month expected credit losses) and Stage 2 (lifetime expected credit losses), are recorded in profit or loss as an adjustment of the provision for credit losses.

Expected life

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk, including possible drawdowns and the expected maturity of the financial asset. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Stage 3 definition of default

As mentioned above, to determine whether an instrument should move to a lifetime ECL, the change in the risk of a default occurring over the expected life of Bank applies a default definition that is consistent with that used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. The definition of default used for this purpose is applied consistently to all financial instruments unless information becomes available that demonstrates another default definition is more appropriate for a particular financial instrument.

Forward looking information and multiple economic scenarios

Estimates must consider information about past events, current conditions and reasonable and supportable forecasts around future events and economic conditions. The application of forward-looking information (FLI) requires significant judgment. The Bank has developed models that include multiple economic scenarios that consider the variability and uncertainty in expected losses including factors such as Gross Domestic Product growth rates and unemployment rates, provided by the economists in Citi's Global Country Risk Management (GCRM).

These estimates are based on portfolio data that reflect the current risk attributes of obligors and debt instruments combined with loss projections derived from the rating migration, PD and loss models built for estimating stress credit losses for wholesale portfolios. As mentioned above, these models have incorporated specifically developed components to make the estimates compliant with IFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) *Financial assets and financial liabilities - continued*

Expected credit loss impairment model - continued

Forward looking information and multiple economic scenarios - continued

The PD, LGD and Credit Conversion Factor (CCF) models are calibrated to the observed historical patterns of defaults and losses over several years and linked to economic drivers. The model reflects different loss likelihood and loss severity as a function of different economic forecasts.

The Bank does not use the best case or worst case scenario, but assesses a representative number of scenarios (at least 3 when applying a sophisticated approach and where multiple scenarios are deemed to have a material non-linear impact) and probability weights these scenarios to determine the ECL.

Delinquency managed exposures

In particular, for corporate portfolios, where the Bank does not have access to detailed historical information and/or loss experience, the Bank will adopt a simplified approach using backstops and other qualitative information specific to each portfolio.

Other financial assets simplified approaches

For other financial assets, being short term and simple in nature, the Bank will apply a simplified measurement approach that may differ from what is described above. This approach leverages existing models currently used globally for stress testing and regulatory capital reporting purposes, but incorporates specifically developed components to make the estimates compliant with IFRS 9.

Presentation of the allowance of ECL in the statement of financial position

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset
- Loan commitments and financial guarantee contracts: as a provision
- Debt instruments measured at FVOCI: as the carrying amount of these financial assets is at fair value, no loss allowance is recognised in the statement of financial position, however, the loss allowance is disclosed in Note 4(a) and is recognised in the fair value reserve.

Derecognition

The bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the bank is recognised as a separate asset or liability.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) Financial assets and financial liabilities - continued

Derecognition – continued

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

Fair value measurement principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

(iii) Financial assets and financial liabilities - continued

Fair value measurement principles - continued

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

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

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

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

The bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Statutory credit risk reserve

Where impairment losses required by regulations exceed those computed under IFRS, the excess is recognised as a statutory credit risk reserve and is accounted for as an appropriation of retained earnings. The statutory credit risk reserve is non-distributable.

Offsetting of financial assets and liabilities

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

(c) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, the cash and cash equivalents include balances with the Central Bank of Kenya which are available to finance the Bank's day to day operations, net balances from banking institutions, and investments with maturities of three months or less from the date of acquisition.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Cash and cash equivalents (continued)

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

Cash and cash equivalents are highly liquid assets, subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short-term commitments.

(d) Derivative financial instruments

The Bank enters into financial instruments for trading purposes with third parties to hedge their exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss. The main derivative financial instruments in use by the Bank are as follows:

(i) *Currency forwards*

Foreign exchange forward contracts are agreements to buy and sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

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

(ii) *Currency options*

A currency option is an agreement between two counter-parties, giving the option buyer (option holder) the right, but not the obligation, either to buy or to sell a quantity of currency at a specified rate, on or before a specified date in the future.

All currency options concluded with third parties are immediately offset by an opposite option transacted with another Citibank affiliate under exactly the same parameters (date, notional amount, currency and strike price). The Bank receives a premium for the transaction. Thus no fair value of outstanding options is carried on the Bank's statement of financial position.

(e) Transactions in foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction or valuation where item are measured.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(e) Transactions in foreign currencies (continued)

Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date other than the forwards contracts which are carried at prevailing forward rates. Resulting exchange differences are recognised in the profit and loss for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the transaction date.

Translation differences related to non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, while those classified as available for sale are included in other comprehensive income.

(f) Employee benefits

(i) *Retirement benefit schemes*

The majority of the Bank's employees are eligible for retirement benefits under a defined contribution plan. Contributions to the defined contribution plan are charged to the profit or loss as incurred.

The employees and the Bank also contribute to the NSSF, a national retirement scheme. Contributions are determined by local statutes and the Bank's contributions are charged to the profit or loss in the year to which they relate.

(ii) *Share based payments*

Certain categories of senior management are awarded ordinary shares in Citigroup Inc. (the ultimate holding company) based on their performance. The shares vest over a period of four years. The stock awards are recognised in the profit or loss on the award date at the market value of the shares on the award date. As the awards are categorised as equity-settled, no adjustment is made for fair value changes until the settlement date. The expense is recognised in profit or loss as it vests, with a corresponding entry to the equity compensation reserve. The ultimate holding company has the obligation to settle the award.

(iii) *Short term benefits*

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expensed to be paid under short term cash bonus.

(iv) *Termination benefits*

Termination benefits are recognised as an expense when the Bank 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 as an expense if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Taxation

Income tax expense comprises current tax and change in deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of the previous year.

The amount of current tax payable or recoverable is the best estimate of the tax amount that reflects uncertainty related to income taxes if any.

Deferred tax is recognised on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

Deferred tax is calculated on the basis of the tax rates currently enacted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Property and equipment

Items of buildings, equipment, furniture and fittings and motor vehicles are stated at cost, less accumulated depreciation and impairment losses. Depreciation is charged on the assets on a straight-line basis to allocate the cost to their residual values over useful lives estimated as follows:

Buildings	Over the period of the lease
Computer equipment and computer software	20% to 33.3% per annum.
Furniture and equipment	10% to 20% per annum.
Motor vehicles	25% to 29% per annum.

The residual values of the assets are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognised in the profit or loss in the year in which they arise.

(i) Leases

At inception of a lease contract, the Bank assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The accounting principles require that a lessee records a right-of-use asset and a lease liability for both operating and financing leases. The lease liability is measured at the present value of the future lease payments.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leases (continued)

(i) As a lessee – continued

However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

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

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

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leases (continued)

(i) *As a lessee – continued*

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

(j) Off-balance sheet

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off-balance sheet transactions 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 management. Any expected loss is charged to the profit or loss.

(k) Contingent liabilities

Contingent liabilities are not recognised as liabilities because they are either possible obligations, as it has yet to be confirmed whether the Bank has a present obligation that could lead to an outflow of resources embodying economic benefits; or are present obligations that do not meet the recognition criteria because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

(l) Impairment for non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

(m) Repurchase and reverse repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Bank provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Bank obtains such loans or cash collateral, in exchange for the transfer of collateral.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

(m) Repurchase and reverse repurchase agreements (continued)

The Bank purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Bank may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability.

(n) Comparative information

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

(o) Assigned capital

Assigned capital arises from capital injections by the Parent Company and is classified as equity.

(p) New standards, amendments and interpretations

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

The following new and amended standards became effective in 2025 and do not have significant impact on the Company's financial statements.

New amendments or interpretation	Effective date
— Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	1 January 2025

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

The new and amended standards and interpretations that are issued, but not yet effective for the year ended 31 December 2025 are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

New amendments or interpretation	Effective for annual periods beginning on or after
— Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	1 January 2026

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

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

New amendments or interpretation	Effective for annual periods beginning on or after
— Annual Improvements to IFRS Accounting Standards – Amendments to: – IFRS 1 First-time Adoption of International Financial Reporting Standards; – IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; – IFRS 9 Financial Instruments; – IFRS 10 Consolidated Financial Statements; and — IAS 7 Statement of Cash flows — Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
— IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
— IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity). The New and amended standards and interpretations are not expected to have a material impact on the Bank's financial statement apart from the IFRS 18 detailed below.

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

(ii) *New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2025 - continued*

IFRS 18 Presentation and Disclosure in Financial Statements – continued

- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.
- In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

(q) Correction of prior period error

The financial reporting change that has had an impact on the Bank's results for the comparative year ended 31 December 2024 is described below:

Correction of prior period error – CBK Mandatory Cash Reserve Ratio

Commercial banks in Kenya are required to maintain a mandatory Cash Reserve Ratio (CRR) with the Central Bank of Kenya (CBK), set at 3.25% of deposit liabilities. Banks are now required to include the CRR restricted balance as part of cash and cash equivalents in the statement of cash flows as the contractual restriction on the use of the CRR does not change the nature of the deposit and the bank can access the amount. Previously this had been erroneously excluded from cash and cash equivalents. As a result, the Statement of Cash Flows for the year ended 31 December 2024 has been restated. The restatement does not have an impact on profit or loss, equity or the statement of financial position. The impact of the above restatement is as follows:

Statement of cashflows for the year ended 31 December 2024 (extract)	As previously reported KShs'000	Restricted CRR KShs'000	Restated KShs'000
Bank			
Cash and cash equivalents – opening balance	47,381,616	4,724,184	52,105,800
Cash and cash equivalents – closing balance	46,593,121	5,226,234	51,819,355
Cash generated from operating activities	(1,329,284)	502,050	(827,234)
Net cash generated from operating activities	5,620,833	502,050	6,122,883

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk in respect of financial instruments. The most important types of financial risk to which the Bank is exposed to are credit risk, liquidity risk, operational risk and market risk. Market risk includes interest rate risk and currency risk.

Being a branch, the Bank does not have a board of directors but a Management Committee which has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Through its risk management structure, the Bank seeks to manage efficiently the core risks; credit, liquidity and market risk, which arise directly through the Bank's commercial activities. In addition compliance, regulatory risk and operational risk are normal consequences of any business undertaking.

The Management Committee has established the Asset and Liability Committee (ALCO), Credit Committee (CC) and the Business Risk and Controls Committee (BRCC), which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

The bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Bank has well documented policies and procedures for managing credit risk. The policies are based on the principles of:

- Management responsibility defined credit approval authorities
- Set standards for risk measurement
- Consistent approach to origination of credit, documentation and problem recognition
- Portfolio management strategies.

The risk that counterparties might default on their obligations is monitored on an ongoing basis.

To manage the level of credit risk, the Bank deals with counterparties of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the counterparty.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Credit risk management – continued

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

Significant increase of credit risk (SICR)

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. The credit risk on a financial asset is considered to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Instead management, in assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information. The quantitative drivers include model-based measures of changes in default risk over the remaining life of the exposure, including Probability of Default and rating-migration outputs, as well as the Probability of Default Standard Deviation used in stage allocation.

Stage 3 definition of default

As mentioned above, to determine whether an instrument should move to a lifetime ECL, the change in the risk of a default occurring over the expected life of the financial instruments must be considered.

The Bank applies a default definition that is consistent with that used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. Default is defined in alignment to the regulatory definition of default which includes unlikelihood to pay indicators as well as any assets that are more than 90 days past due. The definition of default used for this purpose is applied consistently to all financial instruments unless information becomes available that demonstrates another default definition is more appropriate for a particular financial instrument.

Credit quality

The following table sets out information about the credit quality and credit risk exposure of financial assets measured at amortised cost. Unless specifically indicated the amounts represent gross carrying amounts. For loan commitments, the amounts in the table represent the undrawn portion of amounts committed.

Loan commitments are overdraft facilities. Explanations of the terms 'stage 1', 'stage 2', and 'stage 3' is included in this note.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Credit risk management – continued

Credit quality – continued

<i>Risk classification 2025</i>	12-Month ECL KShs '000	Lifetime ECL not credit impaired KShs '000	Lifetime ECL credit impaired KShs '000	Purchased credit impaired KShs '000	Total 31 December 2025 KShs '000
Loans and advances to customers at amortised cost					
Stage 1	44,890,775	-	-	-	44,890,775
Stage 2	-	3,328,519	-	-	3,328,519
Stage 3	-	-	1,930,801	-	1,930,801
Gross carrying amount	44,890,775	3,328,519	1,930,801	-	50,150,095

<i>Risk classification 2024</i>	12-Month ECL KShs '000	Lifetime ECL not credit impaired KShs '000	Lifetime ECL credit impaired KShs '000	Purchased credit impaired KShs '000	Total 31 December 2024 KShs '000
Loans and advances to customers at amortised cost					
Stage 1	58,253,139	-	-	-	58,253,139
Stage 2	-	6,264,030	-	-	6,264,030
Stage 3	-	-	2,241,963	-	2,241,963
Gross carrying amount	58,253,139	6,264,030	2,241,963	-	66,759,132

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4

FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Credit risk management - continued

Credit quality – continued

2025	FVOCI Securities KShs '000	FVTPL Securities KShs '000	Cash and balances with Central Bank of Kenya KShs '000	Derivative Instruments KShs '000	Other assets KShs '000	Balances due from foreign banks KShs '000	Placement with other banks KShs '000	Off balance sheet items KShs '000
Stage 1	47,920,113	281,343	29,586,818	191,956	1,155,361	40,226,222	8,500	14,845,132
Stage 2	-	-	-	-	-	-	-	1,769,986
Stage 3	-	-	-	-	-	-	-	352,792
Gross carrying total	47,920,113	281,343	29,586,818	191,956	1,155,361	40,226,222	8,500	16,967,910

2024	FVOCI Securities KShs '000	FVTPL Securities KShs '000	Cash and balances with Central Bank of Kenya KShs '000	Derivative Instruments KShs '000	Other assets KShs '000	Balances due from foreign banks KShs '000	Placement with other banks KShs '000	Off balance sheet items KShs '000
Stage 1	36,594,592	706,557	33,460,135	870,059	3,112,454	22,649,520	533	12,338,491
Stage 2	7,695,399	-	-	-	-	-	-	5,286,744
Stage 3	-	-	-	-	-	-	-	370,971
Gross carrying total	44,289,991	706,557	33,460,135	870,059	3,112,454	22,649,520	533	17,996,206

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Credit risk management - continued

Credit quality - continued

Allowances for impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees.

Expected credit loss impairment model

Credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 - From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 - Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.
- The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Credit quality – continued

Expected credit loss impairment model – continued

Loans are written off when there is no realistic probability of recovery. The estimation of an expected credit loss (ECL) is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

The measurement of an ECL is primarily determined by an assessment of the financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Bank will utilise a 12-month PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

Wholesale classifiably managed exposures

An impairment allowance will be estimated for corporate loans utilising sophisticated models depending on the relative size, quality and complexity of the portfolios.

Collateral

The Bank holds collateral against its credit exposures mainly loans and advances to customers. The collateral is in the form of legal charges, registered debentures and corporate and personal guarantees.

	2025	2024
	KShs '000	KShs '000
Fair value of collateral	<u>100,972,420</u>	<u>113,545,236</u>

All collateral obtained are rigorously assessed for liquidity, legal effectiveness, and enforceability, and must be legally perfected before value is attached. Valuations are conducted conservatively by independent registered valuers at origination or during enforcement actions. The collateral undergoes frequent review to ensure ongoing suitability and alignment with local market practices. For impaired loans, collateral, including guarantees, is also reviewed frequently to confirm enforceability and appropriate impairment allowances.

There are no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during the reporting period.

No ECL allowance is recognised in the instance where there is sufficient or excess collateral held.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Credit quality – continued

Expected credit loss impairment model – continued

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customers.

	2025	2024
	KShs '000	KShs '000
Credit impaired loans and advances to customers as at 1 January	2,241,963	2,501,086
Classified as credit-impaired during the year	18	106,935
Transferred to not credit-impaired during the year		
Net remeasurements	28,846	(294,293)
Disposals	(340,026)	(71,765)
Credit-impaired loans and advances to customers at 31 December	<u>1,930,801</u>	<u>2,241,963</u>
Loans and advances summarised as follows:		
Stage 1	44,890,775	58,253,139
Stage 2	3,328,519	6,264,030
Stage 3	<u>1,930,801</u>	<u>2,241,963</u>
Gross	50,150,095	66,759,132
Less: Provision for impairment on loans and advances		
Stage 3	(1,441,052)	(1,281,707)
Stage 1 and 2 impairment	(644,776)	(489,501)
Credit-impaired financial assets	<u>48,064,267</u>	<u>64,987,924</u>
Stage 2 analysis		
Past due 31-60 days (including advances not past due but in stage 2 using qualitative criteria)	<u>3,328,519</u>	<u>6,264,030</u>
Total	3,328,519	6,264,030
Maximum exposure to credit risk before collateral held		
Cash and balances with Central Bank of Kenya	29,586,818	33,460,135
FVTPL Debt instruments	281,343	676,946
FVOCI Debt instruments	47,920,113	44,319,602
Derivative instruments	191,956	870,059
Placements with other banks	8,500	533
Balances due from foreign branches	40,226,222	22,649,520
Loans and advances to customers	50,150,095	66,759,132
Other assets	1,155,361	3,112,454
Credit risk exposures relating to off-balance sheet items:		
Acceptances and letters of credit	6,277,628	4,563,688
Guarantees	<u>10,919,508</u>	<u>9,328,976</u>
	<u>186,717,544</u>	<u>185,741,045</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Expected credit loss impairment model – continued

Amount of loss allowance arising from ECL

The Bank exposure to credit risk is analysed as follows:

	31-Dec-25				31-Dec-24		
Amounts in KShs	12 Month ECL (Stage 1) KShs '000	Lifetime ECL not credit impaired (Stage 2) KShs '000	Lifetime ECL credit impaired (Stage 3) KShs '000	Total KShs '000	12 Month ECL (Stage 1) KShs '000	Lifetime ECL not credit impaired (Stage 2) KShs '000	Lifetime ECL credit impaired (Stage 3) KShs '000
Loss allowance-loans and advances at amortised cost							
Loss allowance as at 1 January	190,140	299,361	1,281,707	1,771,208	126,127	113,916	1,282,986
Transfer to 12 months ECL (Stage 1)	21	(21)	-	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(11)	11	-	-	(13,932)	13,932	-
Net remeasurement of loss allowance	76,157	79,118	159,345	314,620	77,945	171,513	(1,279)
Loss allowance as at 31 December	266,307	378,469	1,441,052	2,085,828	190,140	299,361	1,281,707
							248,179
							1,771,208

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NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Expected credit loss impairment model - continued

Amount of loss allowance arising from ECL - continued

2025	FVOCI Securities KShs '000	FVTPL Securities KShs '000'	Cash and balances with Central Bank of Kenya KShs '000	Derivative instruments KShs '000	Other assets KShs '000	Balances due from foreign banks KShs '000	Placement with other banks KShs '000	Off balance sheet items KShs '000
Stage 1	48,188,989	281,343	29,597,200	191,956	1,156,642	40,249,069	8,941	14,845,132
Stage 2	-	-	-	-	-	-	-	1,769,986
Stage 3	-	-	-	-	-	-	-	352,792
Gross carrying total	48,188,989	281,343	29,597,200	191,956	1,156,642	40,249,069	8,941	16,967,910
Loss allowance	(268,876)	-	(10,382)	-	(1,281)	(22,847)	(441)	(194,093)
Net carrying total	47,920,113	281,343	29,586,818	191,956	1,155,361	40,226,222	8,500	16,773,817
2024								
Stage 1	36,594,592	706,557	33,474,417	870,059	3,119,678	22,663,180	563	12,338,491
Stage 2	7,695,399	-	-	-	-	-	-	5,286,744
Stage 3	-	-	-	-	-	-	-	370,971
Gross carrying total	44,289,991	706,557	33,474,417	870,059	3,119,678	22,663,180	563	17,996,206
loss allowance	(395,031)	-	(14,282)	-	(7,224)	(13,660)	(30)	(163,336)
Net carrying total	43,894,960	706,557	33,460,135	870,059	3,112,454	22,649,520	533	17,832,870

The FVOCI Securities loss allowance in 2025 is KShs 268,875,999 (2024 – KShs 395,031,495)

The Bank held Government securities worth KShs 6,012,500,000 (2024 – KShs 5,071,950,000) as collateral against some of its loans and advances.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(a) Credit risk (continued)

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Bank determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Derivatives

The credit risk arising from derivatives is managed as part of the overall lending limits to Banks and customers. The amount of credit risk is the current positive fair value of the underlying contract together with potential exposures from future market movements. The Group further limits its exposures to credit losses in the event of default by entering into master netting agreements with certain market counterparties. Exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

(b) Liquidity risk

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

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

ALCO is responsible for ensuring that the Bank manages its liquidity risk and is able to meet all its obligations to make payments as and when they fall due. It also has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

The Bank 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 with daily liquidity positions being monitored.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of liquidity risk.

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NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(b) Liquidity risk (continued)

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

The Bank also maintains significant levels of marketable securities either for compliance with statutory requirements or as prudential investments of surplus funds.

A key measure of liquidity risk is the ratio of net liquid assets to deposit liabilities. The Central Bank of Kenya requires banks to maintain a statutory minimum ratio of 20% of liquid assets to all its deposit liabilities.

For this purpose, liquid assets comprise cash and balances with Central Bank of Kenya, net balances with financial institutions, treasury bonds and bills and net balances with banks abroad.

Deposit liabilities comprise deposits from customers, other liabilities that have matured or maturing within 91 days.

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

	2025	2024
At 31 December	89.8%	77.6%
Average for the period	83.4%	74.8%
Highest for the period	89.8%	80.5%
Lowest for the period	76.1%	68.6%

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NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(b) Liquidity risk (continued)

(i) The following table sets out the remaining contractual maturities of the bank's financial liabilities and financial assets

	Undiscounted maturity					Carrying value
31 December 2025	On demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
Financial liabilities						
Balances from banks	2,592,485	10,937	509,649	-	-	3,113,071
Derivative instruments	133,305	-	-	-	-	133,305
Due to customers	123,143,108	730	945,309	6,411,003	-	130,500,150
Other liabilities	2,319,031	-	67,709	-	-	2,386,740
Lease liabilities	-	-	38,110	64,853	-	102,963
	128,187,929	11,667	1,560,777	6,475,856	-	136,236,229
Financial assets						
Cash and balances with Central Bank	29,586,818	-	-	-	-	29,586,818
FVOCI and FVTPL instruments	-	1,969,190	45,950,922	281,344	-	48,201,456
Due from foreign branches	-	40,226,222	-	-	-	40,226,222
Due from other banks	-	8,500	-	-	-	8,500
Derivative instruments	191,956	-	-	-	-	191,956
Loans and advances to customers	-	25,741,098	7,205,374	15,117,795	16,681,376	48,064,267
	29,778,774	67,945,010	53,156,296	15,399,139	16,681,376	166,279,219

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(b) Liquidity risk (continued)

(i) The following table sets out the remaining contractual maturities of the bank's financial liabilities and financial assets - continued

	Undiscounted maturity					Carrying value
	On Demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
31 December 2024						
Financial liabilities						
Balances from banks	7,802,132	940,235	329,715	-	-	9,072,082
Reverse sale and repurchase agreement	1,142,469	-	-	-	-	1,142,469
Derivative instruments	111,887,849	512,000	1,958,828	7,831,724	-	122,190,401
Due to customers	1,019,464	96,988	-	-	-	1,116,452
Lease liabilities	-	17,421	52,656	71,195	-	141,272
	121,851,914	1,566,644	2,341,199	7,902,919	-	133,662,676
Financial assets						
Cash and balances with Central Bank	33,460,135	-	-	-	-	33,460,135
FVOCI instruments	-	4,451,535	24,083,583	16,461,430	-	44,996,548
Due from foreign branches	-	22,649,520	-	-	-	22,649,520
Due from other banks	-	533	-	-	-	533
Derivative instruments	870,059	-	-	-	-	870,059
Loans and advances to customers	-	-	40,267,761	8,038,787	16,681,376	64,987,924
	34,330,194	27,101,588	64,351,344	24,500,217	16,681,376	166,964,719

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis for assets and liabilities

	31-Dec-25		31-Dec-24	
	Maturing within 12 months KShs '000	Maturing in more than 12 months KShs '000	Maturing within 12 months KShs '000	Maturing in more than 12 months KShs '000
Liabilities				
Balances from banks and other institutions	3,113,071	-	9,072,082	-
Derivative instruments	133,305	-	1,142,469	-
Due to customers	124,089,147	6,411,003	114,358,677	7,831,724
Other liabilities	2,386,740	-	1,116,452	-
Lease liabilities	38,110	64,853	70,077	71,195
	129,760,373	6,475,856	125,759,757	7,902,919
Assets				
Cash and balances with Central Bank	29,586,818	-	33,460,135	-
FVOCI and FVTPL instruments	47,920,113	281,343	28,355,118	16,641,430
Due from foreign branches	40,226,222	-	22,649,520	-
Due from other banks	8,500	-	533	-
Derivative instruments	191,956	-	870,059	-
Loans and advances to customers	32,946,472	15,117,795	40,267,761	24,720,163
Other assets	1,155,361	-	3,112,454	-
Tax recoverable	719,023	-	837,179	-
Property and equipment	-	840,620	-	854,728
Deferred tax	-	496,953	-	52,659
	152,754,465	16,736,711	129,552,759	42,268,980

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**NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(c) Market risk

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

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The Bank is also exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is managed principally through limits set on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily.

Overall responsibility for market risk is vested in ALCO.

(i) Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Sensitivity analysis interest rate risk

The sensitivity analysis on the accrual book is measured by the change in DV01 (Dollar value of 01) that measures the change in value of the accrual portfolio due to a 1 basis point parallel move in the interest rates. At 31 December 2025, a 1 basis point parallel increase in the interest rates with all other variables held constant would have resulted to a pre-tax loss movement of KShs 669,717 (2024 – KShs 1,554,085) and impact on equity of KShs 468,802 (2024 – KShs 1,065,567).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk – continued

31-Dec-25	Effective interest rate %	Within 3 months KShs '000	Between 3 and 12 months KShs '000	Between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
Financial assets						
Cash and balances with Central Bank	-	-	-	-	29,586,818	29,586,818
Other assets		-	-	-	1,155,361	1,155,361
FVOCI Securities	12.62%	1,969,190	45,950,923	-	-	47,920,113
FVTPL Securities	13.70%	-	-	281,343	-	281,343
Due from foreign branches	4.24%	40,226,222	-	-	-	40,226,222
Due from other banks	0.00%	8,500	-	-	-	8,500
Derivative instruments					191,956	191,956
Loans and advances to customers (net)	8.96%	25,741,096	7,205,374	15,117,797	-	48,064,267
Total financial assets		67,945,008	53,156,297	15,399,140	30,934,135	167,434,580
Financial liabilities						
Deposits from banking institutions	3.49%	2,603,418	509,651	-	-	3,113,069
Derivative instruments		-	-	-	133,305	133,305
Customer deposits	3.82%	123,143,840	945,309	6,411,002	-	130,500,151
Other/lease liabilities		2,421,994	67,709	-	-	2,489,703
Total financial liabilities		128,169,252	1,522,669	6,411,002	133,305	136,236,228
Interest rate sensitivity gap		(60,224,244)	51,633,628	8,988,138	30,800,830	31,198,352

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(c) Market risk (continued)

(i) Interest rate risk – continued

31-Dec-24	Effective interest rate %	Within 3 months KShs '000	Between 3 and 12 months KShs '000	Between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
Financial assets						
Cash and balances with Central Bank	-	-	-	-	33,460,135	33,460,135
Other assets					3,112,454	3,112,454
FVOCI Securities	13.91%	4,451,535	23,377,026	16,461,430	-	44,289,991
FVTPL Securities	10.50%	-	706,557	-	-	706,557
Due from foreign branches	5.15%	22,649,520	-	-	-	22,649,520
Due from other banks	0.00%	533	-	-	-	533
Derivative instruments					870,059	870,059
Loans and advances to customers (net)	11.55%	40,267,761	8,038,787	16,681,376	-	64,987,924
Total financial assets		67,369,349	32,122,370	33,142,806	37,442,648	170,077,173
Financial liabilities						
Deposits from banking institutions	10.33%	8,742,367	329,715	-	-	9,072,082
Derivative instruments					1,142,469	1,142,469
CBK Repos		-	-	-	-	-
Customer deposits	7.50%	112,399,849	1,958,827	7,831,725	-	122,190,401
Other/lease liabilities		1,129,607	24,934	103,183	-	1,257,724
Total financial liabilities		122,271,823	2,313,476	7,934,908	1,142,469	133,662,676
Interest rate sensitivity gap		(54,902,474)	29,808,894	25,207,898	36,300,179	36,414,497

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(c) Market risk (continued)

(ii) Currency rate risk

The Bank operates wholly within Kenya and its assets and liabilities are carried in the local currency. The various foreign currencies to which the Bank is exposed at 31 December 2025 are summarised below:

31 December 2025	USD	GBP	EURO	JPY	Others	Total
Financial assets	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Balance sheet items						
Cash and balances with banks abroad	30,800,466	1,439,789	7,452,008	575,217	810,186	41,077,666
Loans and advances	9,654,465	-	399,464	-	-	10,053,929
Other foreign assets	4,488,392	-	6,323	-	4	4,494,719
Off balance sheet items						
Undelivered spot purchases	2,627,113	-	-	-	35,572	2,662,685
Forward purchases	12,451,219	-	-	5,499	6,540	12,463,258
Total financial foreign assets	60,021,655	1,439,789	7,857,795	580,716	852,302	70,752,257
Financial liabilities						
Balance sheet items						
Deposits	39,688,883	1,445,946	7,824,861	575,578	400,886	49,936,154
Balances due to banks abroad	-	-	-	-	-	-
Other foreign liabilities	4,329,044	-	39	-	1,513	4,330,596
Off balance sheet items						
Undelivered spot sales	35,880	-	-	-	-	35,880
Forward sales	16,733,143	191	30,973	-	95,045	16,859,352
Total financial foreign liabilities	60,786,950	1,446,137	7,855,873	575,578	497,444	71,161,982
Net open position	(765,295)	(6,348)	1,922	5,138	354,858	(409,725)
Long/(short)position	(765,295)	(6,348)	1,922	5,138	354,858	(409,725)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

(c) Market risk (continued)

(ii) Currency rate risk – continued

31 December 2024	USD	GBP	EURO	JPY	Others	Total
Financial assets	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Balance sheet items						
Cash and balances with banks abroad	22,356,188	852,541	7,705,422	9,550	255,132	31,178,833
Loans and advances	11,608,394	-	80,396	-	-	11,688,790
Other foreign assets	3,280,485	-	1,178	-	-	3,281,663
Off balance sheet items						
Undelivered spot purchases	3,394,370	-	4,072	16,458	-	3,414,900
Forward purchases	28,656,593	-	-	-	55,167	28,711,760
Total financial foreign assets	69,296,030	852,541	7,791,068	26,008	310,299	78,275,946
Financial liabilities						
Balance sheet items						
Deposits	45,095,983	824,082	7,772,380	24,255	203,511	53,920,211
Other foreign liabilities	-	-	-	-	7,467	7,467
Foreign loans and advances	3,523,232	-	-	-	1,449	3,524,681
Off balance sheet items						
Undelivered spot sales	20,816	30,176	9,493	-	-	60,485
Forward sales	20,922,570	-	-	-	59,941	20,982,511
Total financial foreign liabilities	69,562,601	854,258	7,781,873	24,255	272,368	78,495,355
Net open position	(266,571)	(1,717)	9,195	1,753	37,931	(219,409)
Long/(short) position	(266,571)	(1,717)	9,195	1,753	37,931	(219,409)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Sensitivity analysis foreign currency exchange risk

The bank's assets and liabilities held in foreign currency are bound to be affected by the fluctuations in the foreign exchange rate. The sensitivity analysis on the foreign currency position is measured by the trading DV01 that measures the change in value of the position as a result of a 1 percentage point shift (appreciation) in exchange rates. The trading DV01 for the USD and the EUR positions that constitute the significant portion of the statement of financial position is as follows:

	2025 KShs'000	2024 KShs'000
USD	(76,530)	(26,657)
EUR	192	919
GBP	(635)	(172)
JPY	514	175

The following significant exchange rates were applied during the year:

	Closing		Average	
	2025 KShs'000	2024 KShs'000	2025 KShs'000	2024 KShs'000
GBP	173.67	161.20	171.64	164.99
JPY	82.27	81.96	83.71	84.49
EUR	151.34	133.55	150.28	137.28
USD	128.90	128.85	129.03	128.78

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputation and franchise risk associated with the Bank's business practices or market conduct; and the risk of failing to comply with applicable laws and regulations.

The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Compliance with operational risk policies and procedures is the responsibility of all business managers. The Business Risk and Controls Committee (BRCC) has the overall responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This is supported by the Manager's Control Assessment process that assess the effectiveness of controls over the risks identified.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital management

The Central Bank of Kenya sets and monitors capital requirements for all banks.

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

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

In implementing current capital requirements, the Central Bank of Kenya requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets.

Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes.

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

- a core capital of not less than 8% of total risk weighted assets, plus risk weighted off-balance sheet items
- a core capital of not less than 8% of its total deposit liabilities
- a total capital of not less than 12% of its total risk weighted assets, plus risk weighted off-balance sheet items
- A capital conservation buffer of 2.5% over and above the above minimum ratios.

This brings the minimum core capital to risk weighted assets and total capital to risk weighted assets to 10.5% and 14.5% respectively.

Central Bank of Kenya required the Bank to maintain a minimum core capital of KShs 3 billion as at 31 December 2025. The Bank is already compliant with this requirement.

Capital is segregated into core capital (Tier 1) and supplementary capital (Tier 2).

Core capital includes assigned capital, irredeemable preference shares, share premium and retained earnings after deductions for goodwill and intangible assets.

Supplementary capital on the other hand includes 25% of revaluation reserves of property and equipment, subordinated debt not exceeding 50% of core capital and any other approved reserves.

Risk weighted assets are arrived at using a framework of four weights applied to both on-balance sheet and off-balance sheet items to reflect the relative risk of each asset and counterparty.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital management (continued)

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

	2025	2024
	KShs '000	KShs '000
Core capital (Tier 1)		
Assigned capital	4,582,975	4,582,975
Retained earnings	27,880,271	30,970,159
Less proposed dividends	(3,346,200)	(10,480,339)
Less deferred tax asset	(496,953)	(52,659)
	<u>28,620,093</u>	<u>25,020,136</u>
Supplementary capital (Tier 2)		
Statutory reserve	<u>227,504</u>	<u>925,555</u>
Total capital	<u>28,847,597</u>	<u>25,945,691</u>
Risk weighted assets		
On-balance sheet	50,667,851	68,399,135
Off-balance sheet	19,591,498	17,210,021
Market risk qualifying assets	3,911,958	6,998,671
Operational risk equivalent assets	<u>36,935,450</u>	<u>35,339,146</u>
Total risk weighted assets	<u>111,106,757</u>	<u>127,946,973</u>
Deposits from customers	<u>133,613,221</u>	<u>131,262,483</u>
Capital ratios	2025	2024
Core capital/total deposit liabilities (CBK minimum 8%)	21.42%	19.06%
Core capital /total risk weighted assets (CBK minimum 10.5%)	25.76%	19.56%
Total capital /total risk weighted assets (CBK minimum 14.5%)	25.96%	20.28%

5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the managements best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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NOTES TO THE FINANCIAL STATEMENTS
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5. USE OF ESTIMATES AND JUDGEMENTS (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is set out below:

(a) Impairment of financial assets

Judgement is made on classification of financial assets assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely for Payment of Principal and Interest (SPPI) on the principal amount outstanding.

Judgement is made in establishing the criterion for determining whether credit risk on the financial instrument has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECLs) and selection and approvals of models used to measure ECL.

Assets accounted for at amortised cost and fair value through other comprehensive income are evaluated for impairment on a basis described Note 3(b).

The Bank recognises loss allowance at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Bank provides for 12-month ECLs. These are classified as Stage 1 assets.

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

Critical judgments

The following are the critical judgements, apart from those involving estimations (which are dealt with separately above), that the management have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

5 USE OF ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of financial assets (continued)

Critical judgements – continued

— *Business model assessment and assumptions*

Judgement is made on classification of financial assets assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely for Payment of Principal and Interest (SPPT) on the principal amount outstanding.

Judgement is made in establishing the criterion for determining whether credit risk on the financial instrument has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECLs) and selection and approvals of models used to measure ECL.

Assets accounted for at amortised cost and fair value through other comprehensive income are evaluated for impairment on a basis described Note 3(b).

The Bank recognises loss allowance at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Bank provides for 12-month ECLs. These are classified as Stage 1 assets.

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

— *SPPI Assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (refer to note 3(b).) The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

5 USE OF ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of financial assets (continued)

Critical judgements – continued

— *Significant increase of credit risk (SICR)*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. Instead management, in assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 3(b) for more details.

— *Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 3(b) for details of the characteristics considered in this judgement. The monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime

ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

— *Models and assumptions used*

The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to note 3 (b) for more details on ECL measurement.

(b) Fair value of financial instruments

Where the fair values of the financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

5 USE OF ESTIMATES AND JUDGEMENTS (Continued)

(c) Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer to Note 28 for details of ongoing tax matters.

The Bank recognises the net future tax benefit that relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Bank to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Bank to realise the net deferred tax assets recorded at the reporting date could be impacted.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Branch's accounting policies include financial asset and liability classification. The Branch's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets as held to collect and sell, the Branch has determined that it has both positive intention and ability to hold the assets until their maturity date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

6. FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classifications and fair values

31 December 2025	FVTPL KShs'000	FVOCI KShs'000	Amortised cost KShs'000	Carrying amount KShs'000	KShs'000 Level 1	Fair value KShs'000 Level 2	KShs'000 Level 3	Fair value KShs'000 Total
Financial assets								
Cash and balances with Central Bank of Kenya	-	-	29,586,818	29,586,818	-	29,586,818	-	29,586,818
Other assets	-	-	1,155,361	1,155,361	-	1,155,361	-	1,155,361
FVOCI government securities	-	47,920,113	-	47,920,113	-	47,920,113	-	47,920,113
FVTPL government securities	-	281,343	-	281,343	-	281,343	-	281,343
Derivative financial instruments	191,956	-	-	191,956	-	191,956	-	191,956
Placements with other banks	-	-	8,500	8,500	-	8,500	-	8,500
Balances due from foreign branches	-	-	40,226,222	40,226,222	-	40,226,222	-	40,226,222
Loans and advances to customers (net)	-	-	48,064,267	48,064,267	-	48,064,267	-	48,064,267
	191,956	48,201,456	119,041,168	167,434,580	-	167,434,580	-	167,434,580
Deposits from banks	-	-	3,113,071	3,113,071	-	3,113,071	-	3,113,071
Deposits from customers	-	-	130,500,150	130,500,150	-	130,500,150	-	130,500,150
Derivative financial instruments	133,305	-	-	133,305	-	133,305	-	133,305
Other liabilities (including lease liabilities)	-	-	2,489,703	2,489,703	-	2,489,703	-	2,489,703
	133,305	-	136,102,924	136,236,229	-	136,236,229	-	136,236,229

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

6. FINANCIAL ASSETS AND LIABILITIES (Continued)

(a) Accounting classifications and fair values (continued)

31 December 2024	FVPTL KShs'000	FVOCI KShs'000	Amortised cost KShs'000	Carrying amount KShs'000	KShs'000 Level 1	Fair value KShs'000 Level 2	KShs'000 Level 3	Fair value KShs'000 Total
Financial assets								
Cash and balances with Central Bank of Kenya	-	-	33,460,135	33,460,135	-	33,460,135	-	33,460,135
Other assets	-	-	3,112,454	3,112,454	-	3,112,454	-	3,112,454
FVOCI government securities	-	44,289,991	-	44,289,991	-	44,289,991	-	44,289,991
FVTPL government securities	-	706,557	-	706,557	-	706,557	-	706,557
Derivative financial instruments	870,059	-	-	870,059	-	870,059	-	870,059
Placements with other banks	-	-	533	533	-	533	-	533
Balances due from foreign branches	-	-	22,649,520	22,649,520	-	22,649,520	-	22,649,520
Loans and advances to customers (net)	-	-	64,987,924	64,987,924	-	64,987,924	-	64,987,924
	870,059	44,996,548	124,210,566	170,077,173	-	170,077,173	-	170,077,173
Deposits from banks	-	-	9,072,082	9,072,082	-	9,072,082	-	9,072,082
Deposits from customers	-	-	122,190,401	122,190,401	-	122,190,401	-	122,190,401
Derivative financial instruments	1,142,469	-	-	1,142,469	-	1,142,469	-	1,142,469
Other liabilities (including lease liabilities)	-	-	1,257,724	1,257,724	-	1,257,724	-	1,257,724
	1,142,469	-	132,520,207	133,662,676	-	133,662,676	-	133,662,676

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

6. FINANCIAL ASSETS AND LIABILITIES (Continued)

(a) Accounting classifications and fair values (continued)

The following sets out the branch's basis of establishing fair value of the financial instruments:

Valuation techniques for the level 2 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the Bank's valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
FVOCI instruments	Discounted cash flow valuation technique	Quoted yields that management has estimated as the reasonable basis for applying the adjustment
FVTPL instruments	Discounted cash flow valuation technique	Quoted yields that management has estimated as the reasonable basis for applying the adjustment
Derivatives assets and liabilities	Discounted cash flow valuation technique	Spot price, interest rate and/ or volatility

(b) 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 models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2025:

31 December 2025	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
FVOCI instruments	-	47,920,113	-	47,920,113
FVTPL instruments	-	281,343	-	281,343
Derivative financial instruments	-	191,956	-	191,956
Total assets	-	48,393,412	-	48,393,412

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

6. FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Valuation hierarchy (continued)

31 December 2025	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Liabilities				
Derivative financial instruments	-	133,305	-	133,305
Total liabilities	-	133,305	-	133,305
31 December 2024	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Assets				
FVOCI instruments	-	44,289,991	-	44,289,991
FVTPL instruments	-	706,557	-	706,557
Derivative financial instruments	-	870,059	-	870,059
Total assets	-	45,866,607	-	45,866,607
Liabilities				
Derivative financial instruments	-	1,142,469	-	1,142,469
Total liabilities	-	1,142,469	-	1,142,469

7. INTEREST INCOME

	2025	2024
	KShs '000	KShs '000
Loans and advances to customers	7,323,715	11,512,226
Government securities	4,778,529	5,367,779
Placements with other banks and institutions	1,240,906	243,268
Other interest income	148,215	771,168
	<u>13,491,365</u>	<u>17,894,441</u>

8. INTEREST EXPENSES

Customer deposits	3,360,749	3,918,625
Deposit from other banks and banking institutions	46,885	864,870
Other interest expense	130,646	4,455
	<u>3,538,280</u>	<u>4,787,950</u>
Net interest income	<u>9,953,085</u>	<u>13,106,491</u>

The amounts reported above include interest income and expense, calculated under the effective interest method, that relate to the following financial assets and financial liabilities.

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NOTES TO THE FINANCIAL STATEMENTS
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8. INTEREST EXPENSES (Continued)

	2025	2024
	KShs '000	KShs '000
Financial assets measured at amortised cost	8,564,621	11,755,494
Financial assets measured at FVOCI	<u>4,741,698</u>	<u>4,708,504</u>
	<u>13,306,319</u>	<u>16,463,998</u>
Financial liabilities measured at amortised cost	<u>3,407,634</u>	<u>4,783,495</u>

9. NON INTEREST INCOME

Income from foreign exchange dealing	2,966,624	4,868,551
Fee and commission income	1,029,058	1,176,829
Gain on disposal of held to collect and sell	3,291,085	2,809,981
Loss on disposal of fixed assets	(4)	(195)
	<u>7,286,763</u>	<u>8,855,166</u>

Income from forex dealing relates to the net gains on foreign exchange forward contracts and foreign currency positions. These are derivative instruments held at fair value through profit or loss.

Fees and commission income relate to fees earned by the Bank on transactional activities.

The loss on disposal of securities (held to collect and sell) relates to FVOCI investment securities disposed off during the year.

Under IFRS 15 Revenue from Contracts with Customers, entities are required to recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Non-interest income earned in respect of services rendered are recognised on an accrual basis when the service is rendered. Fees earned on the execution of a performance obligation are recognised when the performance obligation act has been completed.

10. NON INTEREST EXPENSES

	2025	2024
	KShs '000	KShs '000
Salaries and employee benefits	3,365,840	3,565,215
Share based payments	3,623	17,384
Depreciation (Note 20)	207,422	95,490
Right of use amortization (Note 27)	38,315	53,302
Occupancy costs	254,255	214,475
Deposit Protection Fund	185,404	167,022
Loss on adjustment of right of use asset	(14,795)	(46,735)
Other expenses	<u>2,329,250</u>	<u>2,357,033</u>
	<u>6,369,314</u>	<u>6,423,186</u>

The other expenses relates largely constitute irrecoverable taxes, recharges for IT support among others.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

11. PROFIT BEFORE TAXATION

	2025 KShs '000	2024 KShs '000
Profit before taxation is arrived at after charging /(crediting):		
Auditor remuneration	14,454	14,348
Depreciation	207,422	95,490
Right of use amortisation	38,315	53,302
(Loss)/gain on sale of property and equipment and lease termination	(4)	195

12. INCOME TAX EXPENSE

(a) Income tax charge

Current income tax at 30%	3,830,998	4,928,220
Deferred tax		
Current year (Note 21)	32,516	(107,830)
Prior year under provision on deferred tax	-	(10,437)
	<u>3,863,514</u>	<u>4,809,953</u>

(b) Tax reconciliation

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

	2025 KShs '000	2024 KShs '000
Accounting profit before tax	<u>10,555,914</u>	<u>15,290,292</u>
Computed tax using the applicable Corporation tax rate 30%	3,166,774	4,587,088
Prior year over/(under) provision on deferred tax	2,103	(10,437)
Non-deductible expenses	<u>694,637</u>	<u>233,302</u>
	<u>3,863,514</u>	<u>4,809,953</u>

(c) Tax payable/(recoverable)

Balance at 1 January	(837,179)	383,379
Charge for the year	3,830,998	4,928,220
Paid during the year	<u>(3,712,842)</u>	<u>(6,148,778)</u>
Balance at 31 December	<u>(719,023)</u>	<u>(837,179)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

13. CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	2025	2024
	KShs '000	KShs '000
Cash on hand	3,472,880	1,323,432
Available balances at Central Bank of Kenya	<u>21,882,739</u>	<u>26,910,469</u>
	25,355,619	28,233,901
Cash reserve with Central Bank of Kenya	<u>4,231,199</u>	<u>5,226,234</u>
Cash and cash equivalents (Note 26(b))	<u>29,586,818</u>	<u>33,460,135</u>

The cash reserve with the Central Bank of Kenya is non-interest earning and is based on the value of deposits as adjusted for Central Bank of Kenya requirements. Banks are required to maintain their cash reserve ratio (CRR) based on monthly average basis, free to deviate from the 3.25% on any given day but not to fall below 2%, provided that the overall average for the month will be at least 3.25%. At 31 December 2025, the CRR requirement was 3.25% of eligible deposits (2024 – 4.25%).

14. DEBT INVESTMENTS

	2025	2024
	KShs '000	KShs '000
Government securities		
FVOCI debt instruments		
Treasury bills:		
- Maturing within 90 days	-	4,451,535
- Maturing after 90 days	47,806,619	5,572,960
Treasury bonds		
- Maturing after 90 days	<u>113,494</u>	<u>34,295,107</u>
	<u>47,920,113</u>	<u>44,319,602</u>

FVTPL Debt instruments

Treasury bonds		
Maturing after 90 days	<u>281,343</u>	<u>676,946</u>

The weighted average effective interest rate on government securities as at 31 December 2025 was 13.27% (2024 – 12.96%).

Included in government securities are instruments which have a maturity period of 3 months or less from the date of origination and therefore meet the definition of cash equivalents amounting to KShs, Nil (2024 – KShs 4,451,535,000).

Change in FVOCI Investments

	2025	2024	Change
	KShs '000	KShs '000	KShs '000
Change in fair value of debt instruments at FVOCI	370,117	1,833,325	(1,463,208)
ECL Movement	<u>299,446</u>	<u>425,602</u>	(126,156)
	<u>669,563</u>	<u>2,258,927</u>	<u>(1,589,364)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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14. DEBT INVESTMENTS (Continued)

Valuation techniques for the level 2 fair value measurement of government securities held at fair value

The table below sets out information about the Bank's valuation techniques applied at the end of the reporting period in measuring government securities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Valuation technique applied	Significant observable inputs
Discounted cash flow valuation technique	Quoted yields that management has estimated as the reasonable basis for applying the adjustment

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The Bank uses the derivatives to manage its exposure to foreign currency risks. The types of derivatives used by the Bank are set out below.

All derivatives are recognised and subsequently measured at fair value, with all revaluation gains recognised in the profit or loss.

These tables analyse the notional principal amounts and the positive (assets) and negative (liabilities) fair values of the Bank's derivative financial instruments. Notional principal amounts are the amounts of principal underlying the contract at the reporting date.

	2025			2024		
	Notional principal amounts KShs '000	Assets KShs '000	Liabilities KShs '000	Notional principal amounts KShs '000	Assets KShs '000	Liabilities KShs '000
Forward foreign exchange contracts	30,838,674	191,956	133,305	53,665,314	870,059	1,142,469

Valuation techniques for the level 2 fair value measurement of derivatives held at fair value

The table below sets out information about the Bank's valuation techniques applied at the end of the reporting period in measuring derivatives whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Valuation technique applied	Significant observable inputs
Discounted cash flow valuation technique	Spot price, interest rate and/or volatility

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16. PLACEMENTS WITH OTHER BANKS

	2025	2024
	KShs '000	KShs '000
Due within 90 days	8,941	563
Impairment	(441)	(30)
	<u>8,500</u>	<u>533</u>

Banks are required by Central Bank to maintain certain cash ratios (CRR) and also facilitate liquidity in the market through interbank borrowing and lending. The weighted average effective interest rate on placements as at 31 December 2025 was 0.0% (2024 – 0.0%).

17. BALANCES DUE FROM FOREIGN BRANCHES

	2025	2024
	KShs '000	KShs '000
Due within 90 Days	40,249,069	22,663,180
Impairment	(22,847)	(13,660)
Total	<u>40,226,222</u>	<u>22,649,520</u>

These are balances due from foreign branches of Citibank N.A. which had weighted average effective interest rate at 31 December 2025 of 4.24% (2024 – 5.15%).

18. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances

	2025	2024
Product classification	KShs '000	KShs '000
Overdrafts	17,913,710	17,719,239
Loans	28,868,816	42,546,059
Bills discounted and bills negotiated	<u>3,367,569</u>	<u>6,493,834</u>
Gross loans and advances	50,150,095	66,759,132
Less: Loss allowance (Note 4(a))	(2,085,828)	(1,771,208)
Net loans and advances	<u>48,064,267</u>	<u>64,987,924</u>

(b) Loans and advances

Product classification

The bank monitors concentration of credit risk by sector. An analysis of concentration of credit risk from loans and advances is shown below:

	2025	2024
	KShs '000	KShs '000
<i>Lending by economic activities:</i>		
Manufacturing	19,188,006	29,808,422
Business services	2,697,182	952,521
Agriculture and related	818,302	1,117,620
Mining and quarrying	78,789	2,427,945
Transport and communications	11,805,673	18,805,850
Wholesale and retail trade	4,267,906	4,464,446
Finance and insurance	8,300,012	8,300,012
Social community and personal services	130,823	139,427
Others	<u>2,863,402</u>	<u>742,889</u>
	<u>50,150,095</u>	<u>66,759,132</u>

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18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Expected credit losses

	Stage 1 and 2 impairment losses KShs '000	Stage 3 impairment losses KShs '000	Total KShs '000
2025			
At 1 January 2025	489,501	1,281,707	1,771,208
Made during the year	<u>155,275</u>	<u>159,345</u>	<u>314,620</u>
At 31 December 2025	<u>644,776</u>	<u>1,441,052</u>	<u>2,085,828</u>
	Stage 1 and 2 impairment losses KShs '000	Stage 3 impairment losses KShs '000	Total KShs '000
2024			
At 1 January 2024	240,042	1,282,987	1,523,029
Made during the year	<u>249,459</u>	<u>(1,280)</u>	<u>248,179</u>
At 31 December 2024	<u>489,501</u>	<u>1,281,707</u>	<u>1,771,208</u>

(d) Impairment loss provisions

	2025 KShs '000	2024 KShs '000
Charge for the year	637,683	247,414
Write offs	-	765
Recoveries	<u>(323,063)</u>	<u>-</u>
	<u>314,620</u>	<u>248,179</u>

(e) Impaired loans and advances

Impaired loans and advances	1,930,801	2,241,963
Impairment loss provision	<u>(1,441,052)</u>	<u>(1,281,707)</u>
Recoverable amount of impaired loans and advances	<u>489,749</u>	<u>960,256</u>
Interest on impaired loans and advances which has not yet been received in cash	<u>-</u>	<u>-</u>

The estimated realisable value of securities held against this balance is KShs 194,484,750 (2024 – KShs 186,150,000). The realisation of the securities is subject to legal process.

19. OTHER ASSETS

	2025 KShs '000	2024 KShs '000
Items in transit	80,596	85,061
Other receivables	1,076,046	3,034,617
Impairment	<u>(1,281)</u>	<u>(7,224)</u>
	<u>1,155,361</u>	<u>3,112,454</u>

Other receivables relates largely to items under clearance and prepayments for various services.

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20. PROPERTY AND EQUIPMENT

2025	Buildings & improvements KShs '000	Furniture & equipment KShs '000	Motor vehicles KShs '000	Computers KShs '000	Work in progress KShs '000	Right of Use KShs '000	Total KShs '000
Cost							
As at 1 January 2025	1,108,210	133,652	36,927	203,690	291,789	174,670	1,948,938
Transfer from work in progress	334,666	69,283	-	53,613	(457,562)	-	-
Reclassification/adjustment	(755)	-	-	62	-	14,795	14,102
Additions	3,515	391	-	20,054	202,711	-	226,671
Disposals	(8,147)	(2,523)	-	(30,834)	(9,140)	-	(50,644)
As at 31 December 2025	1,437,489	200,803	36,927	246,585	27,798	189,465	2,139,067
Depreciation							
As at 1 January 2025	695,873	103,428	36,927	160,959	-	97,023	1,094,210
Charge for the year	136,967	28,963	-	41,492	-	38,315	245,737
Disposal/write-off	(8,147)	(2,023)	-	(31,330)	-	-	(41,500)
As at 31 December 2025	824,693	130,368	36,927	171,121	-	135,338	1,298,447
Carrying amount							
As at 31 December 2025	612,796	70,435	-	75,464	27,798	54,127	840,620

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20. PROPERTY AND EQUIPMENT (Continued)

2024	Buildings & improvements KShs '000	Furniture & equipment KShs '000	Motor Vehicles KShs '000	Computers KShs '000	Work in progress KShs '000	Right of Use KShs '000	Total KShs '000
Cost							
As at 1 January 2024	1,034,866	126,762	36,927	200,625	16,491	221,405	1,637,076
Transfer from work in progress	3,846	4,659	-	7,986	(16,491)	-	-
Reclassification/adjustment	-	1,059	-	(1,059)	-	(46,735)	(46,735)
Additions	69,498	1,172	-	12,724	291,789	-	375,183
Disposals	-	-	-	(16,586)	-	-	(16,586)
As at 31 December 2024	1,108,210	133,652	36,927	203,690	291,789	174,670	1,948,938
Depreciation							
As at 1 January 2024	642,856	92,215	36,927	146,090	-	43,721	961,809
Charge for the year	53,017	10,846	-	31,627	-	53,302	148,792
Reclassification	-	367	-	(367)	-	-	-
Disposal/write-off	-	-	-	(16,391)	-	-	(16,391)
As at 31 December 2024	695,873	103,428	36,927	160,959	-	97,023	1,094,210
Carrying amount							
As at 31 December 2024	412,337	30,224	-	42,731	291,789	77,647	854,728

Included in property and equipment are assets with a gross value of KShs 573,916,158 (2024 – KShs 468,120,256) which are fully depreciated but still in use. Such assets would have a notional depreciation of KShs 95,386,723 (2024 – KShs 78,673,642).

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21. DEFERRED TAX

The deferred tax asset at 31 December 2025 and 31 December 2024 is attributable to temporary differences in the carrying amounts of certain items for accounting and taxation purposes respectively, as specified below:

	As at 1 January 2025 KShs '000	Prior year under provision KShs '000	Recognized in profit or loss KShs '000	Recognized in equity KShs '000	At 31 December 2025 KShs '000
2025					
Arising from:					
Property and equipment	(88,625)	2,103	(5,730)	-	(92,252)
Fair value reserve	677,679	-	-	(476,810)	200,869
General provision for expenses	(98,730)	-	(17,112)	-	(115,842)
Contingent provisions	(75,168)	-	75,168	-	-
Equity compensation	(37,814)	-	1,094	-	(36,720)
Bad debts provision	(430,001)	-	(23,007)	-	(453,008)
	(52,659)	2,103	30,413	(476,810)	(496,953)
2024					
Arising from:					
Property and equipment	(87,586)	(10,437)	9,398	-	(88,625)
Fair value reserve	2,336	-	-	675,343	677,679
General provision for expenses	(130,966)	-	32,236	-	(98,730)
Contingent provisions	-	-	(75,168)	-	(75,168)
Equity compensation	(50,449)	-	12,635	-	(37,814)
Bad debts provision	(343,070)	-	(86,931)	-	(430,001)
	(609,735)	(10,437)	(107,830)	675,343	(52,659)

22. DEPOSITS FROM OTHER BANKS AND BANKING INSTITUTIONS

	2025 KShs '000	2024 KShs '000
Payable within 90 days	2,603,420	8,742,368
Payable above 90 days	<u>509,651</u>	<u>329,714</u>
	<u>3,113,071</u>	<u>9,072,082</u>

These are mainly deposits from local banks, non resident banks and banking institutions which had a weighted average interest rate of 3.49% as at 31 December 2025 (2024 – 7.10%).

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23. CUSTOMER DEPOSITS

	2025	2024
	KShs '000	KShs '000
Resident – foreign currency accounts	50,310,002	50,620,133
Private enterprises	62,011,531	57,310,871
Non-profit institutions and individuals	2,406,880	2,537,082
Non-financial public enterprises	<u>15,771,737</u>	<u>11,722,315</u>
	<u>130,500,150</u>	<u>122,190,401</u>

These are mainly current account balances or term deposits held for customers which had a weighted average interest rate of 3.82% as at 31 December 2025 (2024 – 7.25%).

24. (a) OTHER LIABILITIES

	2025	2024
	KShs '000	KShs '000
Sundry unclaimed items	219,832	610,888
Accrued expenses and other payables	<u>2,166,908</u>	<u>505,564</u>
	<u>2,386,740</u>	<u>1,116,452</u>

(b) LEASE LIABILITIES

Lease liabilities	<u>102,963</u>	<u>141,272</u>
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25. EQUITY

(a) Assigned capital

The parent's capital assigned to Kenya branches was KShs 4,582,975,000 (2024 – KShs 4,582,975,000), which meets the minimum core capital requirement of KShs 3 billion (2024 – KShs 1 billion) in compliance with the Banking Act.

(b) Fair value reserve

This comprises the fair value movements in FVOCI instruments excluding impairment losses and the transfers when the instruments are derecognised. The amount is presented net of the deferred tax effect.

(c) Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under IFRS Accounting Standards, the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits. During the year, the bank transferred KShs 698 million from statutory credit reserve (2024 – KShs 75 million transfer to statutory credit reserve) to bring the statutory credit provisions to KShs 1.74 billion (2024 – KShs 2.36 billion). These reserves are not distributable.

	2025	2024
	KShs '000	KShs '000
Central Bank of Kenya provisions	1,737,531	2,358,891
IFRS 9 Provisions	<u>(1,510,027)</u>	<u>(1,433,336)</u>
Statutory credit risk reserve	<u>227,504</u>	<u>925,555</u>

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25. EQUITY (Continued)

(d) Equity compensation reserve

This comprises the fair value of share-based payment awards granted to employees.

Description of share-based payment arrangements

At 31 December 2025, the Citigroup had the following share-based payment arrangements.

Capital Accumulation Program (Equity-settled)

Citigroup's Discretionary Incentive and Retention award plan (DIRAP) is the scheme under which employees are awarded discretionary variable compensation and applies globally. Under the DIRAP eligible employees receive an annual incentive and retention award. These awards are discretionary and granted on an annual basis, although eligibility is not a guarantee that an employee will receive an award.

The Capital Accumulation Program (CAP) or deferred stock award is a component of Citigroup's Discretionary Incentive and Retention award plan (DIRAP).

Deferred stock is an unfunded, unsecured promise to deliver Citigroup common stock at the end of a specified period of time, called the vesting period, during which the award is subject to reduction or cancellation if vesting conditions are not satisfied, it may also be subject to the Citi malus and clawback. The 2025 CAP awards vest 25% per year.

The value that may be realised from a deferred stock award vesting depends on the future market price of Citigroup common stock.

The vesting conditions of awards outstanding at 31st December 2025 are as following:

Vesting schedule description	Award type
25% per year over 4 years	2022 Deferred Stock Award – Standard
25% on 20/03/2023, 25% on 20/03/2024, 25% on 20/03/2025, 25% on 20/03/2026	2022 Deferred Stock Award - Off-cycle
30.53% on 10/20/2022, 34.23% on 10/20/2023, 23.04% on 10/20/2024, 12.2% on 10/20/2025	2022 Deferred Stock Award - Off-cycle
13.78% on 11/20/2022, 7.61% on 2/20/2023, 22.03% 3/20/2023, 21.03% on 2/20/24, 35.55% 2/20/2025	2022 Deferred Stock Award - Off-cycle
25% per year over 4 years	2023 Deferred Stock Award – Standard
42.6% on 10/20/2023, 34.15% on 10/20/2024, 23.25% on 10/20/2025	2023 Deferred Stock Award - Off-cycle
25% per year over 4 years	2024 Deferred Stock Award – Standard
25% per year over 4 years	2025 Deferred Stock Award – Standard
100% on 9/20/28	2025 Deferred Stock Award - Off-cycle

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

26. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash flows from operating activities

	2025	2024
	KShs '000	Restated* KShs '000
Profit before taxation	10,555,914	15,290,292
Impairment loss recognized (Note 18(d))	637,683	248,179
Recoveries (Note 18(d))	(323,063)	-
Depreciation (Note 20)	207,422	95,490
Amortisation of right of use asset (Note 20)	38,315	53,302
Equity compensation provision (Note 10)	(3,623)	(17,384)
Loss on disposal of property and equipment (Note 20)	4	195
(Gain)/loss on adjustment of Right of use & Plant and equipment (Note 20)	(14,102)	46,735
Interest on lease liabilities (Note 27 (iii))	5,160	7,596
Net interest income	(9,953,085)	(13,106,491)
Exchange differences on cash and cash equivalents	(32,935)	1,796,487
Translation difference on lease liabilities ((Note 27 (iii)))	4,955	(29,702)
	<u>1,122,645</u>	<u>4,384,699</u>
Decrease/(increase)in operating assets		
Debt instruments	(9,245,807)	(7,116,483)
Derivative instruments	678,103	(466,518)
Loans and advances to customers	16,609,037	(9,372,169)
Other assets	1,957,093	(1,149,293)
Deposits from other banks payable above 90 days	179,937	329,714
Customer deposits	8,309,749	11,871,936
Derivative instruments	(1,009,164)	701,039
Other liabilities	1,270,288	(10,159)
	<u>18,749,236</u>	<u>(5,211,933)</u>
Cash generated from operating activities	<u>19,871,881</u>	<u>(827,234)</u>
Tax paid	(3,712,842)	(6,148,778)
Interest received from loans and advances	13,491,365	17,894,441
Interest paid on deposits	(3,538,280)	(4,787,950)
Interest paid on lease liabilities	(5,160)	(7,596)
Net cash generated from operating activities	<u>26,106,964</u>	<u>6,122,883</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

26. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analyses of cash and cash equivalents

	2025	2024	Exchange	Change in
	KShs '000	Restated* KShs '000	differences KShs '000	the year KShs '000
Cash and available balances with:				
Central Bank of Kenya (Note 13)	29,586,818	33,460,135	6,847	(3,880,164)
Placements with other banks (Note 16)	8,500	533	-	7,967
Balances due from foreign branches (Note 17)	40,226,222	22,649,520	29,481	17,547,221
Debt investments (Note 14)	-	4,451,535	-	(4,451,535)
Deposits from other banks and banking institutions (Note 22)	(2,603,420)	(8,742,368)	(3,393)	6,142,341
	<u>67,218,120</u>	<u>51,819,355</u>	<u>32,935</u>	<u>15,365,830</u>

*See Note 3 (q)

27. LEASES

Right of Use Assets

	2025	2024
	KShs '000	KShs '000
Cost		
Balance at 1 January	174,670	221,405
Adjustments	<u>14,795</u>	<u>(46,735)</u>
Balance as at 31 December	<u>189,465</u>	<u>174,670</u>
Depreciation		
Depreciation as at 1 January	(97,023)	(43,721)
Depreciation for the year	<u>(38,315)</u>	<u>(53,302)</u>
As at 31 December	<u>(135,338)</u>	<u>(97,023)</u>
Carrying value at 31 December	<u>54,127</u>	<u>77,647</u>

Lease liabilities

(i) Maturity analysis-contractual cashflows

	2025	2024
	KShs '000	KShs '000
Expected to be settled within 12 months after the year end	32,806	38,089
Expected to be settled more than 12 months after the year end	<u>70,157</u>	<u>103,183</u>
	<u>102,963</u>	<u>141,272</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. LEASES (Continued)

Lease liabilities (continued)

(ii) Amounts recognised in statement of cash flows

	2025	2024
	KShs '000	KShs '000
Payments of principal portion of the lease liability	43,264	61,792
Interest paid on lease liabilities	<u>5,160</u>	<u>7,596</u>
	<u>48,424</u>	<u>69,388</u>

(iii) Movement for the year ended 31 December

At 1 January	141,272	232,766
Interest expense	5,160	7,596
Lease principal payment	(43,264)	(61,792)
Interest expense paid	(5,160)	(7,596)
Translation difference	<u>4,955</u>	<u>(29,702)</u>
At 31 December	<u>102,963</u>	<u>141,272</u>

(iv) Amounts recognised in profit or loss

Leases under IFRS 16

Interest on lease liabilities	5,160	7,596
Depreciation of right to use asset	<u>38,315</u>	<u>53,302</u>
	<u>43,475</u>	<u>60,898</u>

(v) Extension options

The lease of office premises contains an extension option exercisable by the Bank up to one term after the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

28. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

(a) Letter of credit, guarantees and acceptances

In the ordinary course of business, the Bank conducts business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At year end, the contingencies were as follows;

	2025	2024
	KShs '000	KShs '000
Letters of credit	2,181,874	1,754,537
Guarantees	10,919,508	9,328,976
Acceptances	4,095,754	2,809,151
Unused commitments	<u>4,398,416</u>	<u>4,103,542</u>
	<u>21,595,552</u>	<u>17,996,206</u>

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NOTES TO THE FINANCIAL STATEMENTS
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28. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (Continued)

(a) Letter of credit, guarantees and acceptances (continued)

Nature of contingent liabilities

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

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

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is almost immediate.

At the year end, commitments were as follows:

Commitments

	2025 KShs '000	2024 KShs '000
Outstanding spot foreign exchange contracts	<u>2,635,961</u>	<u>3,364,230</u>
Outstanding forward foreign exchange contracts	<u>28,202,713</u>	<u>50,301,084</u>

Spot contracts involve the purchase and sale of foreign currencies for delivery and payment within two business days. Foreign exchange forward contracts are agreements to buy and sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

A currency option is an agreement between two counter-parties, giving the option buyer (option holder) the right, but not the obligation, either to buy or to sell a quantity of currency at a specified rate, on or before a specified date in the future.

(b) Ongoing tax matters with the Kenya Revenue Authority

- (i) In February 2018 Kenya Revenue Authority (KRA) issued an excise duty assessment against the Bank for the period covering 2013 to 2016 demanding tax payable amounts of KShs 127,157,588 comprising of principal tax of KShs 72,002,568 plus penalties KShs 14,762,755 and interest of KShs 40,392,265. The Bank disputed the assessment and matter was referred to the dispute resolution team (ADR). No agreement was reached at the ADR and case was filed in the Tax Appeal Tribunal (TAT).

The Tax Appeals Tribunal (TAT) ruled in favour of the Bank but KRA appealed to the High Court and the High Court ruled in favour of KRA. The bank appealed the High Court ruling at the Court of Appeal on 19 January 2024. The Court of Appeal gave directions on the hearing of the appeal on 08 July 2024. Based on the Management's assessment, the probability of a future cash outflow as a result of this matter is remote and hence no provisions have been made.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

28. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (Continued)

(b) Ongoing tax matters with the Kenya Revenue Authority (continued)

- (ii) On 28 October 2025, KRA issued tax assessment in relation to corporate income tax, value added tax and withholding tax obligations amounting to KShs1,596,896,896 inclusive of interest and penalty, out of which KShs 1,106,268,100 relates to principal tax, KShs 55,313,405 relates to penalty and KShs 435,315,391 relates to interest. The assessment covered the periods 2020 to 2022. Citibank N.A. Kenya in conjunction with our tax experts reviewed and objected to the findings on 9 December 2025 which was declined by KRA. Citibank N.A. (Kenya Branches) is in the process of filing a case at the TAT.

29. ASSETS PLEDGED AS SECURITY

As at 31 December 2025 - Nil (2024- Nil), there were no assets pledged by the Bank to secure liabilities and there were no secured bank liabilities.

30. RELATED PARTY TRANSACTIONS

(a) Transactions with other Citibank branches and subsidiaries

In the normal course of business, transactions are entered into with other branches and subsidiaries of Citibank N.A, the parent company. During the year, the Bank had recoveries expenses amounting to KShs 1,754,534,346 (2024 – KShs 737,012,813) to other Citibank branches and subsidiaries. These transactions were carried out at arm's length.

The balances due from Citibank foreign branches are as disclosed under Note 17.

(b) Key Management personnel transaction

The Bank has entered into transactions with its employees:

	2025	2024
	KShs '000	KShs '000
Staff loans to Key management	<u>35,116</u>	<u>38,877</u>

Interest earned on loans to key management amounted to KShs 3,218,112 (2024 – KShs 2,396,728).

Interest rates charged on balances outstanding from employees are determined by the Senior Human Resource Committee and are granted at a discounted market interest rate. The mortgages and secured loans granted are secured over property and other assets of the respective borrowers.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

30. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Compensation of the Bank's key management personnel includes salaries, bonuses, non-cash benefits and contributions for retirement benefits under a defined contribution plan. Some bank officers also participate in the Group's share option programme.

	2025	2024
	KShs '000	KShs '000
Short-term employee benefits;	539,145	569,829
Other long-term benefits;	<u>13,600</u>	<u>29,372</u>
	<u>552,745</u>	<u>599,201</u>

31. PARENT COMPANY

The Bank is a branch of Citibank N.A, a national banking association formed under the laws of the United States of America. The ultimate holding Bank of the parent is Citigroup Inc., which is publicly listed on the New York Securities Exchange.

32. EVENT AFTER THE REPORTING DATE

Significant escalation in geopolitical tensions in the Middle East have contributed to heightened global market volatility. The situation remains fluid and the potential impact of these evolving circumstances including the possibility of higher fuel and logistics related cost pressures, increased inflation uncertainty impacting rates, and periods of foreign exchange and market volatility associated with shifts in global risk sentiment, will be monitored and assessed into the year ahead. While the impacts to the Bank have yet to materialise, these developments arose after year-end and are considered non adjusting events under IAS 10 Events after the Reporting Period. Accordingly, no adjustments have been made to the amounts recognised in the financial statements for the reporting period ended 31 December 2025.