



Caritas
MICROFINANCE BANK
Twaimarisha Jamii

2025

**ANNUAL REPORT &
FINANCIAL STATEMENTS**

We are truly humbled and honoured to be
recognized as the

Overall Best Microfinance Bank in Kenya



- Thank you -

To all our customers, staff & partners for making this possible.

ABOUT THIS REPORT

Our Reporting Scope and Boundary

The Caritas Microfinance Bank Annual Report and Financial Statements serve as our primary disclosure document for the year 2025. The report provides a comprehensive and transparent overview of both our financial and non-financial performance for the period from **1st January 2025 to 31st December 2025**.

It updates stakeholders on our performance during the reporting period while offering insights into how our sustainable business model creates long-term value, drives growth, and delivers meaningful impact for all stakeholders.

The report further outlines our strategy, governance framework, operational performance, and future outlook within the context of the evolving operating environment.



Our Audience

This report primarily is addressed to our shareholders, but we have also included information relevant to our other stakeholders including employees, customers, regulators, partners, and the society.

OUR KEY MILESTONES

Licensing & Opening

2015

- Kawangware Branch Opened
- Official opening of the Bank

2017

- Karen Marketing Office Opened

2020

2016

- Cardinal Otunga Retail & Corporate Branch Opened
- Caritas Insurance Agency Limited incorporated.

2018

- Donholm, Thika & Karuri Branch Opened

- Celebrated a Decade of Impact
- Launched: CARIMED, Caritas CWA & Youth Product, Caritas Changa, Kanisa App, ERP System, and Solarization of Catholic-Owned Institutions
- Opened Karen Branch
- Best Microfinance Bank in Product Innovation, Agriculture & Livestock Financing. *(Think Business Banking Awards)*
- Recognized as Best Board Audit Committee in Banks & MFBs category. *(Institute on Internal Auditors Awards)*

- Caritas Bancassurance Intermediary Licensed (IRA)
- Overall Best Microfinance Bank in Kenya *(Think Business Banking Awards)*
- Nakuru Branch Opened

2023

2025

2022

- Upgraded to Tier 1 Group
- Caritas Bancassurance Intermediary Limited Commissioned
- Caritas Pay App Launched
- Joined Automated Clearing House
- Business Segmentation
- The Training and Resource Center Launched
- Fastest Growing Microfinance Bank in Kenya 2018 – 2022 *(Think Business Banking Awards)*

2024

- Launched:-Caritas Pay Portal, Caritas Digital Account, Pesa Link Integration & Caritas Pamoja
- Cardinal Otunga & Thika Branch Re-opened
- Githurai & Nyeri Branch Opened
- System Integration- CO BANK+
- Inaugural Interbank Sports Participation
- Best Microfinance Bank in Product Innovation, Agriculture & Livestock Financing. *(Think Business Banking Awards)*

CARITAS MFB SNAPSHOT

Caritas Microfinance Bank Limited was established in **2015** as a faith-based, community-driven financial institution founded by the Catholic Archdiocese of Nairobi. Founded on strong Catholic teachings and ethos, the Bank was created to address the financial inclusion needs of underserved households, micro-enterprises, and institutions, particularly within the Catholic ecosystem and the wider Kenyan market.

Since inception, the Bank has remained firmly anchored on its mission of driving ethical transformation through sustainable financial services, while advancing household prosperity and strengthening communities. Its operating philosophy is guided by strong values, prudent stewardship, and a commitment to delivering both social impact and commercial sustainability.

Caritas Microfinance Bank occupies a unique position in Kenya's financial services sector as an institution that successfully combines mission-driven banking with disciplined commercial execution.



Vision

To be the preferred bank for household prosperity.



Mission

Driving ethical transformation through sustainable financial services.



Purpose

Accelerating household-driven prosperity.



Core Values



Ethical



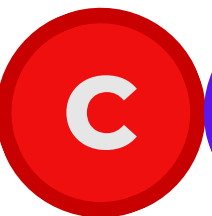
Teamwork



Honesty



Inclusion



Customer-Centric



Stewardship

THE OPERATING ENVIRONMENT IN 2025

The year 2025 was marked by a complex and evolving economic and social landscape that affected businesses, households, and financial institutions across Kenya.

Political and Social Dynamics

The **political environment** during the year led to periods of **social and economic disruption**,



particularly through public *demonstrations* that affected businesses and slowed economic activity in several parts of the country. These developments contributed to uncertainty in the business environment, impacting trade, mobility, and customer operations.

Economic Pressures and Cost of Living

The broader economy experienced **slow growth, rising cost of living, and increasing sovereign debt pressures**, which placed strain on households and small businesses. Many customers faced reduced disposable income and constrained cash flows.



To cushion customers during this period, the Bank focused on **responsible lending, financial advisory, and customer-centered solutions**, ensuring clients could continue accessing financial services that support stability and long-term prosperity.

Sustainable Finance

The financial services industry also witnessed the **adoption of new business models powered by cloud-based and composable technology architectures**,

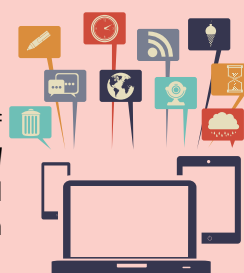


enabling institutions to innovate faster and deliver customer-centric services.

Aligned with this shift, the Bank intensified its focus on **green financing and sustainable lending**, partnering with key stakeholders to promote **electric vehicle (EV) financing** and the **solarization of institutions**. These initiatives not only support environmental sustainability but also provide customers with cost-efficient and future-ready energy solutions.

Digital Transformation of Financial Services

The continued growth of **digital wallets and digital payment ecosystems** reshaped how customers transact both online and in-store.



This shift accelerated the need for stronger collaboration between financial institutions and digital platforms.

The Bank continued to strengthen its **digital capabilities and partnerships**, and currently **99%** of the bank's transactions take place online.



Climate and Environmental Challenges

Climate-related events, including spot floods in low-lying areas, continued to disrupt livelihoods and economic activity across several communities. These climate shocks disproportionately affected vulnerable households and small enterprises.

The Bank strengthened its commitment to climate-conscious financing, supporting customers in adopting clean energy solutions and sustainable practices.

Youth Engagement

The **Gen Z-led protests** reflected the growing demand among young people for economic inclusion, opportunities, and meaningful participation in the economy.

Recognizing the importance of engaging the youth, the Bank began developing the **Caritas Youth Connect Program**, an initiative aimed at empowering young people through **financial literacy, entrepreneurship support, and access to tailored financial solutions**, helping them build sustainable economic futures.



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BANK INFORMATION

Principal place of Business

Cardinal Otunga Annex
Cardinal Otunga Street
P.O. Box 15352-00100
Nairobi, Kenya.

Registered Office

LRNO 209/13626, Nairobi
Kaunda, Street
P.O. Box 14231-00800
Nairobi, Kenya.

Company Secretary

Image Registrars Limited
Certified Public Secretary (K)
P.O. Box 9287-00100
Nairobi, Kenya.

Independent Auditor

Forvis Mazars LLP
Certified Public Accountants (K)
The Green House, 3rd Floor, Suite 8
P.O. Box 61120-00200
Nairobi, Kenya.

Principal Bankers

NCBA Bank Kenya Plc
Wabera Branch
P.O. Box 44599-00100
Nairobi, Kenya.

Cooperative Bank of Kenya
City Hall Branch
P.O. Box 48231-00100
Nairobi, Kenya.

Family Bank Ltd
Fourways- Corporate Branch
P.O. Box 74145-00200
Nairobi, Kenya.

BOARD OF DIRECTORS



Fr. CPA Simon Ng'ang'a

DIRECTOR

Audit, Risk & Compliance Committee Chair



Dr. AnneMary Nkirote

DIRECTOR

Credit Committee Chair



Mr. Graham Waliaula

DIRECTOR

Business Development Committee Chair



CPA Patrick Kinyori
Board Chair



Fr. Peter Kiarie

DIRECTOR

HR, Procurement & Leadership Committee Chair



Ms. Joyce Njeri Munene

DIRECTOR

Member, HR, Procurement & Leadership Committee



Dr. Tom Muchiru Kahigu

DIRECTOR

ICT & Operations Committee Chair



Ms. Naomi Wanjiru Matheri

DIRECTOR

Finance & Strategy Committee Chair

BANK'S MANAGEMENT



Moses Ng'ang'a
Head of Institutional Banking



CPA Amon Kariuki
Head of Finance & Strategy



Davies Muriuki
Head of ICT



CHRP Everlyne Mutuku
Head of HR & Admin



Salome Mukuria
Ag. Head of Marketing, Research
& Corporate Communications



FA Sospeter Wafula Sitati
Head of Credit



David Mukaru
Chief Executive Officer



Benson Otworu
Head of Risk & Compliance



CPA Geoffrey Bundi
Head of Audit



Dennis Nderitu- AKIB
Head of Operations



Martin Kirimi
Head of Retail Banking

CHAIRMAN'S STATEMENT



**CPA Patrick Kinyori, FKIM
Chairman**

Distinguished Shareholders, Board of Directors, Management, Invited Guests, Ladies and Gentlemen,
Greetings and the Peace of Christ,

It is my great honour and privilege to present the 2025 Financial Statements of Caritas Microfinance Bank during this 11th Annual General Meeting. This year marks an important milestone in our journey as we celebrate eleven years since the inception of the Bank, a journey defined by resilience, growth, innovation, and meaningful social impact.

As a Bank founded on the principles of ethical transformation and financial inclusion, we remain steadfast in our mission of empowering households and communities through sustainable financial services. I sincerely thank all our shareholders, customers, partners, and stakeholders for your continued confidence, commitment, and support throughout this remarkable journey.

Economic Performance Overview

The year 2025 presented a dynamic and challenging economic environment both globally and locally. Persistent geopolitical tensions, particularly the conflict in Ukraine and instability in the Middle East, continued to exert pressure on global fuel and food prices, contributing to inflationary pressures across many economies, including Kenya.

Locally, the financial sector experienced significant reforms led by the Central Bank of Kenya (CBK) aimed at stimulating private sector credit growth and strengthening monetary policy transmission.

During the year, the CBK reduced the Central Bank Rate from 10.75% to 9.00%, while also introducing the Kenya Shilling Overnight Interbank Average (KESONIA) and transitioning the industry toward risk-based credit pricing models.

These reforms marked a significant shift within the banking and microfinance sector, requiring institutions to transition from traditional fixed lending models to more dynamic and market-responsive pricing frameworks.

Despite these changes, Caritas Microfinance Bank remained resilient, agile, and well-positioned to support our customers while maintaining financial stability and sustainable growth.

Financial Performance Highlights

I am pleased to report that the Bank delivered strong financial and operational performance during the year under review, reflecting the effectiveness of our strategy and the confidence our customers continue to place in us.

CHAIRMAN'S STATEMENT

Key highlights include:

- Total Assets grew by 31% to Kshs 6.4 Billion from Kshs 4.9 Billion in 2024.
- Customer Deposits increased by 30% to Kshs 5.4 Billion compared to Kshs 4.2 Billion in the previous year.
- Loans and Advances grew by 27% to Kshs 3.8 Billion from Kshs 3.0 Billion in 2024.
- Total Revenue increased by 22% to Kshs 949 Million from Kshs 777 Million in 2024.
- Profit Before Tax (PBT) improved significantly by 35%, rising from Kshs 55 Million to Kshs 74 Million.
- Capital Base strengthened further following an additional shareholder capital injection of Kshs 38.9 Million, bringing total capital to Kshs 805.8 Million.

These results demonstrate the Bank's strong growth momentum, disciplined execution, prudent risk management, and continued focus on sustainable profitability.

Awards and Recognition

Our commitment to excellence, innovation, governance, and customer service continued to receive national recognition through several prestigious awards and accolades.

Think Business Awards 2026

- Overall Best Microfinance Bank in Kenya.
- Winner -Best MFB in Product Innovation
- Winner-Best MFB in Digital Banking
- 1st Runners-Up - Fastest Growing MFB in Kenya

Kenya Bankers Association (KBA)

- Winner – Excellence in Banking Customer Experience 2025

Internal Audit & Risk Awards 2026

- Winner – Best Board Audit Committee
- Winner – Best Internal Audit Function of the Year

Banking on Women Awards

- Winner (2025–2026) – Excellence in Women's Micro-Investment and Community Impact

These accolades demonstrate our unwavering dedication to inclusive finance, robust governance, and digital transformation. As we look ahead, we remain committed to sustaining this momentum and ensuring that our growth continues to be anchored in innovation and exceptional service to our customers and the wider community.

Corporate Governance

The Bank continues to uphold the highest standards of corporate governance in line with the Microfinance Act, Companies Act, and applicable regulatory guidelines.

The Board comprises a diverse and highly experienced team with expertise across banking, finance, technology, governance, public policy, and strategy. Through well-structured Board Committees, the Board continues to provide effective oversight, strategic direction, and prudent stewardship of the institution.

During the year, we were pleased to welcome two distinguished directors to the Board:

- **Dr. Tom Kahigu:** A seasoned IT and Enterprise Architecture expert with over 30 years of corporate experience and a Doctorate in Strategic Management.
- **Ms. Naomi Matheri:** A seasoned Economist and Statistician specialising in Public Finance and resource mobilisation, with over 18 years of experience.
- **Dr. Samuel Kiruthu:** At the time of this report, Dr Kiruthu, who was proposed during the last AGM, had not been approved by CBK, the regulator.

Brand Revamp

As part of our long-term transformation agenda, the Bank refreshed its strategic identity to better align with evolving customer needs and institutional aspirations. Over the next five years, the Bank will be guided by the following Vision, Mission, and Core Values:

Vision: To be the preferred bank for household prosperity.

Mission: Driving ethical transformation through sustainable financial services.

CHAIRMAN'S STATEMENT

Core Values (ETHICS):

- **E**thical
- **T**eamwork
- **H**onesty
- **I**nclusion
- **C**ustomer-Centricity
- **S**tewardship

These foundational pillars will continue to guide our operations, culture, and stakeholder engagement.

Strategic Plan III: 2026–2030

The year 2025 marked the successful conclusion of Strategic Plan II (2021–2025). Building on the achievements and lessons from the previous strategy, the Board approved Strategic Plan III (2026–2030).

The new strategy positions Caritas Microfinance Bank at a critical transformational stage, consolidating its strong microfinance foundation while progressively transitioning toward becoming a Catholic Universal Bank of national relevance, serving all customers with comprehensive financial solutions.

Strategic Plan III represents a deliberate shift toward an execution-driven framework focusing on:

- Sustainable growth
- Digital transformation
- Ecosystem financing
- Financial inclusion
- Institutional strengthening
- Long-term shareholder value creation

Investor Briefing

In strengthening governance and reporting, the Bank held its first investor briefing on 5th May 2026, where the Board and management engaged shareholders to review progress and provide insight into the Bank's future direction. The following key areas were discussed and agreed:

- Strategic Plan III (2026–2030) was endorsed and will be supported by the Parish Empowerment Model (PEM).
- Shareholders will continue supporting capital-raising initiatives, including equity injections and exploring expansion of shareholders through interested Archdioceses, Dioceses, Religious Orders, and other Catholic Church institutions.
- Shareholders and Church leadership will intentionally support the Bank by encouraging the Church ecosystem to utilize Caritas MFB financial services.
- Shareholders supported the establishment of the Caritas MFB Foundation to systematically deploy resources for sustainable social impact aligned with the Caritas and Church mission.
- The Board will explore the establishment of a Caritas Investment Bank to expand the financial ecosystem beyond micro-lending by mobilizing capital, structuring investments, and supporting enterprise growth.

Appreciation

On behalf of the Board of Directors, I extend my sincere gratitude to our shareholders for your unwavering support, trust, and continued commitment to the Bank's vision and growth.

I also wish to appreciate:

- Our customers for choosing and trusting Caritas Microfinance Bank
- Management and staff for their dedication, commitment, and professionalism
- Regulators and strategic partners for their guidance and collaboration
- The Board of Directors for their stewardship and strategic leadership

As we look ahead, we remain committed to building a stronger, more innovative, and impactful institution that continues to transform lives and promote household prosperity across our communities.

Thank you and God bless you.

**CPA PATRICK KINYORI, FKIM
CHAIRMAN-BOARD OF DIRECTORS**

CEO'S STATEMENT

Distinguished shareholders, Board of Directors, Management and all invited esteemed guests.

On behalf of the Management and Staff of Caritas Microfinance Bank, I am honored to present the Bank's performance for the 2025 financial year during this 11th Annual General Meeting.

As we gather today, we reflect with gratitude on a remarkable journey of growth, resilience, and transformation. Last year marked a significant milestone as the Bank celebrated its **10th Anniversary**, a decade of building a strong, ethical, and inclusive financial institution committed to transforming livelihoods and accelerating household prosperity.

I am pleased to report that the Bank continued to record strong growth across key financial and operational indicators in 2025.

2025 Performance Highlights

- Caritas MFB was ranked as the 3rd most profitable Microfinance Bank in Kenya with a Profit Before Tax of Kshs 74 Million.
- Customer deposits grew by 30% from Kshs 4.2 Billion to Kshs 5.4 Billion.
- Loans and advances increased by 27% from Kshs 3.0 Billion to Kshs 3.8 Billion.
- Revenue grew by 22% from Kshs 777 Million to Kshs 949 Million.
- Maintained one of the best-quality loan books in the sector with an NPL ratio of 10%.

This performance, earned Caritas MFB **the Overall Best Microfinance Bank in Kenya** Award at the Think Business Awards 2026.



David Mukaru
CEO

Strategic Focus

The institution has remained focused on strengthening the following key areas:

I.) Digital Banking

Through continuous investment in digital transformation, technology has been seamlessly integrated into core operations to meet the evolving needs of a dynamic global landscape. As a result our transactions are now 99% digital. To better serve the diverse needs of our customers we continue to digitize more services including:

- **Prepaid cards:** Integrated to function both as access cards and transaction cards.
- **Caritas Changa:** A quick fundraising solution for any event.
- **Kanisa APP:** Designed to enable parishes to manage all their transactions through a single wallet that is transparent, convenient, fast, and easy to use.

II.) Product Innovation

We remain dedicated to product diversification, creating tailored financial solutions that cater to diverse age groups and socio-economic segments. As one of our key strategic priority, the bank is in process of development specialized products designed to address the unique financial needs of **women and youth**, ensuring they have the tools necessary for economic empowerment.

CEO'S STATEMENT

Our commitment to holistic community support is further evidenced by:

- **Healthcare Access:** We are extensively implementing Carimed Health Cover, an affordable medical solution for all age groups, distributed through Caritas Bancassurance Intermediary Limited (CBIL).
- **MSME Empowerment:** We are working with strategic partners to provide financial access to MSMEs, the backbone of the Kenyan economy, fostering growth from the grassroots level.
- **Affordable Housing:** We are also in collaboration with key stakeholders facilitate the distribution of affordable housing solutions, enabling families to achieve the milestone of home ownership.

III.) Financial Literacy

The Bank continues to educate staff and customers on financial literacy to promote better financial decision-making and sustainable households through ethical financing.

Farmer engagement programs have been sustained in Nakuru, Karuri, and Nyeri, offering training that supports access to agribusiness and group-based financial solutions. Through **Caritas Huduma Sundays**, in partnership with the **Kenya Bankers Association**, we also engage parish communities on financial literacy.

Additionally, we have established strategic partnerships to provide capacity building and technical support, reinforcing our commitment to improving the financial health and livelihoods of our communities.

Partnerships

To drive its core mission, the Bank has established various strategic partnerships, including collaborations with **MESPT** to advance agribusiness and development financing. Furthermore, we have partnered with **Women's World Banking (WWB)** and the **WE Code (Women Finance Code)** to champion dedicated programs for women and youth. We are also maintaining ongoing engagements with the **Livelihood Impact Fund (LIF)** and **Financial Services Deepening (FSD) Kenya** to expand access to affordable housing across the country.

Expansion

As at 31 December 2025, operations were supported by a network of 10 branches and 155 agents. To enhance accessibility and expand our footprint, the Karen Marketing Office was upgraded into a full branch serving Karen and neighboring areas, including Ngong, Kajado, Kiserian, Ongata Rongai, and the Diocese of Ngong. The Bank plans further expansion into **Kamwangi, Gatundu, OTC/Gikomba, and Eldoret**, while continuing to establish agency banking outlets in partnership with parishes and Self-Help Groups (SHGs) to better serve our communities.

Strategic Plan III (2026-2030)

Our Strategic Plan III (2026–2030) focuses on building upon identified strengths and creating capacity for growth and excellence. It is a visionary roadmap that will drive the transformation of household banking, digital growth, church sustainability, financial empowerment, and enhanced stakeholder value. By 2030, the bank plans to achieve:

- Total assets of Ksh. 21.5 Billion
- Total revenue of Ksh. 3.1 Billion
- Grow the number of customers to 300,016
- Grow branches to 20
- Grow marketing offices to 15
- Grow agents to 406
- Digital adoption of 99%

We look forward to making a lasting impact in the community through financial empowerment, ensuring banking access for all, and fully embracing technology with leading digital solutions.

Conclusion

It is with gratitude that I appreciate the efforts of all stakeholders in ensuring we build a brand that is preferred by our households. We sincerely thank our shareholders for the great support you have continually accorded us, we do not take it for granted. We will continue to put our best foot forward in achieving a dream that culminates in sustainable livelihoods. Together, we have built a strong and successful financial institution that is making a positive influence in the lives of many Kenyans.

Caritas Twaimarisha Jamii

Thank you and God Bless you All.

DAVID MUKARU

CEO-CARITAS MICROFINANCE BANK LTD

OUR 2025 PERFORMANCE AT A GLANCE



PBT

74.3Mn

2024 | 55.2Mn



TOTAL REVENUE

949Mn

2024 | 777Mn



TOTAL ASSETS

6.41Bn

2024 | 4.91Bn



NO OF CUSTOMERS

65K

2024 | 58K



CUSTOMERS DEPOSITS

5.36Bn

2024 | 4.14Bn



LOANS & ADVANCES

3.86Bn

2024 | 3.03Bn



NPL(%)

9.67 %

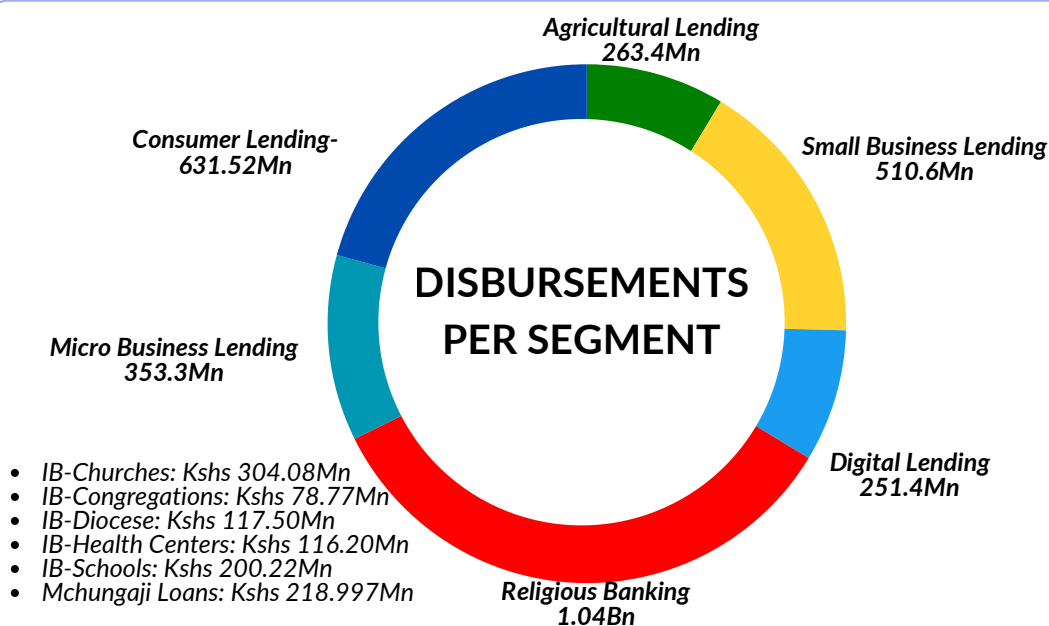
2024 | 10.7%

PAR(%)

11.30%

2024 | 12.30%

**DISBURSEMENTS
PER SEGMENT**



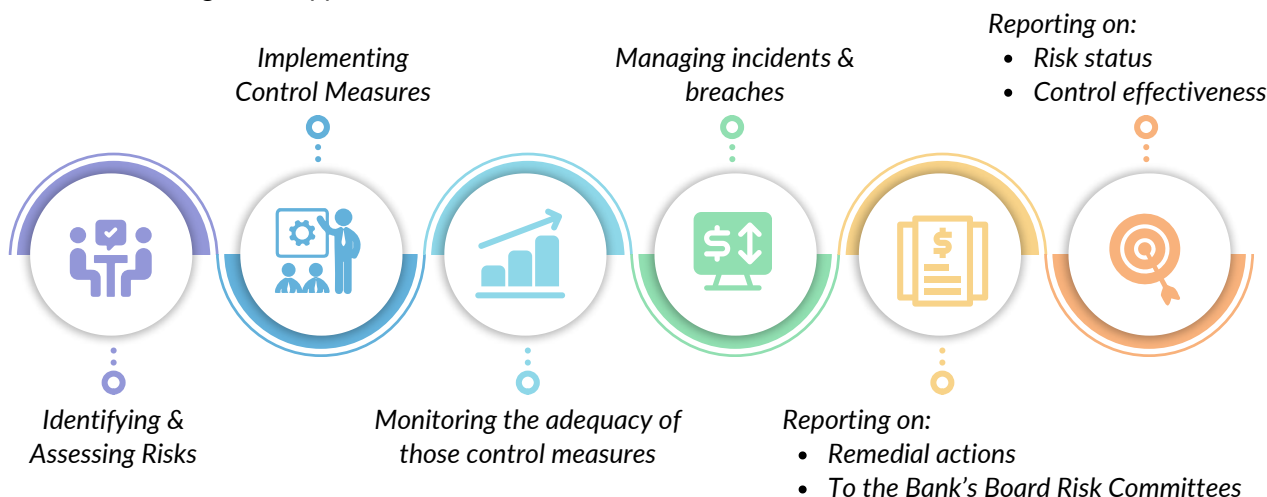


RISK MANAGEMENT FRAMEWORK

ENTERPRISE RISK MANAGEMENT

Risk Management

Risk management is a discipline that encompasses all the activities that affect the bank's risk profile. The Bank's risk management approach includes:



ERM Framework Overview

The bank has an **Enterprise Risk Management Framework** tailored to its needs and circumstances under which it operates. The Bank's ERM framework is aligned with, **Central Bank of Kenya Prudential Guidelines** and **ISO 31000: Risk Management Principles**.

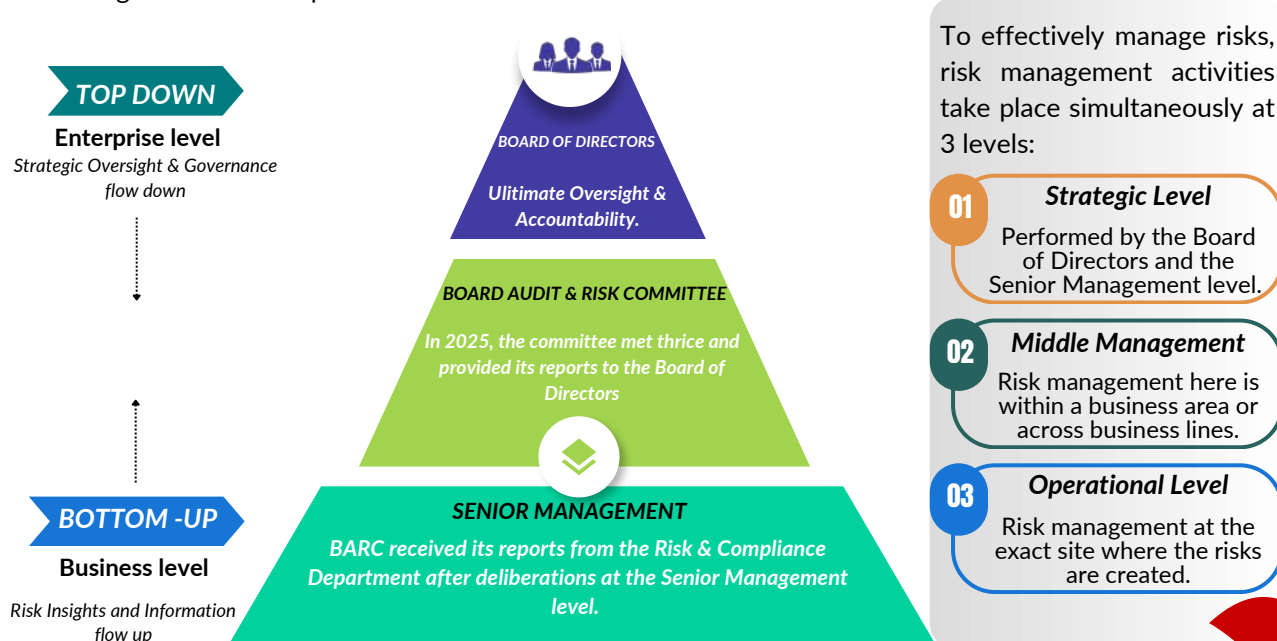
Key Components:

- Risk Governance Structure (Board, Risk Committee, Senior Management)
- Risk Identification & Assessment
- Risk Monitoring & Reporting
- Internal Controls & Assurance

Governance

Risks are identified, assessed and managed at both an **enterprise level (Top-down)** and **business level (Bottom-up)**.

The bank's **Board of Directors** receives the enterprise risk management reports from the **Board Audit and Risk Committee (BARC)** who provide the overall governance of risk matters and maintain the oversight of risk management and compliance within the bank.



ENTERPRISE RISK MANAGEMENT

Risk Culture

Risk culture is defined as the shared principles, skills and traits that enable the employees of Caritas MFB to understand risks and make sound decisions. This understanding helps the bank achieve its objectives by ensuring that staff at all levels recognize and manage specific risks associated with their respective business areas.

To ensure risk culture is properly implemented, **Risk Champions** were nominated across the **10 branches** and all the **departments** to serve as the leaders in embodying a commitment to risk awareness and mitigation within their respective areas. Risk and Compliance department also carried **quarterly trainings** on **ERM and AML/CFT/CPF** hence improved awareness as the risks become more dynamic.

Key Elements of the Bank's Risk Culture

1

Tone from the Top

Leaders act as role models, demonstrating accountability and transparency in risk decisions. Thus, Senior leadership and the board of directors have set clear expectations regarding risk-taking behavior.

2

Clear Accountability

Employees at all levels understand their risk-related responsibilities by use of well laid down mechanisms for escalation and review of risk concerns.

3

Risk Awareness and Communication

Risk is embedded in day-to-day decision-making. Open dialogue about risk is encouraged, and concerns can be raised without fear of retaliation (psychological safety).

4

Aligned Incentives

Compensation structures and performance evaluations have been instrumental in boosting staff morale.

5

Integrated Risk Management

Risk considerations are integrated into strategic planning, product development and business processes.

6

Challenge and Constructive Dissent

The independence of the risk function gives the authority to question decisions as they collaborate towards realization of the Bank's strategic goals.

7

Learning and Adaptability

The Bank has evolved based on analyzing past experiences and changing environments to advise on future undertakings.

8

Continuous Monitoring and Improvement

Outcome of regular assessments of risk culture through surveys, audits, and behavior monitoring are continuously implemented based on feedback and incidents.

Key Risks Monitored in 2025

The Risks monitored were Credit, Strategic, Operational, Liquidity, Market, Compliance/ Regulatory, Reputational, ICT, Legal and Climate related risks.

The department closely followed compliance and risk control through the weekly, monthly, and quarterly snap checks, RCSAs and Onsite Compliance reviews. The overall Risk rating for the bank was **85.90%** up from 85.53% in 2024.

Combined with the monthly tracking of the entire enterprise risk rating, the bank's risk profile was categorised as **Medium** with potential for improvement in 2026.

Risk Reporting

The bank complied to all the regulatory reporting timelines. The regulatory bodies include Financial Reporting Centre, Central Bank of Kenya and Insurance Regulatory Authority.

Conclusion

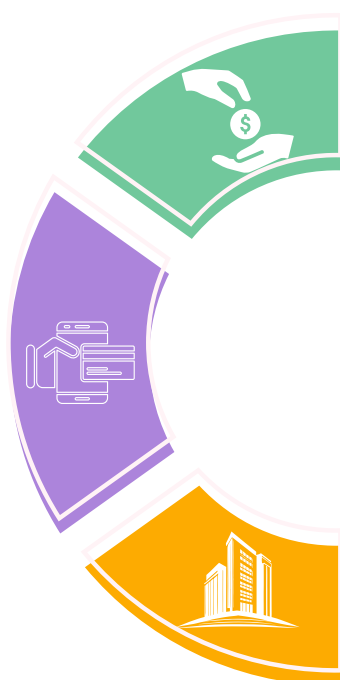
As the bank, we remain deeply committed to maintaining a strong, proactive and responsible risk management culture that safeguards the interests of our customers, shareholders, employees and the broader financial system.

DATA PROTECTION

Safeguarding Your Information

As we convene for this Annual General Meeting, we reaffirm that trust remains the cornerstone of our institution. Central to this trust is our unwavering commitment to safeguarding the personal data entrusted to us by our customers, shareholders, and stakeholders. In an increasingly digital and data-driven banking environment, data protection remains both a regulatory obligation and a key pillar of our institutional integrity.

The Bank continues to operate in full compliance with the **Data Protection Act, 2019** and applicable regulations, guided by the principles of confidentiality, integrity, and availability of data. During the year 2025, we strengthened our data protection framework through targeted initiatives through the **Office of the Data Protection Officer**.



01

A key area of focus was **staff capacity building**. The Bank implemented structured quarterly training programs for all staff, each addressing critical aspects of data protection.

These included the rights of data subjects, lawful collection and processing of personal data, registration requirements for data controllers and processors, and practical compliance in day-to-day banking operations. This continuous engagement has reinforced a culture of accountability and vigilance across the institution.

02

In enhancing customer-centric practices, **the Bank reviewed its processes around data handling, particularly in loan takeover transactions**. Customers were proactively engaged and guided through the Bank's consent frameworks to ensure transparency and informed authorization in the sharing of personal data with incoming financiers. This reflects our commitment to lawful, fair, and transparent processing.

03

The Bank also strengthened **oversight of third-party service providers** by embedding data protection obligations within contractual arrangements and undertaking due diligence to ensure compliance across our vendor ecosystem. This ensures that customer data remains protected at every touchpoint.

Conclusion

Our data protection framework continues to be supported by robust technical and organizational measures, as well as a responsive incident management process to address any potential concerns swiftly and transparently.

As technology and regulatory expectations evolve, the Bank remains committed to continuously enhancing its data protection practices. Safeguarding personal data is not only a legal requirement but a fundamental expression of our commitment to maintaining the trust and confidence of all our stakeholders.

INTERNAL AUDIT & ASSURANCE

BAC Structure & Governance



BAC Key Responsibilities

- » Financial Reporting Oversight
- » Internal Control Systems
- » Risk Management
- » Governance Oversight
- » Regulatory Compliance



Providing Objective & Independent Oversight

The Committee undertook its roles and responsibilities as outlined in its Terms of Reference, The Audit Committee Charter, The Committee's Annual Work Plan and The CBK Regulations.

BAC Meetings

BAC held **5 scheduled meetings** in the year 2025, including one meeting with the external auditors to review the financial statements and management letter.

The members attendance records are disclosed in the **Corporate Governance Statement**.

Awards & Recognition

Caritas Microfinance Bank participated in the **3rd Internal Audit & Risk Awards** held by the **Institute of Internal Auditors (IIA)** on 10th April 2026, where the bank emerged top in the Microfinance Category, receiving the following recognitions:



Best Internal Audit
Function of the Year



Best Audit Committee



Head of Internal Audit-1st
Runner-Up, Quality Assessor
Student of the Year

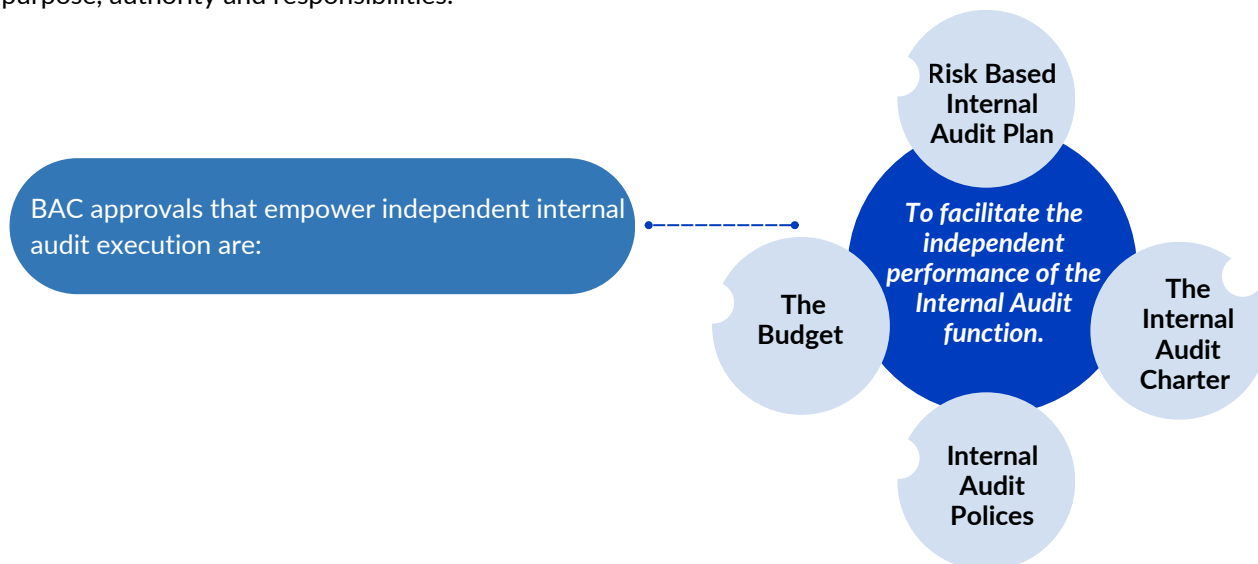


Caritas MFB Audit Team receiving Awards at the 3rd Internal Audit & Risk Awards, organized by The Institute of Internal Auditors (IIA)

INTERNAL AUDIT & ASSURANCE

Governing Internal Audit

The Board and Management have established an independent internal audit function within the bank. The mandate of the internal audit function, as clearly spelt out in the internal audit charter, includes a defined purpose, authority and responsibilities.



The Head of Internal Audit annual performance was also reviewed by BAC.

Fraud Management & Whistleblowing

The Bank has put in place a **Whistle blowing policy** and appropriate mechanisms to demonstrate its commitment to the highest standards of openness, probity and accountability. All suspected instances of fraud, irregularities or unethical conduct are reported through the established whistleblowing mechanisms.



The reported instances are effectively dealt with as per the established whistleblowing policy and procedures.

Independence of External Auditor

The BAC is mandated to monitor the independence of the external auditor to ensure objectivity in auditing the financial statements.

The Committee received confirmation from and discussed with Forvis Mazars LLP on its independence and objectivity. The Committee reviewed Forvis Mazars LLP statutory audit scope and approved its fees.

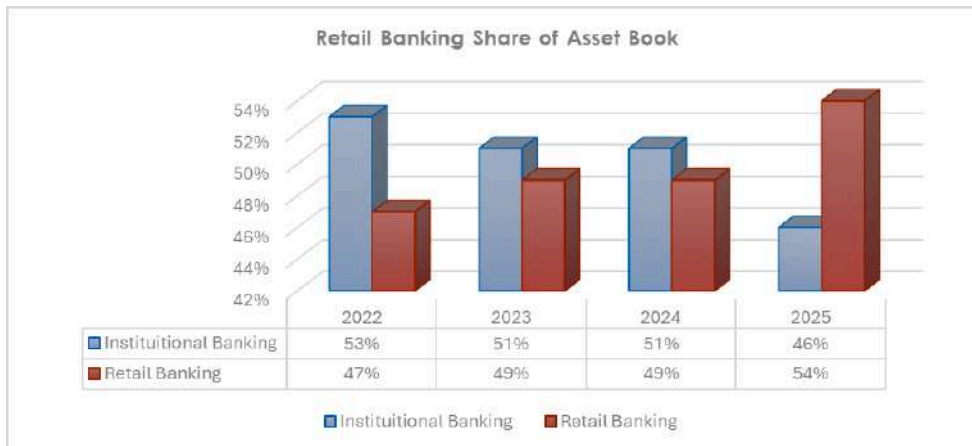
The committee was therefore satisfied that there was no pecuniary relationship between Caritas MFB Group or its related parties and **Forvis Mazars LLP**.

RETAIL BANKING REPORT



RETAIL BANKING REPORT

In this financial year, Retail Banking segment achieved a share of 55% of the bank's asset book. This is aligned towards the bank's strategy to support the growth of MSMEs with a focus on the Micro and Small Enterprise sectors.



This growth has been accelerated through coordinated efforts with varied partners including but not limited to the below:

Micro Enterprises Support Program Trust (MESPT)

MESPT has been instrumental in supporting the growth of small holder farmers through enabling the advancement of preferential interest rates to the target groups as well as provision of capacity building to the farmer groups.

A total of 722 small holder farmers have been reached with females represent 56% of the total borrowers, Fifteen (15) three-day classroom financial literacy training sessions have been held reaching 375 farmers in Kiambu, Nakuru, Kajiado, Narok, Uasin Gishu, Muranga, Nyeri and Nyandarua counties.



Nyeri farmer Catherine Nguju Wangombe, whose poultry and dairy enterprise has flourished under the MESPT partnership.

MOJA EV Kenya Ltd

This is a company that has partnered with various electric vehicle manufacturers to provide e-mobility solutions. Their target market is the public transport sector particularly online drivers and public service vehicles. This partnership has positioned the bank to provide green solutions to the Kenyan market in compliance with SDG 7 (Affordable and Clean Energy) and Goals number 1 & 3 of the *Laudito Si; Response to the cry of the Earth* and *Ecological Investments* respectively.



Far right: Our CEO, David Mukaru, alongside the CEO of Moja EV, during the signing of the partnership MoU

RETAIL BANKING REPORT

HURU International

This is a global organization whose mission is to ensure that no young girl or woman misses out on education opportunities. Through this partnership, the bank has equipped over 125 women in financial literacy skills as well as enabling them to build a savings culture by operating savings accounts.



Caritas Microfinance Bank signed an MOU with HURU International to support vulnerable girls and women through financial literacy and entrepreneurship

Educational Sector

Partnerships in the education sector including **Teachers Service Commission (TSC)** have enabled Retail Banking to reach and capitalize **over 100 teachers** with robust financial products that have equipped them to strengthen the household economic position.

Digital Lending

Through our digital strategy, the Retail Banking segment remains aligned to the bank's overall objective of providing seamless financial solutions with minimal human intervention. Customer acquisition and retention through financial literacy programs, strategic partnerships, and continuous product innovation ensures the bank is meeting the evolving customer needs while promoting responsible lending practices.

2026 Outlook

Product Development

I) Financial Literacy

The bank has partnered with **Kenya Bankers Association (KBA)** to provide financial literacy programs to existing and new customers, through co-creating an effectual training curriculum and training of **Trainers-of-Trainers (ToTs)** drawn from the business staff of the bank to ensure a transfer of skills is achieved.

II) Youth and Women Products

Retail Banking will be piloting the Youth and Women products. Women comprise of at least **47.2%** of the Kenyan labor force whereas **68%** of this demographic are classified as economically vulnerable. Also, only **45%** of the youth population is currently economically stable, highlighting the need to have financial vehicles addressing these gaps. The objective of this initiative will therefore to ensure the bank supports this largely underserved market.



On 20th February 2026, the Bank and KBA signed an MOU to drive financial literacy and entrepreneurship for MSMEs. This partnership will be implemented through a specialized Training of Trainers (ToT) program across the Bank.

Solidarity Group Loan

Empowering youths, women and chamas through flexible, affordable credit built on a trusted group lending model.

Grow your chama with affordable financing for business expansion, farming, construction projects, Rent Milele, plot purchase, trade finance, and asset acquisition through the Solidarity Group Loan.



Loan Tiers

<i>Tier</i>	<i>Members</i>	<i>Loan Range</i>	<i>Savings</i>
Caritas Bora	10 – 42	30K – 300K	20%
Caritas Premier	5 – 10	301K – 1M	30%

Get Started Today!

*Visit your nearest
Caritas MFB branch*

INSTITUTIONAL BANKING REPORT



INSTITUTIONAL BANKING REPORT



Churches Segment

The Churches segment stands as one of the most dynamic and strategically significant pillars of the Institutional Banking Department at the Bank.

In the year 2025, the segment recorded commendable growth across both deposit mobilization and lending, driven by deepened client relationships, innovative product offerings, and the deliberate implementation of a transformative outreach model.

Church Deposits

887.1Mn

New Accounts

238

Parish Empowerment Model

This initiative was developed in recognition of the unique nature of parish communities, *their social cohesion, shared governance, and deep-rooted trust networks*, and was designed to harness these strengths as a foundation for sustainable financial growth.

The model centers on *engaging parishes holistically rather than transactionally*. Rather than approaching church communities solely as deposit-mobilization targets, the bank embedded itself as a true financial development partner.

Key pillars of the Parish Empowerment Model

- Structured engagement with parish finance committees and pastoral councils to align financial solutions with church development needs.
- Support for parish empowerment planning through customized financing for churches, schools, and community projects.
- Financial literacy programs promoting savings culture, account usage, and credit awareness.
- Dedicated relationship officers to strengthen partnerships and provide responsive support.
- Integration into the bank's segmentation framework to offer church-specific products aligned with parish financial cycles.

The model's impact is evident in improved account acquisition, deposit growth, and increased loan uptake, reflecting strong acceptance within parish communities.

It has also expanded **financial inclusion** by reaching smaller, previously unbanked parishes and integrating them into formal banking systems.

Deposit Performance

As at December 2025, the Churches segment recorded deposits of **Kshs. 887.1 Million**, contributing significantly to the department's total deposit base of **Kshs. 3.985 Billion**. The growth reflects strong confidence from church institutions driven by competitive pricing, tailored products, and the bank's faith-aligned value proposition.

CASA:FD Ratio

45:55

2024| 43:57



Lending Portfolio

The Churches segment loan book closed at **Kshs. 718.2 Million**, across **85 institutions**, reflecting strong credit discipline and effective loan structuring aligned to church development needs, including construction, equipment financing, and expansion projects.

OLB

718.2Mn

Loan:Deposit Ratio

81%

PAR

3.2%

2024| 4.0%

NPL

2.8%

2024| 4.0%

Strategic Outlook (PEM and HUDUMA days)

Looking ahead, the Churches segment is well-positioned for continued growth. **The Parish Empowerment Model** will be refined and scaled to reach more parishes across the country, with particular focus on peri-urban and rural faith communities that represent significant untapped potential. The bank will continue to develop tailored products through engagements on **Caritas Huduma Sundays**, that meet the unique financial needs of parishes, deaneries, and diocesan structures.

The segment will also benefit from the bank's growing network of institutional partnerships, which are expected to unlock new deposit mobilization opportunities and create pathways for church-linked community financing. As the segment deepens its roots within the Catholic institutional landscape, it remains a cornerstone of Caritas Microfinance Bank's identity and mission.

INSTITUTIONAL BANKING REPORT



Clergy, & Parishes Sector

The Priests segment, anchored on the flagship **Mchungaji product**, represents one of the most innovative and purpose-driven offerings within the Bank's IB portfolio.

Designed specifically to meet the personal and professional financial needs of Catholic priests and clergy, the Mchungaji product has carved out a unique niche, one that blends financial empowerment with respect for the vocation and lifestyle of the clergy.

Mchungaji Deposits

6.9Mn

Empowering Clergy through Finance

The Mchungaji product was conceptualized with a deep understanding of the financial realities faced by Catholic priests. Clergy members, while dedicated to their vocation, often have personal financial needs that are not always met by conventional financial products designed for salaried employees or businesses.

Mchungaji addresses this gap by offering a clergy-specific credit product with flexible repayment terms, competitive interest rates, and a simplified application process that accounts for the non-traditional income patterns of priests. The product is structured to respect the dignity of the clergy while providing access to meaningful amounts of capital for personal development.

Key features of the Mchungaji product

- Competitive loan amounts aligned with the financial capacity and needs of individual priests.
- Flexible repayment structures that accommodate the income patterns common in clergy stipend arrangements.
- Streamlined documentation requirements, recognizing the unique employment structure of the Catholic Church.
- A relationship-based approach, where priests are served by dedicated relationship officers who understand their specific context and needs.
- Integration with diocese-level payroll and stipend systems to facilitate seamless loan repayment.

Uptake and Demand

The bank has strategically deployed resources into this segment, supported by clergy trustworthiness and strong diocese payroll systems that ensure reliable repayment. The Mchungaji product has been widely adopted, enabling priests to improve financial wellbeing, invest in assets, meet obligations, and enhance their ministerial effectiveness.

Mchungaji Loan OLB

303.8Mn

Loan:Deposit Ratio

439%

Relationship Management

The success of the Mchungaji product is inseparable from the quality of relationship management that underpins it. Relationship managers especially the Branch managers assigned to the Priests segment are trusted financial advisors who maintain ongoing dialogue with priests, understand their evolving needs, and proactively offer solutions that add value to their personal and professional lives.

Engagement with diocesan leadership has been a critical enabler, as it provides a structured channel through which the Mchungaji product can be introduced and promoted to clergy members. The bank has benefited enormously from the trust and endorsement of senior clergy who have experienced the value of the product firsthand and actively recommend it to their peers

Strategic Outlook

The Priests segment is expected to continue its growth trajectory in 2026. Plans are underway to deepen the penetration of the Mchungaji product within dioceses that have not yet been fully engaged, as well as to explore product enhancements that respond to evolving clergy needs. The bank will also explore deposit mobilization strategies targeted at the clergy to improve the segment's deposit-to-loan balance over time.

As the Mchungaji product matures, it will serve as a model for other specialized clergy-focused financial products, demonstrating that purpose-driven banking and financial sustainability are not mutually exclusive.

INSTITUTIONAL BANKING REPORT



Education Sector

Within the Institutional Banking (IB) framework, the Education Sector continues to serve as both a financial enabler and a values-driven partner to schools within and beyond the Archdiocese of Nairobi (ADN).

Our approach in 2025 was guided by a deliberate shift from **transactional support** to **transformational engagement**, positioning education not merely as a sector to finance, but as a strategic ecosystem to cultivate.

Financial Literacy

Recognizing that financial capability is foundational to long-term institutional stability, the Bank scaled its Financial Literacy Program beyond its pilot phase into a structured and replicable model.

This intervention reflects our belief that sustainable banking begins not at the point of credit, but at the point of consciousness.

Education Engagements and School Events

In 2025, Caritas MFB adopted a relational approach to sector engagement, prioritizing presence, dialogue, and shared purpose within the education community.

Key highlights included:

- Active participation in **Education Walks** across various deaneries, symbolizing solidarity and collective investment in the future of education.
- Strategic engagement in **CaPEIA and CaPSHA forums**, providing platforms for thought leadership, stakeholder listening, and alignment on emerging sector needs.
- Participation in **cultural events, prize-giving ceremonies, and institutional milestones**, reinforcing our commitment to the holistic development of learners and institutions.

School Development

This facility remained a key driver of long-term institutional growth in 2025, supporting projects that deliver both educational and economic value. Investments focused on **infrastructure expansion, modernization of learning environments, and ICT integration**, enabling beneficiary institutions to increase enrollment capacity and strengthen their competitive positioning.

Asset Finance

This is a strategic product, responding to the operational realities of modern learning institutions. The Bank financed **school buses, transport vans, and ICT-related assets**, enabling institutions to operate with greater efficiency and reach. These investments contributed to enhanced service delivery, improved safety standards, and strengthened institutional competitiveness.



Handing Over of the Nairobi Women Hospital College Bus

Financial Position

The Education Sector continued to register strong balance sheet growth in 2025, reflecting both increased market confidence and deepened institutional relationships. The portfolio performance demonstrates a deliberate shift towards building a resilient, relationship-driven, and sustainability-oriented education banking model.

As at December 2025:

- The **Education Loan Book** stood at **Kshs 370.9M**, underscoring sustained demand for development financing and asset acquisition across schools.
- **CASA** balances from education institutions reached **Kshs 150,793,400.00**, reflecting strengthened transactional engagement and improved liquidity anchoring within the sector.
- **Fixed Deposits (FDs)** from schools closed at **Kshs 198,373,993.00**, signaling growing institutional confidence in the Bank as a long-term financial partner and custodian of value.

Looking ahead, the Bank will continue scaling its education portfolio through national expansion, deeper integration of *financial literacy*, and *innovative financing solutions* that support **Competency-Based Education (CBE)** and digital transformation. The Bank remains committed to empowering resilient, future-ready learning institutions and advancing inclusive socio-economic growth.

INSTITUTIONAL BANKING REPORT



Religious Congregations Sector

The Congregations segment, comprising religious communities — including male and female religious orders, institutes of consecrated life, and faith-based apostolic organizations — is a segment of great depth and long-term strategic importance for Caritas Microfinance Bank.

The segment's performance in 2025 was shaped by a philosophy of personalized relationship management and the introduction of specialized products that speak directly to the unique financial needs and realities of religious congregations.

The Shepherd Development Loan

A key highlight of the 2025 Congregations segment was the strong uptake of the Shepherd Development Loan, a tailored product supporting mission-driven development projects within religious congregations.

The facility is designed around congregational realities, providing structured financing for projects such as convents, schools, clinics, and retreat centers, while accommodating limited collateral and non-traditional income structures with flexible repayment terms.

Features that drove the product's adoption include:

- Competitive interest rates and flexible tenure options tailored to the pace of congregation projects.
- Dedicated credit support from relationship managers who guide congregations through the application and disbursement process.

Digital Payment Innovation

The Congregations segment also benefited from the rollout of **Lipa na Caritas**, the bank's digital payments and collections platform, which streamlined diverse income streams such as fees, hospital charges, sales, and rental income.

Its adoption improved account activity, liquidity management, and reconciliation while reducing manual processes and cash-handling risks. It also deepened client relationships by embedding congregations in the bank's digital ecosystem, enabling cross-selling opportunities and providing valuable transaction data for better-informed credit offerings.

Congregation Deposits

299.7Mn

OLB

122.0Mn

Loan:Deposit Ratio

41%

Available Lending Headroom

59%

Acknowledgment of Key Enablers

The 2025 performance of the Congregations segment was made possible through strong cross-functional support.

Branch Managers played a key role in facilitating on-the-ground engagement with congregations in their respective areas. Their knowledge of local communities, their accessibility to congregation leadership, and their willingness to go beyond routine banking interactions to serve these institutions made a material difference to the segment's growth.

The Treasury Team was equally instrumental in delivering competitive, well-structured term deposit rates, offering flexible solutions that supported deposit mobilization and retention. This collaboration between Institutional Banking, Branch Management, and Treasury remains central to the segment's success and future growth.

Strategic Outlook

The Congregations segment enters 2026 with strong momentum and significant opportunity. The 59% lending headroom represents a substantial pipeline for credit growth, which the bank intends to unlock through deepened engagement with congregation leadership, targeted promotion of the Shepherd Development Loan, and the introduction of new products tailored to congregation needs.

Deposit mobilization will also remain a priority, with the bank exploring innovative approaches — including structured products, tiered deposit offerings, and mission-aligned products — that resonate with congregation values and financial objectives.

With personalized relationship management at its core, supported by innovative products like Lipa na Caritas and the Shepherd Development Loan, and backed by competitive Treasury offerings, the Congregations segment is poised to play an increasingly significant role in the bank's overall growth story in the years ahead.

INSTITUTIONAL BANKING REPORT



Self Help Groups

Through our strong partnership with Caritas Nairobi, Caritas Microfinance Bank continues to provide ethical and tailored financial services to Self Help Groups (SHGs) and their members.

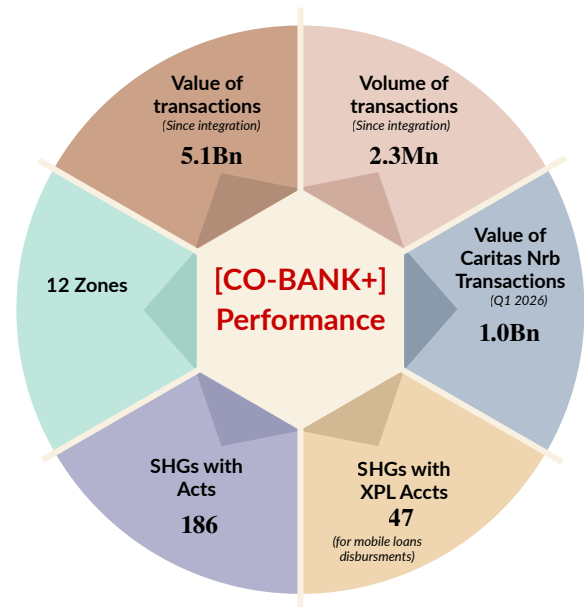
These services are primarily offered through the Caritas Pamoja Program, which enables SHG members to access group-linked savings accounts and loan facilities.

- All **12 zones** have opened accounts.
- **186 SHGs** have accounts with Caritas MFB, and are actively using our **Lipa na Caritas** solution.
- Deposits from SHGs reached **Kshs. 342,484,136** by December 2025.

To foster closer relationships and ensure member-level engagement, we achieved **95% attendance at SHG AGMs**, which has been instrumental in deposit growth and onboarding.

Our ongoing support includes participating in group AGMs, promoting agency banking within SHGs, and encouraging uptake of digital products to deepen financial inclusion across communities.

System Integration- [CO-BANK+]

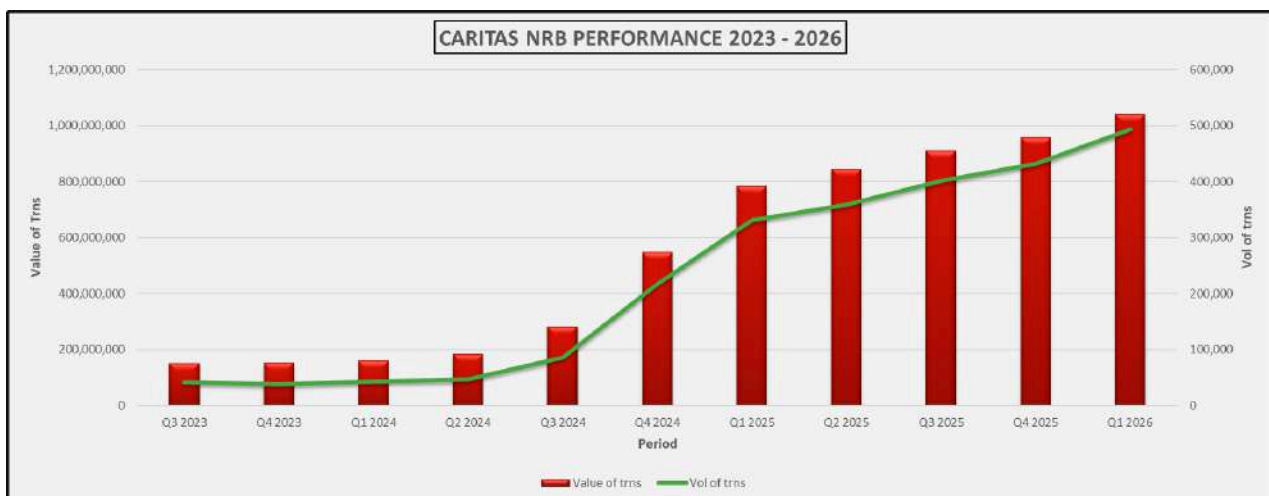


Caritas Pamoja System

This platform continues to be a game-changer—providing a user-friendly platform that supports financial growth, promotes accountability, and strengthens collaboration between the bank and SHG members.

With this digital solution, groups can effortlessly manage their finances from anywhere—empowering their financial journey with greater transparency and control.

As of now, **139 groups** are actively using the Caritas Pamoja System—103 in Nyeri and 36 in Eldoret—demonstrating its growing adoption and impact across regions.



System integration between Caritas NRB and the bank was launched on **September 2024**

INSTITUTIONAL BANKING REPORT



Health Sector

The health segment of Institutional Banking (IB) at the Bank continued to advance its mandate of delivering tailored financial and risk solutions to faith-based health institutions.

Anchored on sustainability, inclusivity, and innovation, the Bank successfully launched **CARIMED**, a faith-based healthcare financing and insurance solution designed to strengthen the Church health ecosystem.

Strategic Positioning of the Health Segment

The health segment remains a priority growth pillar within Institutional Banking, focusing on:

- Supporting Church-owned and affiliated health facilities
- Enhancing access to affordable and quality healthcare
- Providing integrated financial and insurance solutions
- Driving long-term institutional sustainability

CARIMED

The Bank launched CARIMED, a low-cost, faith-based healthcare cover targeting institution within the Church ecosystem. The product is structured to address affordability, inclusiveness, and accessibility challenges prevalent in healthcare delivery.

Key Differentiators

The product is distinguished by the following features:

- **Household-Based Structure:** Designed to cover entire family units, enhancing uptake and value.
- **No Age Limit:** Promotes inclusivity, particularly for elderly and vulnerable populations.
- **Affordable Premium Model:** Flexible payment options including cash and Insurance Premium Financing (IPF).
- **Closed Benefit Scheme:** Focused on Church-owned health facilities to ensure ecosystem sustainability.
- **Short Waiting Periods:** Accelerates access to care.
- **Chronic Condition Coverage:** Addresses long-term disease burden, a key healthcare challenge in Kenya.

Value Addition to the Bank

- **Deposit Mobilization:** We were able to close the year with a total deposit of *190 Million*. This was as a result of the new energy brought by the hope to the institution through CARIMED and also the banks support to the facilities.
- **Loan Portfolio Growth:** The loan book grew to 176,439,683 with 12 new loan accounts. This was majorly on:
 - Insurance Premium Financing (IPF)
 - Asset financing
 - Infrastructure upgrades for health facilities
- **Customer Base Expansion:** By December 2025, we were able to onboard more than *100 health institutions* to utilize the CARIMED insurance. These facilities are spread across various Arch/dioceses in Kenya namely: Archdiocese of Nairobi, Nyeri, Kisumu, Dioceses of Murang'a, Meru, Nakuru, Embu, Homabay, Kisii, Nyahururu.
 - Broaden the Bank's institutional client base
 - Increase engagement within the Church ecosystem
 - Enhance brand visibility in healthcare financing.
- **Projections:** We target to have onboard more than *200 health institutions* into the panel. This will be realized by bank's penetration to more regions like: Eldoret, Kapsabet, Kitale, Lodwar, Bungoma where discussion are already in place.



On 19th June 2025, led by the Board of Directors, officially launched the CARIMED Health Cover during its 10-Year Anniversary celebrations.

Conclusion and Outlook

CARIMED marks a key milestone in the Bank's health financing journey, advancing sustainability of faith-based health institutions, healthcare inclusion, and Institutional Banking growth

Looking ahead, scaling membership, and deepening ecosystem partnerships will be critical to achieving the full impact of this initiative.



GET CARIMED HEALTH COVER TODAY!

Affordable. Accessible. All-Inclusive.

An affordable, Faith-Based health cover underwritten by **AAR**.
It's distributed through **Caritas Bancassurance Intermediary Ltd.**
Flexible coverage options are available for both **groups** and **individuals**.

Unique Features

- ✓ Household product
- ✓ No Age Capping
- ✓ Low-Cost Premium Model
- ✓ Short Waiting period and Covers Chronic Conditions

Product Plans

Covers:

- ✓ Inpatient
- ✓ Outpatient
- ✓ Maternity
- ✓ Accident
- ✓ Optical
- ✓ Dental

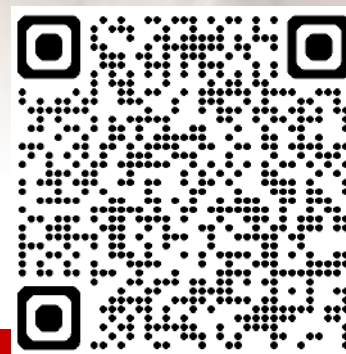
Plan Summary:

Primary Cover	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Option 10	Option 11
Inpatient	100,000	150,000	200,000	250,000	350,000	500,000	750,000	1,000,000	2,000,000	3,000,000	5,000,000
Bed Limit	3,000	4,000	5,000	6,000	8,000	10,000	12,000	12,000	15,000	18,000	25,000
Maternity IP	40,000	40,000	40,000	40,000	50,000	65,000	75,000	75,000	100,000	150,000	250,000

Optional Cover	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Option 10	Option 11
Outpatient	30,000	30,000	30,000	40,000	45,000	60,000	75,000	100,000	150,000	200,000	200,000
Dental with OP	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	15,000	15,000	15,000
Optical with IP	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	15,000	15,000	15,000

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CREDIT DEPARTMENT REPORT



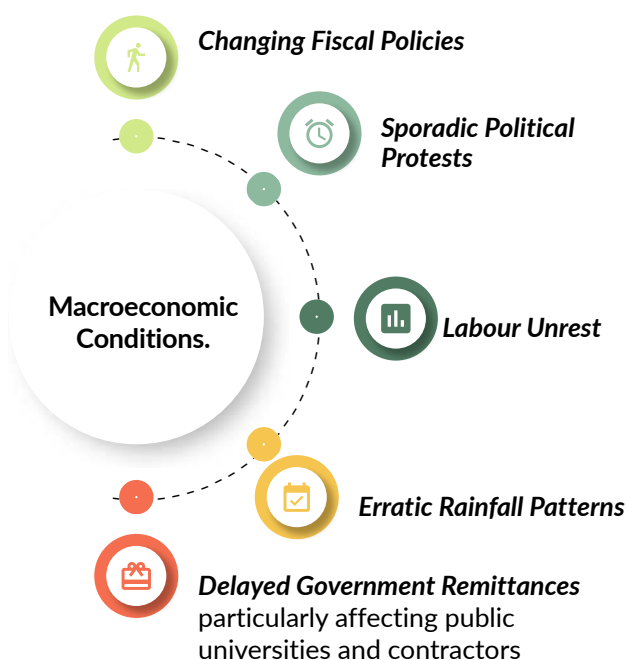
CREDIT DEPARTMENT REPORT

Industry Highlights

The 2025 survey reports by the **Central Bank of Kenya (CBK)** and the **Association of Microfinance Institutions Kenya (AMFI)** indicate that Microfinance Banks experienced heightened levels of loan delinquencies, underscoring the growing need for strengthened credit governance and enhanced risk management frameworks across the sector.

Macroeconomic & Market Conditions

The 2025 banking credit landscape has been significantly shaped by prevailing macroeconomic conditions.



The rapid growth of **Digital Credit Providers (DCPs)** have collectively transformed the microfinance operating environment. These developments have fundamentally altered the competitive landscape, making strategic adaptability and prudent credit management essential for institutional sustainability.

Additionally, shrinking disposable income among Kenyan borrowers, driven by **increased taxation, rising levies, and escalating commodity prices**, has shifted **borrowing behaviour** toward short-term survival financing.

Many customers increasingly rely on expensive short-term facilities such as **digital loans** and overdraft products like Fuliza.

The short-tenure nature of these facilities heightens repayment pressure, increases the likelihood of delayed payments, and negatively impacts borrower credit scores. Consequently, reduced disposable income limits customers' ability to access long-term financing required for working capital expansion and asset acquisition.

The credit environment has also experienced evolving legal interpretations affecting areas such as the **Land Act, Small Claims Court processes, auctioneering procedures, contract enforcement, banking regulations, loan provisioning requirements, and related tax laws**. Frequent shifts in legal positions have necessitated continuous adjustments in lending policies and operational approaches while simultaneously increasing compliance costs and influencing interest income performance.

The Bank's Strategic Response

Despite these industry-wide challenges, Caritas Microfinance Bank has remained resilient and adaptive. Operating within regulatory frameworks, the Bank has developed innovative credit strategies aimed at minimizing unsystematic risks while proactively anticipating systematic credit risks.

The institution continues to invest in human capital development through internal training initiatives, including the waiver of educational loans interest for staff pursuing professional certifications, thereby strengthening institutional capacity and technical expertise.

To enhance **credit risk management**, the Department has adopted advanced analytical tools and monitoring frameworks, including **Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) models**. Effective interpretation and reporting of these models to management and Board Credit Committees have enabled timely strategic decision-making in response to emerging credit and market risks.

Monthly reviews and continuous integration of model outcomes into credit analysis and customer risk profiling have significantly contributed to maintaining one of the strongest credit portfolios within the microfinance banking industry.

CREDIT DEPARTMENT REPORT

As a faith-based financial institution anchored on Christian values, the Bank ensures that all lending activities uphold moral responsibility, customer centricity, financial prudence, and strict regulatory compliance. Through its commitment to **Project AMEN principles**, the Credit Department promotes ethical banking practices by avoiding predatory pricing, discouraging reckless lending, and prioritizing financial literacy initiatives that empower customers toward sustainable borrowing.

Notwithstanding prevailing market challenges, the Bank has achieved outstanding credit performance marked by sustained loan book growth, declining Non-Performing Loans (NPLs), an expanding borrower base, and continuous innovation in credit products and lending platforms.

Credit Function Structure

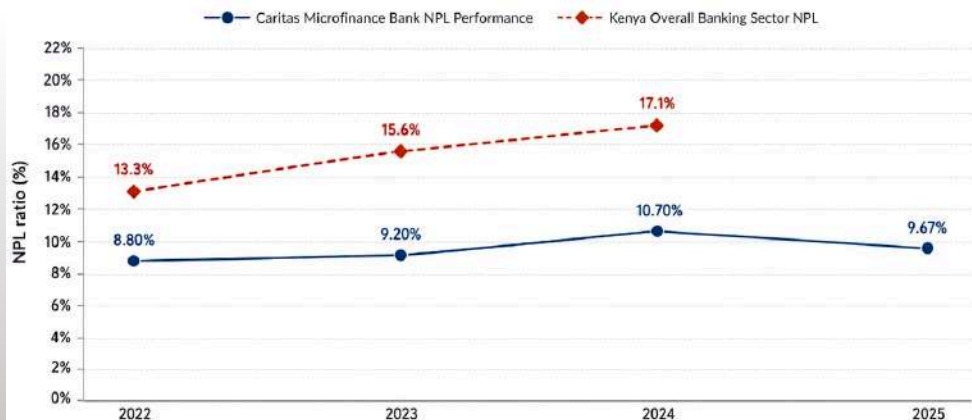
The Bank prides itself for having a credit team of young and highly skilled employees who are from diverse academic and professional fields such as *actuarial science, financial analysts, accountants, credit risk analysts, legal experts and economists*. The bank has strong internal training teams that have successfully produced best credit officers for the financial and banking industry.

The department operates through various teams such as **credit risks analysts, credit administration, legal teams, monitoring and debt management team and compliance**. Each team has strategic short and long-term deliverables that align well with Bank Strategic plan. The team supports the bank to produce highly efficient management trainees/internships that have generated some of the best credit officers serving our branches, head office departments and the competition.

Performance Indicators (2022–2025)

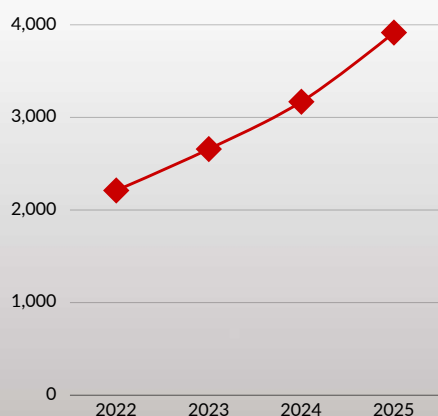
The charts below illustrate the Department's performance trends over the period 2022–2025.

(NPL) Performance: Caritas MFB vs Kenyan Banking Sector

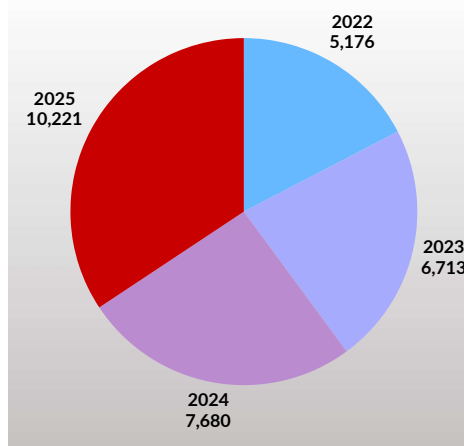


Industry source: Central Bank of Kenya, Financial Sector Stability Report 2024, Table i (Macrofinancial Indicators – NPL ratio for CBK-regulated banks). No 2025 industry data available as of this report.

Loan Book (Millions)



Number of Borrowers (Thousands)



CariCash Mobile Loan

Access Money When It **Matters** Most



Get instant access to funds at the touch of a button. Whether managing an unexpected expense, seizing a business opportunity, or bridging a short-term cash gap, CariCash is your trusted financial companion.

No paperwork. No queues.

HOW IT WORKS

1 DIAL *810#

Access the Caritas USSD menu on your mobile phone, any network, any time.

2 SELECT LOANS

Navigate to the Loans menu and select CariCash to view your available credit limit.

3 RECEIVE FUNDS

Confirm your request and funds are disbursed directly to your Caritas MFB account in minutes.



ICT & INNOVATIONS UPDATE

ICT & INNOVATIONS UPDATE

Foreword

The Information Technology space keeps evolving, month by month, year by year. This time round it's in the **AI governance, AI regulation and AI agentic**. The full acronym of AI being Artificial Intelligence. This term is used to describe how processors, machines or robots use pre-defined processes to predict and give an efficient solution electronically.

AI has helped organizations across the world to produce solutions at an amazing speed. However, there has been a dark space of who regulates and what to regulate in this space. Governments are moving towards regulation.

The Global AI Governance and Regulation.

Companies are moving from “experimenting with AI” to building **AI compliance, governance, auditability, and risk management**, especially due to major regulatory milestones, such as the EU AI Act timelines that addresses the following;

- **Model inventories;** It hosts registry of the various AI platforms that are in an organization.
- **Documentation:** Repository of all AI systems and their outcomes.
- **Human oversight:** Indicates how users can intervene in automatic AI workflows in risk avoidance and to mitigate AI “hallucinations” (i.e. Where AI gives a wrong output).
- **Data governance:** This discusses the data sets in line with consent of utilizing their data.



The Regulation & Governance of AI in Kenya.

Kenya's AI governance is currently *policy-led*, anchored in national strategy and enforced through existing laws on privacy, cybercrime and consumer protection. However, a dedicated AI law is under active legislative consideration at the Senate house.

Other policies in Kenya that reference and govern AI are such as ;

1 Kenya National Artificial Intelligence Strategy 2025–2030;

Ministry of ICT & Digital Economy: This contains a national roadmap for ethical, inclusive AI adoption, prioritising infrastructure, data ecosystems, skills and governance. This was a policy guidance, that had no single enforcement statute due to the country's formative embrace stage of AI.

2 Data Protection Act, 2019 (ODPC):

Kenya's core privacy law—relevant to AI through lawful processing, consent, data minimisation, impact assessments, breach notification, cross-border transfer safeguards, and **protections around automated individual decision-making** (important for credit scoring and profiling).

3 Computer Misuse and Cybercrimes Act, 2018:

Underpins cyber offence and critical systems protection, forming part of the broader guardrails for AI-enabled cyber risks and misuse.

4 Artificial Intelligence Bill, 2026 (A Senate Bill awaiting ratification):

The Bill proposes a dedicated AI governance regime, including an **Office of the Artificial Intelligence Commissioner, a risk-based** classification with special obligations for high-risk systems, a register, transparency safeguards and penalties.

5 Financial sector direction (CBK):

The Central Bank of Kenya has published an industry **Survey on Artificial Intelligence in the Banking Sector**, highlighting adoption areas in fraud, cybersecurity, credit risk, electronic KYC and emphasising the need for strong data governance, ethical oversight and explainability as AI use grows.

Overall, Kenya is moving from broad policy guidance towards becoming more formal, risk-based oversight. This means organisations should treat AI as a **governance and compliance** topic and not only a technological upgrade. All the way from design stage through to deployment stage.

ICT & INNOVATIONS UPDATE

Bank AI Regulation & Governance

In 2026 Q1, the Bank did approve its first AI policy. This AI policy adoption makes the Bank one of the first financial institutions in the country to have a ratified AI policy. Even as we await regulators ratification of an industry AI policy, The Bank saw the need for responsible innovation through AI in advance.

The Bank AI policy contains practical compliance focus on data protection, data transparency, human oversight and risk management.

The Bank's AI Policy is also aligned to international good practice guidance such as *ISACA's Artificial Intelligence Acceptable Use Policy Template*. The guidance is largely on implementing generative AI policies, which emphasizes clear rules on approved AI tools, protection of confidential and customer data, defined accountability and escalation paths, human oversight of AI-assisted decisions, and periodic review to keep controls effective as the AI technology evolves.

The current transactions volumes at the Bank in percentile, apportions all our transactions at 99% digital. One thing we can assure our shareholders, is that we shall keep investing in good systems whether AI led or not in order to secure their data.

2026 Technology Trends

In 2026, technology continues to shift from experimentation to operational impact. The defining theme is the embedding of **Artificial Intelligence (AI)** into everyday business processes, supported by stronger governance, improved security, and more efficient computing.

For financial institutions like Caritas Microfinance Bank, the focus is on using trusted AI to accelerate digital services, strengthen cyber defence, improve customer experience, and manage cyber risks responsibly.

- **Agentic AI (AI agents):** AI moves beyond chat to task execution—automating workflows such

as customer support triage, document processing, monitoring, and internal approvals under human oversight.

- **KRA file return through a WhatsApp assistant called "SHURU":** The KRA has introduced a new way to file returns through a What's APP AI assistant dubbed "SHURU". This will make file returns to be efficient and easy to use for those who are tech-savvy.
- **Security modernisation:** Identity-first security grows (multi-factor, phishing-resistant sign-in and tighter access controls) as attackers also use AI to scale fraud and social engineering.
- **AI governance & regulation:** Organisations strengthen AI policies, data controls, audit trails and model risk management to ensure fairness, transparency, privacy and compliance.
- **Data + AI platforms:** Enterprises unify data quality, analytics and AI (including smaller, specialised models) to deliver reliable insights and faster product innovation.
- **Fintech acceleration:** AI-driven credit scoring, fraud detection and personalised digital banking continue to expand—raising the bar for customer trust and responsible data stewardship.
- **Online Money Market Funds:** The country is now gearing up to investments through online platforms such as **ZIDI**. This is a trend that we shall see grow as young people adopt efficient ways to invest.
- **VASP (Virtual Assets Service Providers);** This term describes the various "coins" that exist (e.g. Bitcoin/Ethereum etc). The new VASP Bill approved by Senate demands that all "coins" "declare the identity of all transacting, from November 2026. This is in a bid to address AML gaps identified with various coins. In 2025, "coins" handled Ksh 426 Billion worth of transactions.

Mobile Banking

Username

ICT & INNOVATIONS UPDATE

Security is Our Priority

Bank has over the years invested in cyber security and now has a dedicated unit for Cyber defence. In as much as we cannot eliminate all cyber risks, we are confident in our ability to detect and respond effectively to cyber threats. Therefore, we shall keep investing as the cyber space evolves and metamorphosize.

Additionally, we have reviewed our cyber security procedures and ratified the first ever Bank Cyber Security policy. Worthy to note, is that Bank is now better prepared in managing a cyber incident than before. The policy fundamentals are such that each Cyber scenario has been allocated a color-code (from code-red to code-green) and in each code, swift procedures have been appended, cognizant of the severity of the incident at hand. All these measures we have implemented so that we continuously improve our systems and protect our customer's data.

What You Can Do to be Safe

Cybersecurity is a shared responsibility with our customers. Here are a few enlightenment tips, to help you protect as consumers of our services;

Be Vigilant



Be vigilant of suspicious emails, texts, or calls asking for personal or financial information.

Unique Passwords



Create unique, complex passwords for your online banking channels and change regularly.

Have the Latest Update



Let your mobile devices be possessing the latest update to mitigate cyber vulnerabilities.

Two Factor Authentication



Engage two factor authentication in all your social profiles (i.e. WhatsApp/Facebook, Google etc).

Domain Protection Tools



Deployment of domain protection tools such as Domain-Based Message Authentication Reporting and Conformance (DMARC) and spam filters to company domains.

Report Unusual Activities



If you notice anything unusual, report it to the bank immediately through our contact center or our official website contacts.

Finally ,a lot has been done and much more needs to be done, through concerted efforts from all stakeholders, **"Effective cybersecurity is not a product but a process (A quote By Jim Langevin)."**



OUR PEOPLE & CULTURE



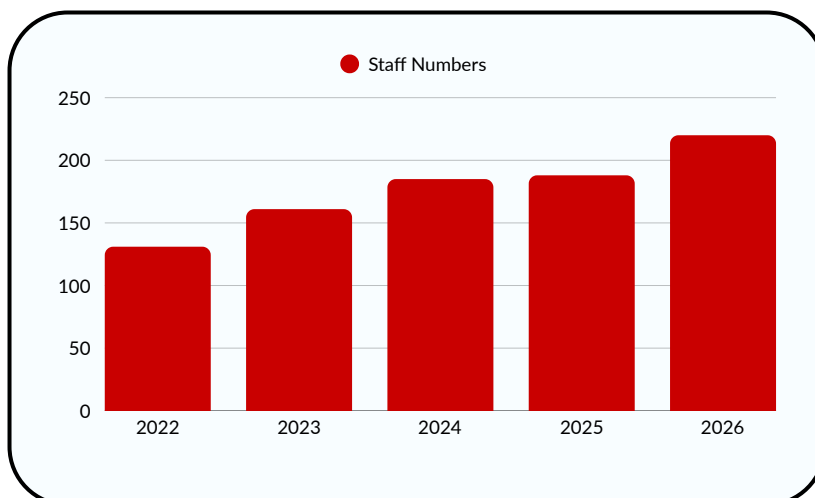
OUR PEOPLE & CULTURE

The Human Resources & Administration Department remains committed to supporting the Bank's strategic Objectives through effective people management, talent acquisition & development, employee engagement and compliance with regulatory requirements.

The department has continually aligned HR initiatives with the Bank's strategic objectives and implemented the Organizational structure to support operational efficiency and Business growth.

The department has successfully over the years filled key vacant positions through effective talent acquisition both internally and externally.

The staff numbers have grown from **21 in year 2015** to the **current 220**.



Human Resource Department – 2025 Key Activities

01 Talent Retention

Over the past year, the Human Resource Department continued to play a pivotal role in strengthening the Bank's human capital and supporting organizational transformation. The department successfully facilitated the transition of **77% of short-term contracted staff into permanent positions**, demonstrating commitment to career growth, talent retention, and workforce stability.

02 Enhanced Onboarding and Performance Management

The department enhanced staff onboarding processes to promote **seamless employee integration**, **accelerate productivity**, and reinforce organizational culture from entry. In addition, Human Resources coordinated the implementation of performance management practices across all departments, fostering improved accountability, productivity, and performance alignment with the Bank's strategic objectives.

03 Training and Development

During the reporting period, several staff training programs were conducted covering **financial literacy**, **leadership development**, **Bank products**, **AML/KYC compliance**, and **operational excellence**, ensuring continuous skills enhancement and professional growth. The department further supported staff professional certifications and intensified managerial and supervisory capacity-building initiatives to strengthen leadership effectiveness across the organization.

OUR PEOPLE & CULTURE

04

Employee Welfare

Employee wellbeing remained a key priority, with the introduction of **quarterly men's and ladies' wellness forums** aimed at addressing workplace and personal wellbeing matters, promoting a healthy and supportive work environment.



Ladies and Men's Conclave held at Elysian Resort (2025)

05

Interbanks Participation

The Bank also actively participated in the **Kenya Bankers Association (KBA) Interbanks Sports Tournament** held in September, emerging as the winner in the **Microfinance Banks category**, reinforcing teamwork, employee engagement, and institutional pride.



The Caritas MFB Team at KSMS during the Interbanks Closing Ceremony - September 2025.

06

Remuneration and Industry Alignment

Following participation in the **KBA Banking Sector Remuneration Survey**, the department sought Board approval and successfully **reviewed staff salaries in February 2026** to enhance industry competitiveness, internal equity, and employee motivation.

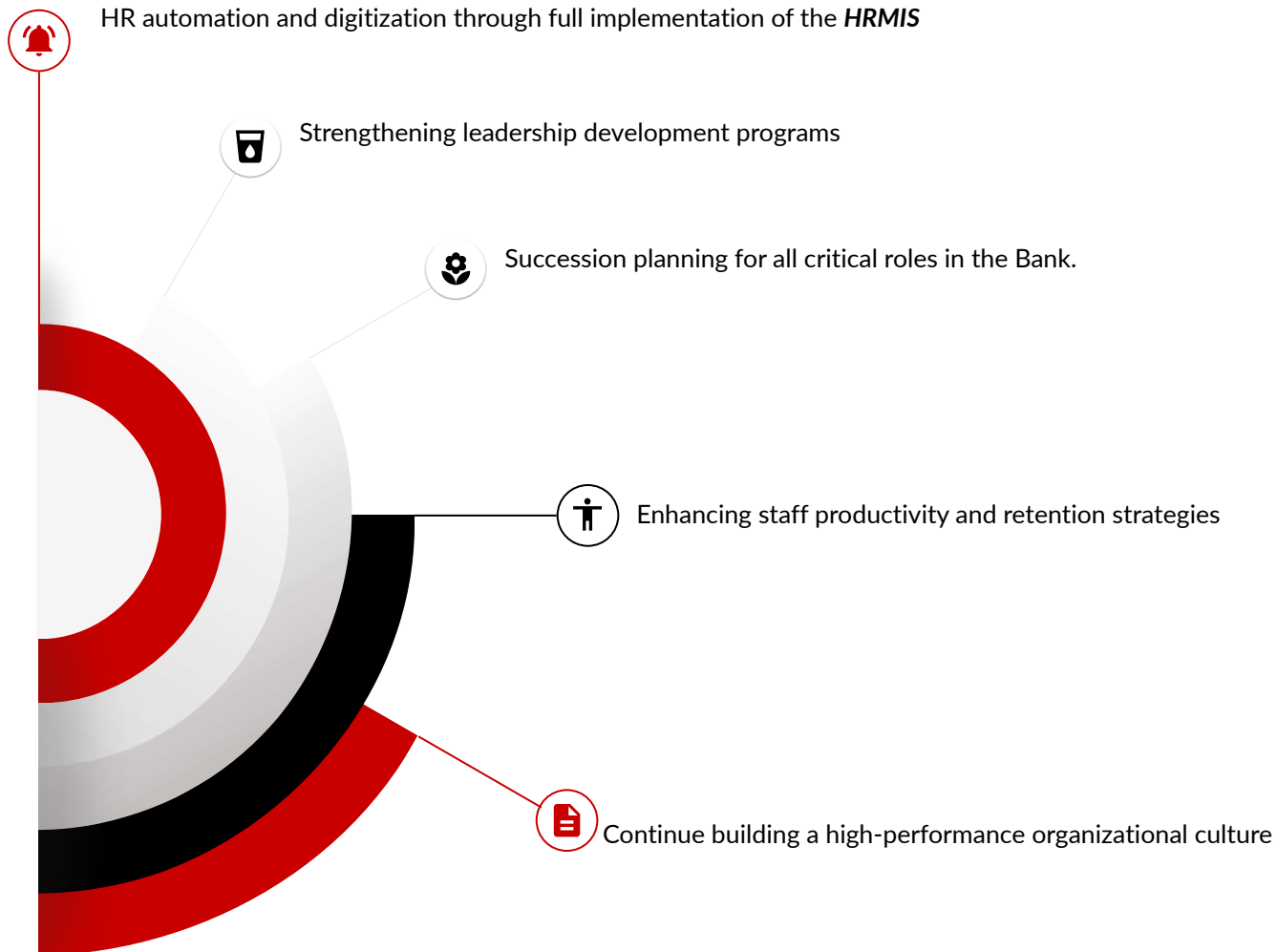
07

Culture and Change Management

The Human Resource Department continues to champion a **performance-driven and customer-focused culture**, strengthening teamwork, accountability, and adherence to organizational values. Ongoing change management initiatives have also prepared staff to effectively support the Bank's transformation agenda and future growth.

OUR PEOPLE & CULTURE

HR Strategic Focus Areas



OPERATIONAL HIGHLIGHTS, MILESTONES & EFFICIENCY GAINS





Operational Highlights

Our Alternative Channels are central to our mission of delivering exceptional service through digital innovation and strategic partnerships.

In 2025, these channels achieved a dominant position within our ecosystem, accounting for over **99%** of all bank transactions. This shift underscores our successful transition toward a digital-first banking model.

Key Channel Performance

- **Mobile Banking (810#):** We recorded significant digital adoption with **40,418** registered active users by year-end, reflecting the trust our customers place in our mobile ecosystem.
- **Agency Banking:** Our physical footprint continues to expand through strategic partnerships. In 2025, we onboarded **41 new agents**, bringing our total network to **155 Caritas MFB Agents**.
- **Lipa Na Caritas:** This remains a high-growth solution. As of December 2025, the Lipa Na Caritas Customers stood at **13,681 users**, facilitating **Kshs 4.9 Million** transactions with a combined value of **Kshs 8.9 Billion**.
- **Caritas Pay Portal:** As part of our commitment to digitizing corporate and merchant payment needs, the portal volume of transactions were 17,888 and the value stands at 583,237,940. The platform served 166 corporate clients as of 31st December 2025.
- **Digital Onboarding & Cards:** Our digital-only footprint continues to grow with **active 1200 Digital Accounts**, while our VISA ATM Card base stands at **4,341**, providing our customers with global accessibility.
- **Caritas Pamoja System:** This system is driving financial inclusion for organized groups. Currently, **109 groups** are active on the platform, with a strong presence in **Nyeri (72)** and an expanding reach in **Eldoret and Nairobi** with **35** and **2 groups** respectively.
- **Caritas Changa:** Our dedicated social fundraising platform successfully supported major initiatives this year, including the **Archdiocese of Nairobi Youth (Catholicity) event**.

STRATEGIC MILESTONES & EFFICIENCY



Airtel Money Services

The bank was able to roll out Airtel Money service at all the branch outlets to enable customers to purchase and sell Airtel money float and also offer Airtel Money retail transactions.



Agent Empowerment

In April 2025, the Bank hosted its **Second Annual Agents' Breakfast**, focusing on capacity building. Agents received specialized training on **Data Protection**, compliance, and emerging product offerings



Introduction of Android POS:

To enhance operational excellence across our Agency Banking network, the Bank successfully transitioned from legacy hardware (Tablets and Bluetooth printers) to advanced **Android POS** terminals. This modernization initiative was designed to significantly improve transactional efficiency and provide a more seamless experience for both our agents and customers at the point of service.



Caritas Pamoja System Scalability

Through the Caritas Pamoja System, we have successfully expanded our reach beyond Catholic-based groups, empowering a broader community through automated fund management system.



Institutional Partnerships

We successfully implemented a customized **Access and Prepaid Card solution** for **St. Mary's School**, demonstrating our capability to provide personalized financial tools for educational institutions.



Cheque Books Ordering

Cheque book requests have been successfully transitioned from manual processing to Straight Through Processing (STP), resulting in faster processing and improved delivery times for our customers.



iForex Deployment

The iForex solution has been deployed, enhancing the processing of RTGS/SWIFT instructions and laying the groundwork for integrating SWIFT transactions into our internet banking platform. We have implemented a straight through process between our core banking system and the SWIFT systems eliminating the manual processing.



Pesalink Limit Enhancement

The Pesalink transaction limit has been raised from 250,000 per transaction in 2024 to **Kshs. 999,999** significantly expanding customer flexibility for high-value transfers.



Automation of Chattel Fees Collection

We have implemented automation for chattel fees collection, streamlining fee recovery processes, reducing manual intervention, and eliminating any revenue leakages that may arise from manual postings.



CIT service provider onboarding

The bank onboarded G4S as an additional CIT service provider as a business continuity plan for the existing service provider and also to offer affordable and convenient services for our customers through cash collections at the parishes.

Your Bank Account Now in Your Pocket

Caritas MFB has partnered with Airtel Kenya to offer enhanced services.

LIVE



Deposits & Withdrawals

Customers can deposit & withdraw funds at any Caritas MFB branch.



Agent Float — Buy & Withdraw

Airtel Money agents can buy & withdraw float at our branch networks.

**COMING
Soon**



Account Access via Airtel Line

Access your Caritas MFB account — balances, statements & more via your Airtel line.



Send & Receive Funds

Transfer funds seamlessly between Airtel Money wallets and Caritas MFB accounts.

Visit your nearest Caritas MFB branch.





CUSTOMER EXPERIENCE REPORT

CUSTOMER EXPERIENCE

In line with its strategic objective of becoming a truly customer-centric institution, the Bank continues to strengthen its **Customer Experience (CX) function** to serve as the voice of the customer across the organization. The CX unit remains instrumental in driving service excellence, customer satisfaction, and continuous improvement through enhanced responsiveness, innovation, and customer engagement.

2025 Highlights

Recognition for Customer Experience Excellence

In 2025, the Bank achieved a significant milestone by receiving its first customer service award after being recognized by the **Kenya Bankers Association** as the **Best Microfinance Bank in Customer Experience**. This recognition reflects the Bank's unwavering commitment to delivering exceptional customer service and validates the effectiveness of its customer-centric strategies, service excellence initiatives, and continuous focus on enhancing customer satisfaction.



Caritas MFB CX Team receiving the Best Microfinance Bank in Customer Experience Award from the Kenya Bankers Association(KBA)



24/7 Customer Support Operations

The Bank continued to operate a fully functional 24/7 Call Centre, providing customers with timely, reliable, and uninterrupted support across all hours of the day. This round-the-clock availability has enhanced accessibility, improved responsiveness, and strengthened customer confidence in the Bank's service delivery channels.

Use of Technology and Staff Capacity Building

The Bank has continuously made use of modern technological solutions aimed at improving operational efficiency, accessibility, and customer convenience. In addition, continuous training and capacity-building programs were undertaken for frontline staff to reinforce service excellence, professionalism, and empathetic customer engagement across all service touchpoints.

Customer Surveys and Continuous Improvement

The Bank continued to conduct regular customer satisfaction surveys and feedback assessments to better understand customer expectations and experiences. Insights gathered from these engagements have informed ongoing improvements in products, services, and internal processes, enabling the Bank to respond proactively to evolving customer needs and market expectations.

Customer Engagement and Stakeholder Forums

Customer engagement forums were conducted at both branch and Head Office levels to facilitate open dialogue with customers and stakeholders. These forums provided valuable feedback on service delivery and customer expectations while strengthening relationships, trust, and collaboration with key stakeholders.

Strengthening a Customer-Centric Culture

The CX Department continued to champion a customer-centric culture across the organization by monitoring service performance metrics, analyzing customer feedback, and driving initiatives aimed at improving customer satisfaction and loyalty. These efforts have contributed to enhanced service standards, stronger customer relationships, and sustained confidence in the Bank's offerings.



BANCASSURANCE REPORT



BANCASSURANCE REPORT



Josphat Cheruiyot
Principal Officer

Caritas Bancassurance Intermediary Limited (CBIL) continued to strengthen its position in the bancassurance industry in 2025, recording notable growth in business performance, expanded product reach, stronger strategic partnerships, and enhanced customer experience through innovative and inclusive insurance solutions. These achievements reflect CBIL's commitment to sustainable growth, and stakeholder value.

Key Achievements

Rollout of CARIMED Health Cover

1 Successfully launched CARIMED, a faith-based medical insurance solution developed to provide affordable and accessible healthcare coverage to individuals and groups across Kenya. The product offers comprehensive benefits including inpatient, outpatient, maternity, dental, optical, accident, and other medical benefits, thereby enhancing financial protection and access to quality healthcare for our customers.



The Bank's CARIMED Committee, formed in 2025.

Deployment of Bancassurance Staff Across Branch Network

2 CBIL also successfully allocated Bancassurance staff to all branches, significantly strengthening service delivery, customer engagement, and insurance penetration across the branch network. This strategic deployment enhanced accessibility to insurance solutions, improved customer support, and contributed to increased business growth and operational efficiency across all regions.

Strengthening Strategic Partnership

3 The Company continued to strengthen relationships with underwriting partners and key stakeholders, while embracing technology and innovative distribution channels to improve efficiency and customer experience. Through continuous insurance awareness initiatives and customer-focused service delivery, CBIL remains committed to promoting financial inclusion and providing sustainable insurance solutions tailored to the needs of our customers.

Way Forward

As we move into 2026, Caritas Bancassurance Intermediary Limited (CBIL) remains committed to supporting the growth of the Caritas Microfinance Bank Group through innovation, service excellence, product diversification, and strengthened strategic partnerships.

As part of its growth strategy, CBIL plans to introduce new customer-focused insurance solutions, including **Last Expense Cover, Education Cover, and Hosicash Cover**, aimed at providing financial protection, supporting education planning, and offering income support during hospitalization. These solutions will further promote financial inclusion and enhance the well-being of our customers and communities.

CBIL reaffirms its commitment to integrity, professionalism, and a customer-centric approach as it pursues sustainable growth and continues creating lasting value for all stakeholders.

Caritas Bancassurance Board Members



CPA Patrick Kinyori- Board Chair



Fr. Peter Kiarie- Member



Fr. Eliud Mumo- Member



Caritas
MICROFINANCE BANK
Twaimarisha Jamii



STRATEGIC PLAN III

(2026-2030)

Accelerating household-driven prosperity



STRATEGIC PLAN III (2026–2030)

The Strategic Plan III (2026-2030) organizes the Bank's future around four strategic pillars. These pillars are supported by four key focus areas designed to drive operational success and financial growth.

Faith-Anchored Identity

- **Strategic Overview:** This pillar serves as the Bank's moral and institutional compass, rooted in Catholic Social Teaching (CST) and ethical stewardship.
- **2030 Vision:** To be recognized as Kenya's most trusted faith-anchored MFI, with 100% of staff trained in CST and policies fully embedded with these values.
- **Key Target:** Deepen engagement with the Church ecosystem to bank over 700 Church institutions, securing Kshs 5.5 Billion in deposits.

Customer Centricity

- **Strategic Overview:** Acting as the primary growth engine, this pillar focuses on deliberate, segment-led, and relationship-based growth.
- **2030 Vision:** Achieve a customer base of 300,000+ retail customers and 1,300+ institutional accounts.
- **Key Target:** Deliver an exceptional experience to reach a Net Promoter Score (NPS) of 55 and maintain a 90% customer retention rate.

SP3 Pillars

Financial Sustainability

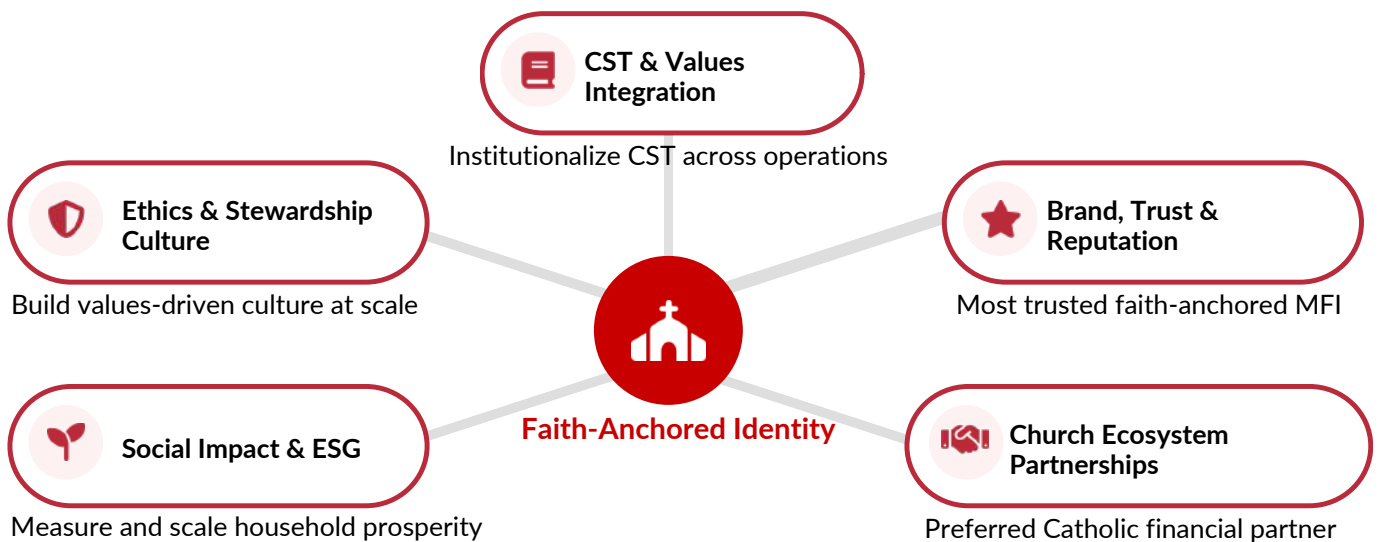
- **Strategic Overview:** This pillar cultivates the discipline required for long-term resilience, emphasizing prudent funding and efficient capital deployment.
- **2030 Vision:** Build a highly profitable institution with a Profit Before Tax (PBT) of Kshs 725.4 Million and a Gross Loan Portfolio of Kshs 12.53 Billion.
- **Key Target:** Optimize the Cost-to-Income Ratio (CIR) to 77.38% while reducing the NPL ratio to 6.43%.

Governance

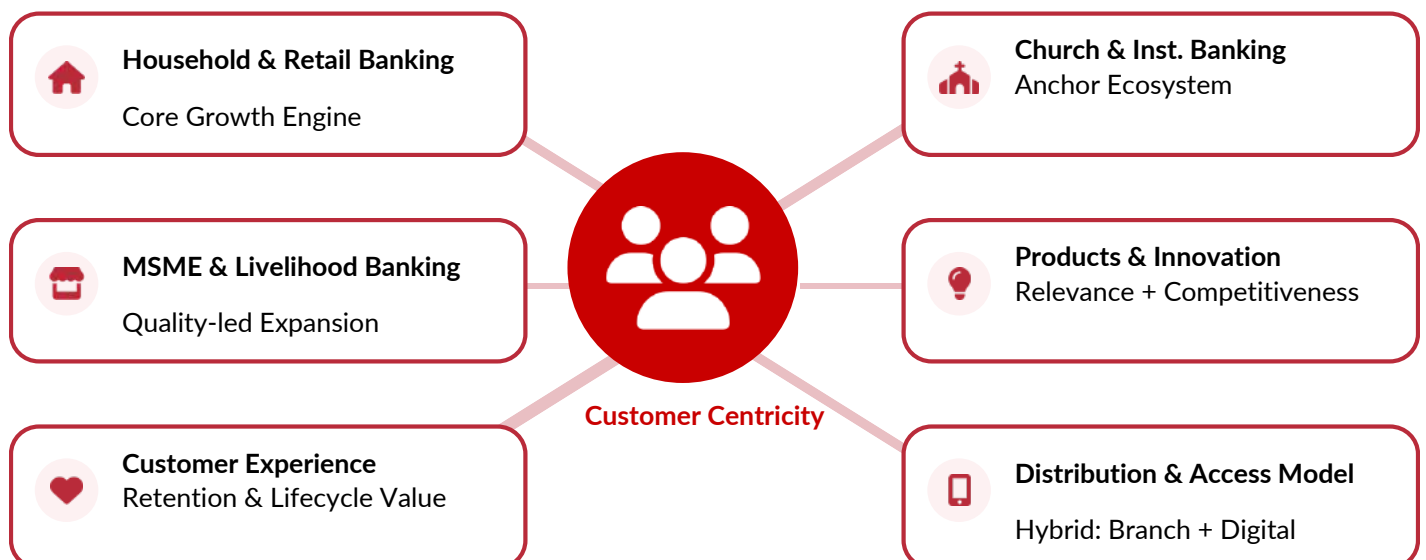
- **Strategic Overview:** Viewed as the "license to operate," governance is evolving from basic compliance to strategic stewardship.
- **2030 Vision:** Establish a robust system with proactive enterprise risk management and a highly productive workforce.
- **Key Target:** Achieve 99.5% core system uptime and ensure 100% of strategic KPIs are reported with disciplined oversight.

STRATEGIC PLAN III (SUB-PILLARS)

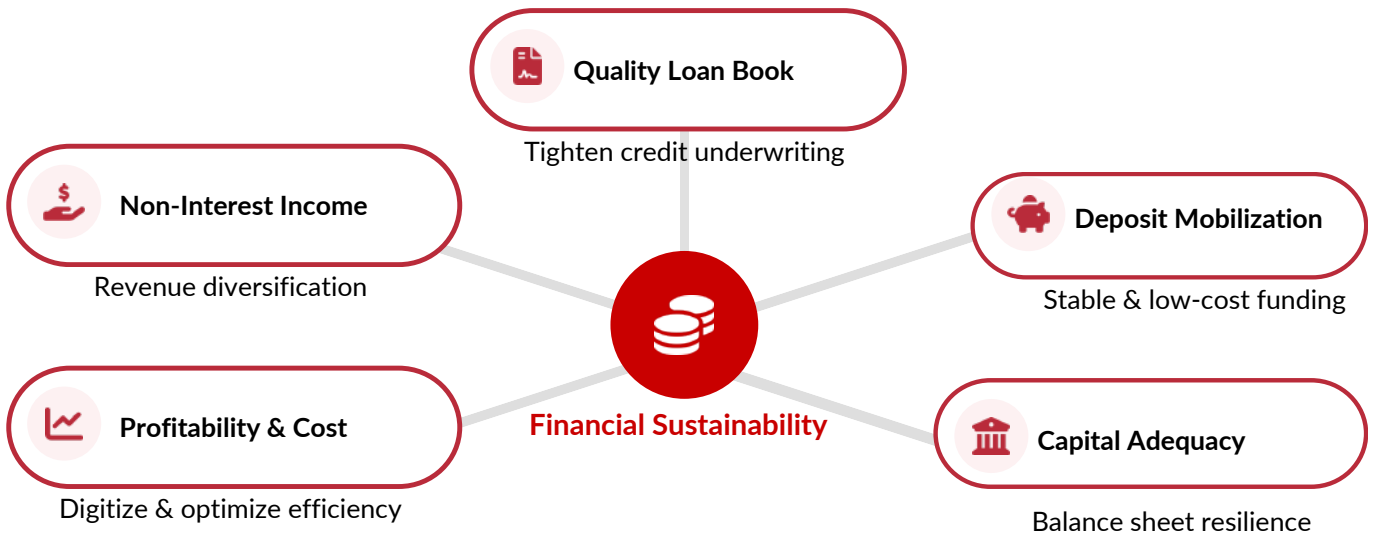
PILLAR 1: FAITH-ANCHORED IDENTITY



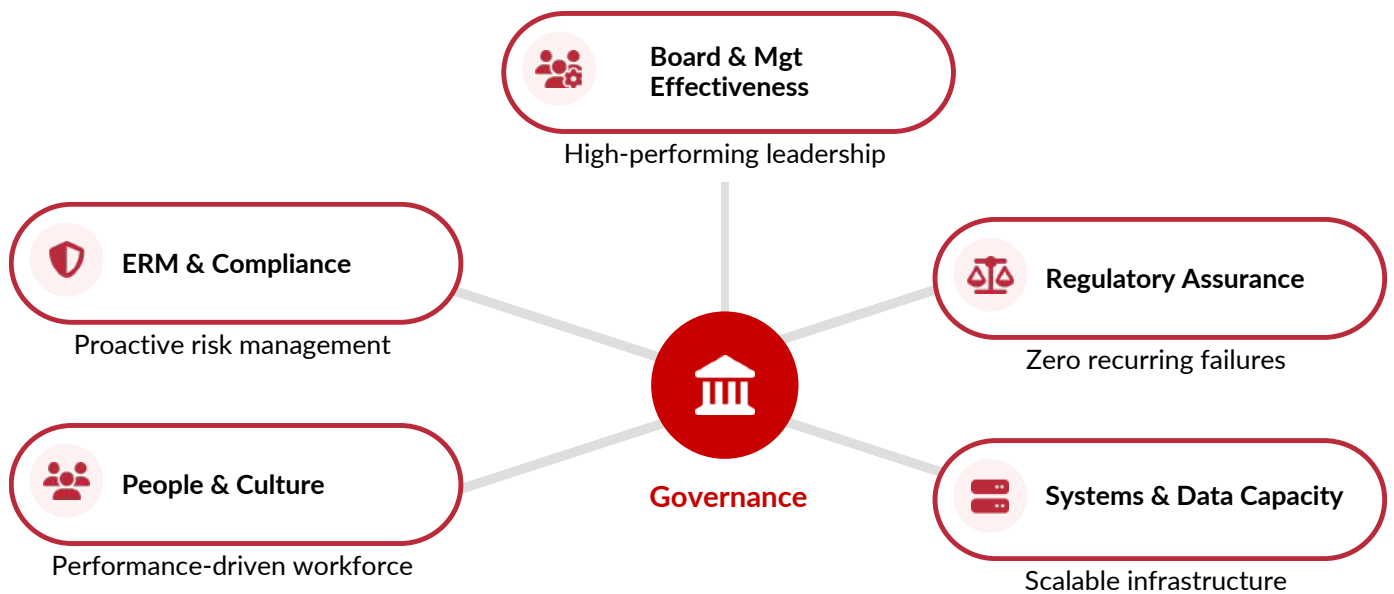
PILLAR 2: CUSTOMER CENTRICITY



PILLAR 3: FINANCIAL SUSTAINABILITY



PILLAR 4: GOVERNANCE



CONSOLIDATED FINANCIAL STATEMENTS



CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2025



The directors present their report together with the audited financial statements of Caritas Microfinance Bank Limited (the "Bank") and its subsidiaries (together, the "Group") for the year ended 31 December 2025, which disclose its state of financial affairs.

1 Incorporation

The Bank is incorporated in Kenya under the Companies Act. It is a private limited liability company domiciled in Kenya. The address of the registered office is as shown on page 9.

2 Principal activity

The Bank and its subsidiary offers microfinance banking services and Bancassurance services. Its principal activity is lending and investments.

3 Business review

The results for the year are summarised below:-

	Group		Bank	
	2025	2024	2025	2024
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Profit before tax	74,280,280	55,191,970	69,010,447	50,355,380
Income tax expense	(1,683,867)	(1,422,514)	-	-
Profit for the year	<u>72,596,413</u>	<u>53,769,456</u>	<u>69,010,447</u>	<u>50,355,380</u>

The Board and management of the Group are pleased to report the following as some of the achievements and key milestones for the year ended 31 December 2025:

i Improved capitalization

During the period the shareholders injected more capital to the bank of Kshs 38.9 million to place the total shareholders contribution pending allotment to Kshs 805.8 million.

ii Financial performance

Deposits - Customer deposits grew from Kshs 4.2 billion in year 2024 to Kshs 5.4 billion in year 2025 representing a 30% growth of Kshs 1.2 Billion.

Asset base - The group recorded a 31% growth in total assets to Kshs 6.4 billion as at 31st December 2025, from Kshs 4.9 billion as at 31 December 2024.

iii Increased footprint

As part of the growth and investment strategy, the group opened one new branch in Karen and a marketing desk in Meru. This is to extend the banking services to a wide range of customer network.

iv Digitization and financial solutions

During the year 2025, the Bank made significant investments in technology aimed at improving operational efficiency, service delivery, resilience, and customer experience. These initiatives were aligned to the Bank's Strategic Plan (SP2) and digital transformation roadmap.



CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

3 Business review (continued)

Integration with Caritas Nairobi

The Bank strengthened its strategic partnership with Caritas Nairobi through integrated operational systems and enhanced transaction platforms. This integration enabled seamless processing of institutional and program-related transactions, resulting in:

- A 104% increase in transaction volumes during the year.
- Improved operational coordination.
- Enhanced service efficiency for shared stakeholders.

This partnership continues to be a key institutional anchor for transaction growth and deposit mobilization.

Network Infrastructure Enhancement – SD-WAN

The Bank deployed Software Defined Wide Area Network (SD-WAN) technology across its branch network. This infrastructure upgrade delivered:

- 99.99% system uptime across branches.
- Improved system redundancy and failover capabilities.
- Enhanced data security and centralized monitoring.
- Reduced downtime and improved customer service continuity.

The investment strengthened operational resilience and positioned the Bank for scalable digital growth.

Agency Banking Enhancement

The Bank enhanced its agency banking channel through:

- Deployment of new and improved digital Point-of-Sale (POS) devices.
- Strengthening transaction monitoring systems.
- Improving settlement processes and agent oversight.

These enhancements increased transaction efficiency, reduced service turnaround time, and expanded outreach. The agency channel remains a critical pillar in advancing financial inclusion and last-mile service delivery.

v. Market & Economic Highlights in Kenya

The Kenyan economy in 2025 showed continued stabilization following fiscal adjustments implemented during the previous year.

a) Economic Growth

The World Bank projected real GDP growth of approximately 5.0%, supported by:

- Resilient performance in the services sector.
- Continued recovery in tourism.
- Stable agricultural output, although growth moderated from the strong rebound observed in 2024.

This environment supported moderate expansion in private sector activity, including SME financing.

b) Inflation and Monetary Policy

Inflation remained within the Government's target range of approximately 5–6%, supported by:

- Improved domestic food supply.
- Easing global commodity prices.
- Relative exchange rate stability.

The Central Bank of Kenya maintained a cautious monetary policy stance early in the year before gradually easing policy rates as inflationary pressures subsided. This approach provided measured support to private sector activity while sustaining investor confidence in government securities.



3 Business review (continued)

v. Market & Economic Highlights in Kenya (continued)

c) Fiscal Environment

Fiscal consolidation remained a key national priority. Policy efforts focused on:

- Strengthening revenue collection.
- Broadening the tax base.
- Managing public debt following the 2024 tax reforms.

While these measures supported macroeconomic stability, business sentiment remained measured amid ongoing monitoring of fiscal discipline and policy consistency.

d) Financial Sector Stability

Financial markets strengthened during the year, characterized by:

- Improved currency stability.
- Adequate foreign exchange reserves.
- A resilient and well-capitalized banking sector.

The microfinance sub-sector continued to experience competition, consolidation, and increasing digital disruption, necessitating continuous innovation and capital strengthening.

VI. Strategic Positioning

The Bank's investments in digitization, infrastructure resilience, and agency channel expansion positioned it well within a stabilizing macroeconomic environment.

- Leveraging technology for operational efficiency.
- Strengthening capital adequacy.
- Expanding transaction-based income.
- Maintaining prudent risk management practices.

The 2025 financial year reflects continued transition toward stable and sustainable growth supported by disciplined management and strategic technology investments.

4 Dividends

The directors do not recommend the payment of dividend in respect of the year ended 31 December 2025

5 Financial statement

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

6 Board of directors

Introduction

Caritas Microfinance Bank Limited received its licence from the Central Bank of Kenya on 12 June 2015.

The Bank recognises the need to conduct its business with integrity and in line with generally accepted corporate practice. The Bank will strive to maintain the highest standards of corporate governance.

Shareholders' responsibilities

The shareholders' role is to appoint the Board of directors and independent auditor. The role of the shareholders is to ensure that the Board is accountable for effective and efficient governance.



CARITAS MICROFINANCE BANK

REPORT OF THE DIRECTORS(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

6 Board of directors (continued)

The Board of directors is responsible for the governance of the Bank and to ensure that the Bank complies with the law and the highest standards of corporate governance and business ethics. The Board is responsible for the long-term growth and profitability of the Bank.

The Directors guide the management and maintain full and effective control over financial, strategic, operational and compliance issues of the Bank. The Board is chaired by a non-executive director and has seven other non-executive directors as listed on page 10. The Board meets regularly and holds special meetings as and when the situation demands.

Board attendance register

No of meetings held during the year

Board Members	Meetings held	Meetings attended	% of meetings
CPA. Patrick Kariuki Kinyori	7	7	100%
Mr. David Mukaru	7	7	100%
Dr. Tom Muchiru Kahigu	1	1	100%
Fr. CPA Simon Ng'ang'a Kinyanjui	7	6	86%
Ms. Naomi Wanjiru Matheri	1	0	0%
Prof. Peter Ndung'u Kiriri	5	5	100%
Mr. Graham Waliaula B. Soita	7	7	100%
Dr. AnneMary Nkirote	7	7	100%
Ms. Joyce Njeri Munene	7	7	100%
Fr. Peter Njuguna Kiarie	7	7	100%

7 Board committees

The Board has appointed six committees - Credit; Audit and Risk Management; ICT and Operations; Business development; Finance and strategy; and Human resources, Procurement and Leadership Committee. These committees are guided by terms of reference and are mandated to meet at least every quarter. These committees make recommendations to the Board on matters which fall under their mandates. All the committees are chaired by non-executive directors.

The following committees of the board were in operation during the year

Audit, risk and compliance committee

Fr. CPA Simon Ng'ang'a Kinyanjui - Chairperson
Dr. Tom Muchiru Kahigu
Ms. Joyce Munene

Credit committee

Dr. AnneMary Nkirote - Chairperson
Mr. Graham Waliaula B. Soita
Fr. Peter Njuguna Kiarie

ICT and Operations committee

Dr. Tom Muchiru Kahigu - Chairperson
Ms. Naomi Wanjiru Matheri
Fr. CPA Simon Ng'ang'a Kinyanjui
Prof. Peter Ndung'u Kiriri - Exited 01.07.2025

Business development committee

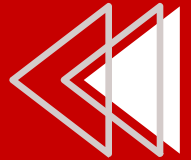
Mr. Graham Waliaula B. Soita - Chairperson
Dr. AnneMary Nkirote
Fr. Peter Njuguna Kiarie
Prof. Peter Ndung'u Kiriri - Exited 01.07.2025

Finance and strategy committee

Ms. Naomi Wanjiru Matheri - Chairperson
CPA. Patrick Kariuki Kinyori
Mr. Graham Waliaula B. Soita
Prof. Peter Ndung'u Kiriri - Exited 01.07.2025

Human resources, procurement, and leadership committee

Fr. Peter Njuguna Kiarie - Chairperson
Ms. Joyce Njeri Munene
Dr. Tom Muchiru Kahigu



8 Assets and liability management committee (ALCO)

This is a management committee chaired by the Chief executive officer. The Head of finance & Strategy, Head of credit, Head of operations, Head of ICT, Head of Retail Banking, Head of Risk and Compliance and Head of Institutional Banking are the other committee members. This committee monitors the liquidity position of the bank and regulatory compliance with regards to statutory liquidity ratio, cash reserve ratio and foreign exchange exposure as per the prudential guidelines of the Central Bank of Kenya. The committee decides on investments in various securities to maximise returns. It also analyses all risks including the interest rate risk and fixes the interest rates in line with the market trends.

9 Statement as to disclosure to the company auditor

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

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

10 Terms of appointment of the auditor

Forvis Mazars LLP continues in office in accordance with Regulation 44 of the Microfinance Act and Regulations (2008) and Section 719 of the Kenyan Companies Act, 2015. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration has been charged to statement of comprehensive income in the year.

By order of the board

Company Secretary

Nairobi 25 March 2026





CARITAS MICROFINANCE BANK

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2025

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

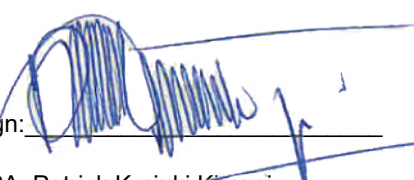
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

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

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

Approved by the board of directors on 25 March 2026 and signed on its behalf by:

Sign: 
CPA. Patrick Kariuki Kinyori
Director

Sign: 
Fr. CPA. Simon Ng'ang'a
Director

Sign: 
Mr. David Mukaru
Chief Executive Officer

Opinion

We have audited the accompanying financial statements of Caritas Microfinance Bank Limited (the "Bank") and its subsidiary (together, the "Group") set out on pages 72 to 120, which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

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

Basis of our opinion

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

Key audit matters

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

- (i) Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost

As explained in Note 1 and 2 of the consolidated financial statements, determining expected credit losses on loans and advances is complex, judgmental and involves significant estimation uncertainty. IFRS 9, Financial Instruments, requires the directors to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. The standard adopts a 3-stage model approach where the loans and advances are categorised in stage 1, 2 and 3 depending on whether the facilities are performing, have experienced significant increase in credit risk or are in default.

Changes to the assumptions and estimates used by management could generate significant fluctuations in the Group's financial results and materially impact the valuation of the portfolio of loans and advances.

The calculation of the expected credit losses involves complex mathematical models that are prone to data integrity or configuration errors, or mathematical formulaic errors.

Key audit matters (continued)

- (i) Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost (continued)

Our audit procedures focused on the following areas that have a significant impact on the calculation of the expected credit losses:

- the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used;
- the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances;
- the appropriateness of forward-looking information used in the models; and
- the conceptual logic, soundness and accuracy of the expected credit losses models used by the Group.

How our audit addressed the key audit matter

Reviewed the Group's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments.

Tested the Group applied the system extracts of 'days past due (DPD)' report in categorising the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD reports from the IT systems and the respective customer files.

Reviewing judgments applied in the staging of loans and advances; Tested the completeness of restructured loans listing and, on a sample basis, assessed the rationale for the restructures and the appropriateness of their subsequent measurement in accordance with IFRS 9 requirements.

Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD), including the post write-off recovery rates for unsecured facilities.

We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports.

On a sample basis, we tested the reasonableness of EADs for both on and off-balance sheet exposures, including the applied cash conversion factors.

We corroborated the assumptions used for determination of forward-looking information (FLI) in the models using publicly available information.

We reviewed and assessed adequacy of the disclosures in the consolidated financial statements on the key judgements and assumptions in accordance with the requirement of IFRS 9.

Key audit matters (continued)**(ii) Information Technology systems and controls over financial reporting**

The Group's financial accounting and reporting processes are dependent on complex information technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes.

Weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information.

Our audit focus on information technology systems and applications and controls over financial reporting included the following areas:

- management of logical access to critical systems including privileged access and developer access to production environment;
- controls over changes of programs and systems developments;
- automated application controls relating to processing of transactions, accounting and financial reporting; and

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over the integrity of information technology (IT) systems and applications that are relevant for financial accounting and reporting.

We tested controls over programs development and changes, access to programs and data and IT operations including compensating controls where necessary. We also tested certain aspects of the security of the IT systems including logical access management and segregation of duties.

Where, either design or operating effectiveness control deficiencies were identified, we altered our audit approach to test the compensating controls or increased the level of our tests of detail. These additional procedures mitigated the deficiencies or provided the additional audit comfort.

We validated any manual adjustments to information generated by the IT systems and applications and assessed the appropriateness of the adjustments.

Other information

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

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

Directors' responsibility for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

In our opinion the information given in the report of the directors on page 61 - 65 is consistent with the consolidated financial statements.

The engagement partner responsible for the audit resulting in this independent audit report is CPA Alphonse Karungu P/No. 856.



For and on behalf of Forvis Mazars LLP
Certified Public Accountants (K)
Nairobi.



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2026



CARITAS MICROFINANCE BANK LTD

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Income	Note	Group		Bank	
		2025 Kshs	2024 Kshs	2025 Kshs	2024 Kshs
Interest income	4	889,263,768	734,795,702	889,263,768	734,795,702
Interest expense	5	(261,513,319)	(214,233,034)	(261,513,319)	(214,233,034)
Net interest Income		627,750,449	520,562,668	627,750,449	520,562,668
Fees and commissions income	6	52,092,059	33,551,709	33,110,240	22,864,811
Fees and commissions expense	7	(835,163)	(534,442)	(835,163)	(534,442)
Net fees and commission income		51,256,896	33,017,267	32,275,077	22,330,369
Other operating income	8	8,279,485	9,081,567	11,928,171	9,081,567
Impairment losses on financial instruments	9	(4,503,124)	(18,090,996)	(4,503,124)	(18,090,996)
Net operating income		682,783,706	544,570,506	667,450,573	533,883,608
Expenses					
Employee benefits	10	(273,363,059)	(216,027,192)	(268,099,730)	(212,500,532)
Depreciation and amortisation	11	(67,638,647)	(54,635,318)	(67,422,800)	(54,520,178)
Administration expenses	12	(267,501,720)	(218,716,026)	(262,917,596)	(216,507,518)
		(608,503,426)	(489,378,536)	(598,440,126)	(483,528,228)
Profit before tax		74,280,280	55,191,970	69,010,447	50,355,380
Income tax expense	13	(1,683,867)	(1,422,514)	-	-
Profit for the year		72,596,413	53,769,456	69,010,447	50,355,380
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Fair value gain on financial instruments held at FVOCI		-	-	-	-
<i>Items that will not be reclassified to profit and loss</i>					
Gain on revaluation of motor vehicle		-	-	-	-
		-	-	-	-
Total comprehensive income for the year attributable to owners of the bank		72,596,413	53,769,456	69,010,447	50,355,380

CARITAS MICROFINANCE BANK

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

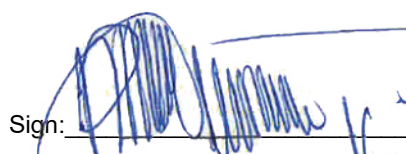
FOR THE YEAR ENDED 31 DECEMBER 2025



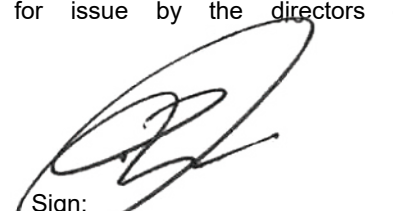
Consolidated Statement of Financial Position as at 31 December 2025

Assets	Note	Group		Bank	
		2025 Kshs	2024 Kshs	2025 Kshs	2024 Kshs
Property and equipment	14	132,001,122	122,256,540	131,374,045	121,713,616
Right-of-use assets	15	101,201,930	83,436,239	101,201,930	83,436,239
Intangible assets	16	60,039,313	30,261,223	60,039,313	30,261,223
Government securities	17	433,419,571	433,564,366	433,419,571	433,564,366
Cash and bank	18	1,655,129,004	1,078,277,567	1,655,129,004	1,078,277,567
Loans and advances	19	3,857,195,564	3,029,105,974	3,857,195,564	3,029,105,974
Receivables and prepayments	20	130,954,512	99,679,335	124,851,526	92,212,227
Current tax receivable	13	44,627,103	31,975,492	44,717,473	33,022,576
Investments in subsidiary	21	-	-	5,000,000	5,000,000
Deferred tax asset	24	863	-	-	-
Total assets		6,414,568,982	4,908,556,736	6,412,928,426	4,906,593,788
Reserves and liabilities					
Liabilities					
Customer deposits	22	5,356,647,276	4,139,086,296	5,385,190,700	4,152,418,462
Other liabilities	23	101,784,870	57,274,901	80,614,314	47,424,351
Borrowings	25	168,181,814	54,545,450	168,181,814	54,545,450
Deferred tax liability	24	-	17,106	-	-
Lease liability	26	111,210,471	92,369,845	111,210,471	92,369,845
		5,737,824,431	4,343,293,598	5,745,197,299	4,346,758,108
Share capital and reserves					
Share capital	27	805,785,000	700,000,000	805,785,000	700,000,000
Shareholders contribution pending allotment	27	-	66,900,000	-	66,900,000
Statutory reserve	29	175,356,651	142,056,509	175,356,651	142,056,509
Accumulated losses		(306,067,100)	(345,363,371)	(315,080,524)	(350,790,829)
Revaluation reserve		1,670,000	1,670,000	1,670,000	1,670,000
Equity attributable to owners of the parent company		676,744,551	565,263,138	667,731,127	559,835,680
Total reserves and liabilities		6,414,568,982	4,908,556,736	6,412,928,426	4,906,593,788

The financial statements on pages 72 to 120 were approved for issue by the directors on 25 March 2026 and signed on its behalf by:-

Sign: 
CPA. Patrick Kariuki Kinyori
Director

Sign: 
Fr. CPA Simon Ng'ang'a
Director

Sign: 
Mr. David Mukaru
Chief Executive Officer



CARITAS MICROFINANCE BANK LTD
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Consolidated Statement of Changes In Equity

a) Group	Note	Share capital Kshs	Shareholders contribution pending allotment Kshs	Accumulated losses Kshs	Statutory reserve Kshs	Revaluation reserve Kshs	Total Kshs
Year ended 31 December 2024							
At 1 January 2024		700,000,000	-	(343,876,545)	86,800,227	1,670,000	444,593,682
Transfer to statutory reserves		-	-	(55,256,282)	55,256,282	-	-
Contributions for share allocation	27	-	66,900,000	-	-	-	66,900,000
Profit for the year		-	-	53,769,456	-	-	53,769,456
At 31 December 2024		<u>700,000,000</u>	<u>66,900,000</u>	<u>(345,363,371)</u>	<u>142,056,509</u>	<u>1,670,000</u>	<u>565,263,138</u>
Year ended 31 December 2025							
At 1 January 2025		700,000,000	66,900,000	(345,363,371)	142,056,509	1,670,000	565,263,138
Transfer to statutory reserves		-	-	(33,300,142)	33,300,142	-	-
Contributions for share allocation	27	105,785,000	(66,900,000)	-	-	-	38,885,000
Profit for the year		-	-	72,596,413	-	-	72,596,413
At 31 December 2025		<u>805,785,000</u>	<u>-</u>	<u>(306,067,100)</u>	<u>175,356,651</u>	<u>1,670,000</u>	<u>676,744,551</u>

CARITAS MICROFINANCE BANK
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025



Consolidated Statement of Changes In Equity

b) Bank	Note	Share capital Kshs	Shareholders contribution pending allotment Kshs	Accumulated losses Kshs	Statutory reserve Kshs	Revaluation reserve Kshs	Total Kshs
Year ended 31 December 2024							
At 1 January 2024		700,000,000	-	(345,889,927)	86,800,227	1,670,000	442,580,300
Transfer of statutory reserves		-	-	(55,256,282)	55,256,282	-	-
Contributions for share allocation	27	-	66,900,000	-	-	-	66,900,000
Profit for the year		-	-	50,355,380	-	-	50,355,380
At 31 December 2024		<u>700,000,000</u>	<u>66,900,000</u>	<u>(350,790,829)</u>	<u>142,056,509</u>	<u>1,670,000</u>	<u>559,835,680</u>
Year ended 31 December 2025							
At 1 January 2025		700,000,000	66,900,000	(350,790,829)	142,056,509	1,670,000	559,835,680
Transfer of statutory reserves		-	-	(33,300,142)	33,300,142	-	-
Contributions for share allocation	27	105,785,000	(66,900,000)	-	-	-	38,885,000
Profit for the year		-	-	69,010,447	-	-	69,010,447
At 31 December 2025		<u>805,785,000</u>	<u>-</u>	<u>(315,080,524)</u>	<u>175,356,651</u>	<u>1,670,000</u>	<u>667,731,127</u>



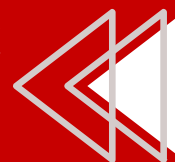
CARITAS MICROFINANCE BANK LTD

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Consolidated Statement of Cash Flows

	Note	Group		Bank	
		2025	2024	2025	2024
		<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Cash flows from operating activities:					
Profit before tax		74,280,280	55,191,970	69,010,447	50,355,380
Adjusted for:					
Depreciation of property and equipment	14	33,484,612	24,839,708	33,268,765	24,724,568
Depreciation of right-of-use assets	15	29,194,589	25,531,929	29,194,589	25,531,929
Amortisation of intangible assets	16	4,959,446	4,263,681	4,959,446	4,263,681
Impairment of loans and advances	19	(14,869,924)	18,090,996	(14,869,924)	18,090,996
Interest on lease liabilities	5	8,431,511	7,894,463	8,431,511	7,894,463
Interest on borrowing	5	2,454,550	4,638,180	2,454,550	4,638,180
Operating profit before working capital changes		137,935,064	140,450,927	132,449,384	135,499,197
Working capital changes:					
Increase in loans and advances		(813,219,666)	(499,861,799)	(813,219,666)	(499,861,799)
Increase in receivables and prepayments		(31,275,177)	27,345,079	(32,639,299)	28,851,349
Increase in customer deposits		1,217,560,980	956,232,720	1,232,772,238	962,892,446
Increase in other liabilities		44,509,969	21,598,600	33,189,963	17,471,846
Decrease/(increase) in financial assets held at amortised cost		144,795	(335,612)	144,795	(335,612)
Cash generated from operating activities		555,655,965	645,429,915	552,697,415	644,517,427
Tax paid	13	(14,353,447)	(33,703,064)	(11,694,897)	(33,022,576)
Net cash generated from operating activities		541,302,518	611,726,851	541,002,518	611,494,851
Cash flows from investing activities:					
Purchase of property and equipment	14	(43,229,194)	(93,343,779)	(42,929,194)	(93,111,779)
Purchase of intangible asset	16	(34,737,536)	(10,557,353)	(34,737,536)	(10,557,353)
Net cash used in investing activities		(77,966,730)	(103,901,132)	(77,666,730)	(103,669,132)
Cash flows from financing activities:					
Contributions for share allocation	27	(66,900,000)	66,900,000	(66,900,000)	66,900,000
Proceeds from borrowings	25	150,000,000	-	150,000,000	-
Repayments of borrowings	25	(36,363,636)	(36,363,640)	(36,363,636)	(36,363,640)
Payments of principal portion of the lease liability	26	(36,551,165)	(32,351,840)	(36,551,165)	(32,351,840)
Interest on borrowings	5	(2,454,550)	(4,638,180)	(2,454,550)	(4,638,180)
Net cash generated from/(used in) financing activities		113,515,649	(6,453,660)	113,515,649	(6,453,660)
Increase in cash and cash equivalents		576,851,437	501,372,059	576,851,437	501,372,059
Movement in cash and cash equivalents					
At the start of the year		1,078,277,567	576,905,508	1,078,277,567	576,905,508
Increase during the year		576,851,437	501,372,059	576,851,437	501,372,059
At end of the year	18	<u>1,655,129,004</u>	<u>1,078,277,567</u>	<u>1,655,129,004</u>	<u>1,078,277,567</u>



Notes

1 Material accounting policy information

The accounting policy information considered material in the preparation of these general purpose consolidated financial statements are set out below:

a) Basis of preparation

The consolidated financial statements are prepared on a going concern basis and in compliance with IFRS Accounting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenyan Shillings, which is also the functional currency (see (c) below).

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

Measurement basis

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

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

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

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

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

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



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Notes (continued)

1 Material accounting policy information (continued)

b) New and revised standards

i) Adoption of new and revised standards

One Amendment to Standards became effective for the first time in the financial year beginning 1st January 2025 and has been adopted by the Group. The amendment has not had a material impact on the Group's financial statements.

The following new and revised standards have become effective for the first time in the financial year beginning 1st January 2025:

Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023)

The amendments, applicable to annual periods beginning on or after 1st January 2025, require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

None of the amendments have had a material impact on the Group's financial statements.

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

The Group has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2025. None of the changes is expected to have any material impact on the Group's financial statements except IFRS 18, which will require changes to the presentation, and related disclosures, of the Profit and Loss Account and the Statement of Cash Flows.

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

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

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

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

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

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

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

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



Notes (continued)

1 Material accounting policy information (continued)

b) New and revised standards (continued)

ii) New and revised standards that have been issued but are not yet effective (continued)

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

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

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates), which is Kenyan Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

d) Interest income and expenses

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

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

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

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

The effective interest rate method

Interest income on interest bearing financial instruments is accounted for in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.



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Notes (continued)

1 Material accounting policy information (continued)

d) Interest income and expenses (continued)

The effective interest rate method

The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle. If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income.

The adjustment is subsequently amortised through interest and similar income in profit or loss.

Interest on credit-impaired financial assets

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

e) Investment in subsidiaries/Consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2024. Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the investee; is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have the power of majority of the 'voting rights but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements.

When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Assets, liabilities, income and expenses liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.



Notes (continued)

1 Material accounting policy information (continued)

e) Investment in subsidiaries/Consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

- Changes in ownership interests in subsidiaries without change of control

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

- Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

- Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to/by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquire. Acquisition related costs are generally recognised in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

1 Material accounting policy information (continued)

e) Investment in subsidiaries/Consolidation (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

f) Fees and commission income

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

g) Property and equipment

Items of motor vehicles, furniture & fittings, computers and equipment are initially measured at cost. Cost includes the purchase price of an asset and other costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

All items of property and equipment are stated at historical cost or subsequently at valuation, less cumulated depreciation and any impairment in value.

The cost of replacing part of an item of motor vehicles, furniture & fittings and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of motor vehicles, furniture & fittings and equipment are recognized in profit or loss as incurred.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off carrying amounts of the property and equipment over their expected useful lives.

Computers	20.0%
Furniture and fittings	12.5%
Equipment	12.5%
Motor vehicles	25.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.



Notes (continued)

1 Material accounting policy information (continued)

h) Intangible assets

Computer software

The Group's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated Amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortized over their useful lives. The Amortisation period and the Amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the Amortisation period or method, as appropriate, and treated as changes in accounting estimates. The Amortisation expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. The Group adjusted the useful life and the amortisation rates for the intangible assets (from 20% p.a to 10% p.a).

The Group's software is developed by external consultants and hence the Group does not incur any research and development costs.

Software in test mode stage is held as work in progress until it is certified as fully operational.

Intangible assets are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

i) Financial Instruments

i) Recognition

A financial asset or liability is recognised when the Group becomes party to the contractual provisions of the instrument.

ii) Classification and measurement

a) Financial assets

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-for-sale investments. Management determines the appropriate classification of its investments at initial recognition.

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading.



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Notes (continued)

1 Material accounting policy information (continued)

i) Financial Instruments (continued)

a) Financial assets (continued)

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other operating income' line item in the profit or loss.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a borrower with no intention of trading the receivable. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

iv) Available-for-sale financial assets

(a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity, and are measured at fair values.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for sale equity instruments are recognised in the profit or loss when the Group's right to receive payment is established. Fair values of quoted investments in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

If it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans and receivables, or held-to-maturity investments carried at amortized cost, an impairment or bad debt loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount).



Notes (continued)

1 Material accounting policy information (continued)

i) Financial Instruments (continued)

a) Financial assets (continued)

The carrying amount of the financial asset is reduced to its estimated recoverable amount through use of the provision for bad and doubtful debts account. The amount of the loss incurred is included in the profit or loss for the period. The Group reviews its loan portfolios to assess impairment regularly.

In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio.

After initial recognition, the Group measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

This evidence may include observable data indicating that there has been an adverse event.

iii) Derecognition of financial liabilities

Financial liabilities are derecognized when and only when the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

j) Cash collateral

Cash collaterals represent payments made by loanees as security for loans taken. In accordance with the loan agreements, the amounts are refundable upon the successful repayment of loans by loanees and at the time a loanee leaves the loan scheme. The amounts are utilized to cover loans in the event of default.

k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

l) Payables

Payables are stated at their nominal value. Amounts received for the period after year end are classified as received in advance and are carried in the statement of financial position as part of trade and other payables.





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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

1 Material accounting policy information (continued)

m) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

(i) Current tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

ii) Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

n) Employee entitlements

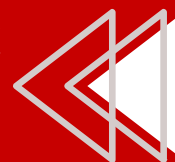
i) Service awards and leave accrual

Employee entitlements to long service awards are recognised as a liability based on the service rendered by the employees up to the balance sheet date. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

ii) Pension obligations

The Group and all its employees contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. Contributions are determined by a local statute and are currently limited at Kshs. 1,080 per employee per month, with the Group contributing a similar amount. In addition the Group has a pension scheme offered by CIC Insurance Group which is contributory at 5% of the basic pay.

The Group's contributions are charged to the statement of profit or loss in the year to which they relate.



Notes (continued)

1 Material accounting policy information (continued)

o) Related parties

In the normal course of business the Group has entered into transactions with related parties. The related party transactions are at arm's length.

p) Loans and provision for loan impairment

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.

q) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

r) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating units (CGUs) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Bank of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 Significant judgements and key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;



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Notes (continued)

2 Significant judgements and key sources of estimation uncertainty (continued)

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

The carrying amounts of the Group's financial assets that are subject to impairment assessment are disclosed in notes 3(a) and 19.



Notes (continued)

2 Significant judgements and key sources of estimation uncertainty (continued)

- Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 19, 20 and 21, respectively.

- Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 15 and 26, respectively.



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

2 Significant judgements and key sources of estimation uncertainty (continued)

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property and equipment, right-of-use assets and intangible assets are disclosed in notes 14, 15 and 16, respectively.

Impairment of non-financial assets

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3 Risk management

a) Capital risk management

The Central Bank of Kenya sets and monitors capital requirements for Microfinance Bank Institutions as a whole. The Microfinance Bank regulatory capital is analysed into two tiers:

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

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 % of tier 1 capital.

There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of Microfinance Bank and certain other regulatory items.



Notes (continued)

3 Risk management (continued)

a) Capital risk management (continued)

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

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

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

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

The Microfinance Bank is committed to comply with all externally imposed capital requirements.

	Group		Bank	
	2025	2024	2025	2024
	Kshs	Kshs	Kshs	Kshs
Tier 1 capital				
Share capital	805,785,000	700,000,000	805,785,000	700,000,000
Accumulated losses	(306,067,100)	(345,363,371)	(315,080,524)	(350,790,829)
	<u>499,717,900</u>	<u>354,636,629</u>	<u>490,704,476</u>	<u>349,209,171</u>
Tier 2 capital				
Statutory reserve	175,356,651	142,056,509	175,356,651	142,056,509
Revaluation reserves	417,500	417,500	417,500	417,500
	<u>175,774,151</u>	<u>142,474,009</u>	<u>175,774,151</u>	<u>142,474,009</u>
Total regulatory capital	<u>675,492,051</u>	<u>497,110,638</u>	<u>666,478,627</u>	<u>491,683,180</u>
Total risk-weighted assets	<u>4,610,921,244</u>	<u>3,647,216,227</u>	<u>4,610,921,244</u>	<u>3,647,216,227</u>



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

3 Risk management (continued)

a) Capital risk management (continued)

	Group 2025 Kshs	2024 Kshs	Bank 2025 Kshs	2024 Kshs
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets (CBK minimum 12%)	14.65%	13.63%	14.45%	13.48%
Total tier 1 capital expressed as a percentage of total Risk weighted assets requirement (CBK Minimum 10%)	10.84%	9.72%	10.64%	9.57%
Core capital expressed as a percentage of total deposit liabilities (CBK minimum 8%)	9.33%	8.57%	9.11%	8.41%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes and activities is undertaken independently of those responsible for the operation, by Risk and Compliance and Credit, and is subject to review by the Board Credit Committee or ALCO as appropriate. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Microfinance Bank Institution to particular operations or activities, it is not the sole basis used for decision making.

Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Microfinance Bank's longer term strategic objectives. The Microfinance Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.



Notes (continued)

3 Risk management (continued)

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure. The Credit Committee manages and oversees the overall lending policy of the Group. Measures to minimize credit risk include the following among others;

- i) Establishing the authorization structure for the approval and renewal of credit facilities.
- ii) Establishment of IT controls to avoid unauthorized lending and to generate exception reports on new advance accounts.
- iii) Placing limits on the amounts of risk accepted in relation to one borrowers, or group of borrower, and to industry segments.
- iv) Regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations.
- v) Obtaining collateral and corporate/personal guarantees.
- vi) Reviewing compliance with agreed exposure limits. Regular reports are provided to the Risk Committee on the credit quality of portfolios and appropriate corrective action is taken.

Management of credit risk

Concentrations of assets and off balance sheet items:

Details of significant concentrations of the Group's financial assets by loan portfolio are as detailed below:

Loans and advances to customers	Bank			
	2025		2024	
	Kshs	%	Kshs	%
Agriculture	206,692,621	5%	109,875,770	3%
Manufacturing	179,235,830	5%	74,127,404	2%
Building and construction	413,802,629	10%	272,909,842	9%
Electricity and water	11,119,396	0%	5,705,574	0%
Trade	1,446,711,876	36%	1,366,371,695	43%
Tourism, restaurant and hotels	414,828,974	10%	257,409,080	8%
Transport and communication	71,941,131	2%	66,994,456	2%
Real estate and home improvement	48,023,318	1%	51,998,568	2%
Financial services	374,269,325	9%	219,062,160	7%
Consumer loans	815,468,115	20%	744,419,000	23%
	3,982,093,215	100%	3,168,873,549	100%



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

3 Risk management (continued)

b) Credit risk (continued)

Maximum exposure to credit risk before collateral held

	Bank			
	2025 Kshs	%	2024 Kshs	%
Deposits and balances due from banking Institutions	276,758,105	5%	251,068,047	6%
Short-term bank deposits	1,348,458,646	23%	790,928,282	18%
Government Securities	433,419,571	7%	433,564,366	10%
Loans and advances to customers	3,857,195,564	65%	3,029,105,974	67%
Other assets	28,770,749	0%	9,416,455	0%
	5,944,602,635	100%	4,514,083,124	100%
	Group			
	2025 Kshs	%	2024 Kshs	%
Deposits and balances due from banking Institutions	276,758,105	5%	251,068,047	6%
Short-term bank deposits	1,348,458,646	23%	790,928,282	18%
Government Securities	433,419,571	7%	433,564,366	10%
Loans and advances to customers	3,857,195,564	65%	3,029,105,974	67%
Other assets	27,972,775	0%	16,226,188	0%
	5,943,804,661	100%	4,520,892,857	100%

Type of credit exposure

Loans and advances to customers at amortised Cost:

	Stage 1 12- months ECL Kshs	Stage 2 Lifetime ECL Kshs	Stage 3 Lifetime ECL Kshs	Year 2025 Kshs	Year ended 2024 Kshs
Normal	3,538,020,638	-	-	3,538,020,638	2,787,890,933
Watch	-	60,114,725	-	60,114,725	49,456,105
Substandard	-	-	47,581,494	47,581,494	10,439,642
Doubtful	-	-	6,668,697	6,668,697	15,151,887
Loss	-	-	329,707,661	329,707,661	305,934,982
Gross carrying amount	3,538,020,638	60,114,725	383,957,852	3,982,093,215	3,168,873,549
Loss allowance	(13,681,239)	(1,114,441)	(110,101,971)	(124,897,651)	(139,767,575)
Carrying amount	3,524,339,399	59,000,284	273,855,881	3,857,195,564	3,029,105,974

CARITAS MICROFINANCE BANK

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FOR THE YEAR ENDED 31 DECEMBER 2025



Notes (continued)

3 Risk management(continued)

b) Credit risk (continued)

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

	Stage 1 Kshs	Stage 2 Kshs	Stage 3 Kshs	2025 Kshs	2024 Kshs
Current	3,538,020,638	-	-	3,538,020,638	2,787,890,933
Overdue < 30 days	-	60,114,725	-	60,114,725	49,456,105
Overdue > 30 days	-	-	383,957,852	383,957,852	331,526,511
Total	3,538,020,638	60,114,725	383,957,852	3,982,093,215	3,168,873,549

Classification of loans and receivables

	Bank 2025 Kshs	2024 Kshs
Neither past due nor impaired	3,538,020,638	2,787,890,933
Past due but not impaired	60,114,725	49,456,105
Impaired	383,957,852	331,526,511
Gross	3,982,093,215	3,168,873,549
Less allowances for impairment	(124,897,651)	(139,767,575)
Net	3,857,195,564	3,029,105,974

Allowances for impairment

At each reporting date, the Bank recognizes loss allowances based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant movement in credit risk on the financial instrument since its initial recognition. The IFRS 9 transition is the amount arising by the reclassification of these financial assets from IAS 39, which reduced such amount in retained earnings.

31 December 2025

	Stage			Total
	1	2	3	
At 1 January 2024	11,532,960	1,912,059	108,231,560	121,676,579
Provision allowance	379,197	(194,812)	17,906,611	18,090,996
At 31 December 2024	11,912,157	1,717,247	126,138,171	139,767,575
At 1 January 2025	11,912,157	1,717,247	126,138,171	139,767,575
Provision allowance	1,769,082	(602,806)	(16,036,200)	(14,869,924)
At 31 December 2025	13,681,239	1,114,441	110,101,971	124,897,651



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

3 Risk management (continued)

b) Credit risk (continued)

31 December 2024

	Stage			
	1	2	3	Total
At 1 January 2023	11,205,163	1,816,891	73,191,313	86,213,367
Provision allowance	327,797	95,168	35,040,247	35,463,212
At 31 December 2023	11,532,960	1,912,059	108,231,560	121,676,579
At 1 January 2024	11,532,960	1,912,059	108,231,560	121,676,579
Provision allowance	379,197	(194,812)	17,906,611	18,090,996
At 31 December 2024	11,912,157	1,717,247	126,138,171	139,767,575

Staging Criteria 12-month ECL (Stage 1)

As IFRS 9 does not distinguish between individually significant or not individually significant financial instruments, the Bank measures potential credit losses for all non-impaired operations (Stage 1 and Stage 2) on an individual operation basis based on the asset class. Their PD and LGD are multiplied by general market scenarios assigned within the IFRS impairment model/ tool. Provisions for impairment in Stage 1 are therefore not directly related to the specifics of any particular operation. They are meant to protect against potential risks that are considered present, or within a 12-month horizon, and derived from potentially adverse developments in operating conditions beyond the control of individual borrowers.

Staging Criteria lifetime ECL (Stages 2 and 3)

When an operation deteriorates substantially in credit quality, it enters Stage 2 and an expected credit loss calculation is performed on a Lifetime Expected Credit Loss (LECL) basis. Stage 2 operations are those that have experienced an overall credit quality downgrade but are still performing. They are not considered credit impaired.

Stage 3 operations have objective evidence of impairment that immediately impacts the ECL.

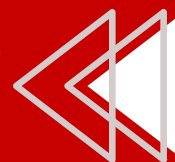
Revolving facilities

Overdraft credit facilities have no fixed term and they can be cancelled at the discretion of the Bank at any point in time. These facilities are subject to, at a minimum, an annual credit review. In this regard, the date of the latest credit review provides the relevant date to assess if there is any increase in credit risk, as at that point in time. The Bank may amend the terms and conditions of the exposure.

c) Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company does not use derivative financial instruments to hedge risk exposures. Risk management is carried out by the holding company under policies approved by the board. Company management identifies and evaluates financial risks in close co-operation with the company's operating units.



Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company maintains flexibility in funding by maintaining availability under committed credit lines such as bank overdraft.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is addressed through the following measures:

i) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and deposits with institutions, to ensure that sufficient liquidity is maintained within the company.

The Group has a well-defined contingency plan that is reviewed regularly as a way of ensuring that it's prepared for any eventualities at any one given time. All liquidity policies and procedures are subject to review and approval by board of directors.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers.



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

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

Year ended 31 December	2025	2024
Average for the year	40%	36%
Maximum for the year	45%	38%
Minimum for the year	36%	32%
Central Bank of Kenya required minimum	20%	20%

The table below represents the cash flows payable by the group under non- derivative financial liabilities by remaining contractual maturities at the end of the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The group manages the inherent liquidity risk based on expected undiscounted cash inflows.

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

Offsetting financial assets and financial liabilities

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

Currency risk

The Group operates wholly within Kenya and its assets and liabilities are reported in the local currency. As at the end of trading period it had no currency risk pertaining to its operations.

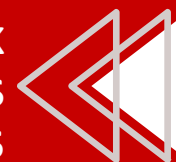
Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2025, the Group's borrowings at variable rate were denominated in the Kenyan Shilling, Euro and US dollar.

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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

The following table summarizes the maturity profile of the undiscounted cash flows on the Group's financial assets and liabilities as at the reporting date:

Group	<3 months	3 - 6 months	6 – 12 months	1 - 5 years	Total undiscounted Cashflows
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 31 December 2025					
Cash balances and deposits in financial institutions	1,655,129,004	-	-	-	1,655,129,004
Government Securities	-	-	-	433,564,366	433,564,366
Loans and advances to customers	165,145,152	32,074,007	137,427,261	3,522,549,144	3,857,195,564
Other assets	27,972,775	-	-	-	27,972,775
Total financial assets (expected maturity dates)	1,848,246,931	32,074,007	137,427,261	3,956,113,510	5,973,861,709
Deposits from customers	2,787,234,727	1,855,674,741	742,281,232	-	5,385,190,700
Lease liabilities	8,083,511	8,302,695	18,018,926	76,805,339	111,210,471
Medium term loan	9,363,638	9,318,182	9,227,274	178,499,805	206,408,899
Other liabilities	744,074	46,023,625	-	-	46,767,698
Total financial liabilities (contractual maturity dates)	2,805,425,950	1,919,319,242	769,527,432	255,305,144	5,749,577,768
Net Liquidity surplus/(gap)*	(957,179,019)	(1,887,245,235)	(632,100,170)	3,700,808,366	224,283,941

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.



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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

Group	<3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total Undiscounted Cashflows Kshs
As at 31 December 2024					
Cash balances and deposits in financial institutions	1,078,277,567	-	-	-	1,078,277,567
Government Securities	-	-	-	433,564,366	433,564,366
Loans and advances to customers	194,501,265	25,862,885	106,530,690	2,702,211,134	3,029,105,974
Other assets	16,226,188	-	-	-	16,226,188
Total financial assets (expected maturity dates)	1,289,005,020	25,862,885	106,530,690	3,135,775,500	4,557,174,095
Deposits from customers	2,070,797,658	1,999,149,137	66,843,567	2,295,934	4,139,086,296
Lease liabilities	6,714,050	6,896,101	14,966,265	63,793,429	92,369,845
Medium term loan	9,090,910	9,090,910	18,181,820	18,181,810	54,545,450
Other liabilities	760,411	24,386,319	-	-	25,146,730
Total financial liabilities (contractual maturity dates)	2,087,363,029	2,039,522,467	99,991,652	84,271,173	4,311,148,321
Net Liquidity surplus/(gap)*	(798,358,009)	(2,013,659,582)	6,539,038	3,051,504,327	246,025,774

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.

CARITAS MICROFINANCE BANK

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Notes (continued)

- 3 Risk management (continued)
- c) Financial risk management (continued)
- i) Liquidity risk (continued)

The following table summarizes the maturity profile of the undiscounted cash flows on the banks' financial assets and liabilities as at the reporting date:

Bank	<3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total undiscounted Cashflows
As at 31 December 2025					
Cash balances and deposits in financial institutions	Kshs 1,655,129,004	-	-	-	Kshs 1,655,129,004
Government Securities	-	-	-	433,419,571	433,419,571
Loans and advances to customers	165,145,152	32,074,007	137,427,261	3,522,549,144	3,857,195,564
Other assets	21,869,789	-	-	-	21,869,789
Total financial assets (expected maturity dates)	1,842,143,945	32,074,007	137,427,261	3,955,968,715	5,967,613,928
Deposits from customers	2,787,234,727	1,855,674,741	742,281,232	-	5,385,190,700
Lease liabilities	8,083,511	8,302,695	18,018,926	76,805,339	111,210,471
Medium term loan	9,363,638	9,318,182	9,227,274	178,499,805	206,408,899
Other liabilities	744,074	46,023,625	-	-	46,767,698
Total financial liabilities (contractual maturity dates)	2,805,425,950	1,919,319,242	769,527,432	255,305,144	5,749,577,768
Net Liquidity surplus/(gap)*	(963,282,005)	(1,887,245,235)	(632,100,170)	3,700,663,571	218,036,160

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.



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Notes (continued)

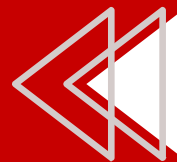
3 Risk management (continued)

c) Financial risk management (continued)

i) Liquidity risk (continued)

Bank	<3 months	3 - 6 months	6 – 12 months	1 - 5 years	Total Undiscounted Cashflows
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 31 December 2024					
Cash balances and deposits in financial institutions	1,078,277,567	-	-	-	1,078,277,567
Government Securities	-	-	-	433,564,366	433,564,366
Loans and advances to customers	194,501,265	25,862,885	106,530,690	2,702,211,134	3,029,105,974
Other assets	8,863,255	-	-	-	8,863,255
Total financial assets (expected maturity dates)	1,281,642,087	25,862,885	106,530,690	3,135,775,500	4,549,811,162
Deposits from customers	2,084,129,824	1,999,149,137	66,843,567	2,295,934	4,152,418,462
Lease liabilities	6,714,050	6,896,101	14,966,265	63,793,429	92,369,845
Medium term loan	9,090,910	9,090,910	18,181,820	18,181,810	54,545,450
Other liabilities	760,411	24,386,319	-	-	25,146,730
Total financial liabilities (contractual maturity dates)	2,100,695,195	2,039,522,467	99,991,652	84,271,173	4,324,480,487
Net Liquidity surplus/(gap)*	(819,053,108)	(2,013,659,582)	6,539,038	3,051,504,327	225,330,675

*The mismatch in the categories under 3-6 months and 6-12 months is due to the assumption that all the deposits falling due within these periods will be withdrawn, which is highly unlikely.



Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

ii) Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Currency risk exposure

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group had no financial instruments denominated in foreign currencies during the year ended 31 December 2025 (2024: nil).

Interest rate risk exposure

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of the financial assets. The Board has set limits on level of mismatch of interest repricing that may be undertaken. Consequently, the interest sensitivity effect on profit or loss would not be significant given the repricing frequency.





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Notes (continued)

3 Risk management (continued)

c) Financial risk management (continued)

ii) Market risk (continued)

The following table analyses the Group's interest rate risk exposure on financial assets and liabilities. The group's assets and liabilities are included at carrying amount and categorized by maturity date.

	Maturing Less than one month	Between 1- 3 months	Between 3-6 months	6 Months less than a year	1 year less than 3 year	3 year less than 5 year	Over 5 years Kshs. '000'	Non-interest bearing	Total
	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>	<u>Kshs. '000'</u>
As at 31 December 2025									
Financial Assets									
Cash and bank balances	-	1,348,459	-	-	-	-	-	306,670	1,655,129
Government securities	-	433,420	-	-	-	-	-	-	433,420
Loan to customers (net)	-	3,857,196	-	-	-	-	-	-	3,857,196
Total financial assets	-	5,205,654	-	-	-	-	-	306,670	5,512,325
Financial Liabilities									
Borrowings	-	168,182	-	-	-	-	-	-	168,182
Customer Deposits	1,063,280	282,995	1,855,675	742,281	-	-	-	1,440,960	5,385,191
Total financial liabilities	1,063,280	451,177	1,855,675	742,281	-	-	-	1,440,960	5,553,373
Interest rate sensitivity Gap	<u>(1,063,280)</u>	<u>4,754,477</u>	<u>(1,855,675)</u>	<u>(742,281)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,134,289)</u>	<u>(41,048)</u>
As at 31 December 2024									
Total Financial assets	-	3,820,034	-	-	-	-	-	287,349	4,107,383
Total Financial liabilities	346,843	337,540	1,999,149	66,844	2,296	-	-	1,440,960	4,193,632
Interest rate sensitivity Gap	<u>(346,843)</u>	<u>3,482,494</u>	<u>(1,999,149)</u>	<u>(66,844)</u>	<u>(2,296)</u>	<u>-</u>	<u>-</u>	<u>(1,153,611)</u>	<u>(86,249)</u>



Notes (continued)

3 Risk management (continued)

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the institution's processes, personnel, technology, and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Group's operations and are faced by all business units. The Group cannot expect to eliminate all operational risks, through a control framework and monitoring and responding to potential risks, the Group is able to manage its risk. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

e) Fair value of financial instruments

Determination of fair value and fair values hierarchy

IFRS 7 and IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have been utilized to arrive at the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The only assets carried at fair value are government securities at fair value through other comprehensive income - Fair value is estimated using last quoted closing price on their principal stock exchange.



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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

The following table summarizes the carrying amounts and fair value of those assets and liabilities not held at fair value. The carrying amount of assets and liabilities held at amortised costs is considered to approximate the fair value of the assets and liabilities.

Group	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2025	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Cash on hand and deposits held with other banks	1,655,129,004	1,655,129,004	-	1,655,129,004	-
Government Securities	433,419,571	433,419,571	433,419,571	-	-
Loans and advances	3,857,195,564	3,982,093,215	-	-	3,982,093,215
Other assets	130,954,512	130,954,512	-	-	130,954,512
Total assets	6,076,698,651	6,201,596,302	433,419,571	1,655,129,004	4,113,047,727
Liabilities					
Customer deposits	5,356,647,276	5,356,647,276	-	-	5,356,647,276
Lease liability	111,210,471	111,210,471	-	111,210,471	-
Medium term loan	168,181,814	168,181,814	-	-	168,181,814
Other liabilities	101,784,870	101,784,870	-	-	101,784,870
Total liabilities	5,737,824,431	5,737,824,431	-	111,210,471	5,626,613,960

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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

Group									
As at 31 December 2024	Carrying amount	Fair value	Level 1	Level 2	Level 3				
	Kshs	Kshs	Kshs	Kshs	Kshs				
Assets									
Cash on hand and deposits held with other banks	1,078,277,567	1,078,277,567	-	1,078,277,567	-				
Government Securities	433,564,366	429,985,600	429,985,600	-	-				
Loans and advances	3,029,105,974	3,168,873,549	-	-	3,168,873,549				
Other assets	132,701,911	132,701,911	-	-	132,701,911				
Total assets	4,673,649,818	4,809,838,627	429,985,600	1,078,277,567	3,301,575,460				
Liabilities									
Customer deposits	4,139,086,296	4,139,086,296	-	-	4,139,086,296				
Lease liability	92,369,845	92,369,845	-	92,369,845	-				
Medium term loan	54,545,450	54,545,450	-	-	54,545,450				
Other liabilities	57,274,901	57,274,901	-	-	57,274,901				
Total liabilities	4,343,276,492	4,343,276,492	-	92,369,845	4,250,906,647				



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Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

The following table summarizes the carrying amounts and fair value of those assets and liabilities not held at fair value. The carrying amount of assets and liabilities held at amortised costs is considered to approximate the fair value of the assets and liabilities.

Bank	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2025	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Cash on hand and deposits held with other banks	1,655,129,004	1,655,129,004	-	1,655,129,004	-
Government Securities	433,419,571	433,419,571	433,419,571	-	-
Loans and advances	3,857,195,564	3,982,093,215	-	-	3,982,093,215
Other assets	124,851,526	124,851,526	-	-	124,851,526
Total assets	6,070,595,665	6,195,493,316	433,419,571	1,655,129,004	4,106,944,741
Liabilities					
Customer deposits	5,385,190,700	5,385,190,700	-	-	5,385,190,700
Lease liability	111,210,471	111,210,471	-	111,210,471	-
Medium term loan	206,408,899	206,408,899	-	-	206,408,899
Other liabilities	77,251,409	77,251,409	-	-	77,251,409
Total liabilities	5,780,061,479	5,780,061,479	-	111,210,471	5,668,851,008

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FOR THE YEAR ENDED 31 DECEMBER 2025



Notes (continued)

3 Risk management (continued)

e) Fair value of financial instruments (continued)

Bank	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2024	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Cash on hand and deposits held with other banks	1,078,277,567	1,078,277,567	-	1,078,277,567	-
Government Securities	433,564,366	429,985,600	429,985,600	-	-
Loans and advances (Gross)	3,029,105,974	3,168,873,549	-	-	3,168,873,549
Other assets	125,234,803	125,234,803	-	-	125,234,803
Total assets	4,666,182,710	4,802,371,519	429,985,600	1,078,277,567	3,294,108,352
Liabilities					
Customer deposits	4,152,418,462	4,152,418,462	-	-	4,152,418,462
Lease liability	92,369,845	92,369,845	-	92,369,845	-
Medium term loan	54,545,450	54,545,450	-	-	54,545,450
Other liabilities	44,789,014	44,789,014	-	-	44,789,014
Total liabilities	4,344,122,771	4,344,122,771	-	92,369,845	4,251,752,926



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Notes (continued)	Group		Bank	
	2025	2024	2025	2024
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
4 Interest income				
Interest on loans and advances	697,223,849	581,688,417	697,223,849	581,688,417
Interest on call deposits	1,448,158	936,258	1,448,158	936,258
Interest on fixed deposits	133,611,756	94,710,615	133,611,756	94,710,615
Interest on Government securities	56,980,005	57,460,412	56,980,005	57,460,412
	<u>889,263,768</u>	<u>734,795,702</u>	<u>889,263,768</u>	<u>734,795,702</u>
5 Interest expenses				
Fixed deposits	250,627,258	201,700,391	250,627,258	201,700,391
Lease expense	8,431,511	7,894,463	8,431,511	7,894,463
Borrowings	2,454,550	4,638,180	2,454,550	4,638,180
	<u>261,513,319</u>	<u>214,233,034</u>	<u>261,513,319</u>	<u>214,233,034</u>
6 Fees and commissions income				
Bank transactions	14,720,751	8,906,285	14,720,751	8,906,285
Mobile banking commissions	18,389,489	13,958,526	18,389,489	13,958,526
Insurance commission	18,981,819	10,686,898	-	-
	<u>52,092,059</u>	<u>33,551,709</u>	<u>33,110,240</u>	<u>22,864,811</u>
7 Fees and commissions expense				
Fees and commissions expense	<u>835,163</u>	<u>534,442</u>	<u>835,163</u>	<u>534,442</u>
8 Operating Income				
Bad debts recovered	2,981,675	5,938,023	2,981,675	5,938,023
Other income	1,102,942	1,324,646	4,751,628	1,324,646
Foreign exchange income	4,194,868	1,818,898	4,194,868	1,818,898
	<u>8,279,485</u>	<u>9,081,567</u>	<u>11,928,171</u>	<u>9,081,567</u>
9 Impairment losses on financial instruments				
			Group and Bank	
			2025	2024
			<u>Kshs</u>	<u>Kshs</u>
Charge for the year (Note 19)			(14,869,924)	18,090,996
Write-offs			19,373,048	-
			<u>4,503,124</u>	<u>18,090,996</u>
10 Employee benefits				
Salaries and wages	210,165,122	171,070,007	204,901,793	167,543,347
Pension and gratuity expenses	15,504,940	12,496,453	15,504,940	12,496,453
Staff medical, training and other expenses	47,692,997	32,460,732	47,692,997	32,460,732
	<u>273,363,059</u>	<u>216,027,192</u>	<u>268,099,730</u>	<u>212,500,532</u>

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Notes (continued)	Group		Bank	
	2025	2024	2025	2024
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
11 Depreciation and amortisation				
Depreciation of property and equipment (Note 14)	33,484,612	24,839,708	18,105,687	24,724,568
Depreciation on Right of use asset (Note 15)	29,194,589	25,531,929	19,834,793	25,531,929
Amortisation of intangible assets (Note 16)	4,959,446	4,263,681	2,757,157	4,263,681
	<u>67,638,647</u>	<u>54,635,318</u>	<u>40,697,637</u>	<u>54,520,178</u>
12 Operating expenses				
AGM expenses	4,912,837	1,519,193	4,912,837	1,519,193
Auditor's remuneration	2,366,360	3,993,600	2,101,360	3,750,000
Bulk SMS expense	9,206,578	4,000,002	9,206,578	4,000,002
Business promotion and marketing	20,375,275	22,381,051	20,375,275	22,381,051
Cash in transit	2,269,333	2,496,180	2,269,333	2,496,180
Cheque book printing	1,607,988	1,505,198	1,607,988	1,505,198
Communication expense	9,883,649	8,190,611	9,883,649	8,140,200
Consultancy fees	4,204,522	6,522,034	4,204,522	6,522,034
Contribution to Deposit Protection Fund	5,958,641	4,661,629	5,958,641	4,661,629
Customer credit reference expense	1,568,529	1,212,199	1,568,529	1,212,199
Directors emoluments	12,718,630	11,560,477	11,693,837	10,851,811
Directors expenses	3,780,817	2,818,481	3,780,817	2,818,481
Electricity and water	5,023,693	4,284,597	5,023,693	4,284,597
General insurance	9,332,288	7,234,500	9,332,288	7,234,500
General office expenses	20,223,126	15,161,681	19,244,361	15,161,681
Mpesa and bank charges	46,515,633	32,112,941	46,506,333	32,102,306
Office security	13,500,698	10,813,982	13,500,698	10,813,982
Postage and courier	2,464,059	2,036,582	2,464,059	2,036,582
Repairs and maintenance	4,863,788	7,222,748	4,863,788	7,222,748
Service charge and expensed VAT on rent	10,236,921	8,070,514	9,753,549	7,602,110
Software maintenance costs	36,472,119	24,224,319	36,472,119	24,224,319
Stationery and printing	9,382,096	8,956,567	9,382,096	8,956,567
Subscription and donations	2,582,948	4,410,533	2,582,948	4,410,533
Travel, accomodation and meals	14,291,367	9,856,500	12,468,473	9,534,514
Other expenses	13,759,825	13,469,907	13,759,825	13,065,101
	<u>267,501,720</u>	<u>218,716,026</u>	<u>262,917,596</u>	<u>216,507,518</u>
13 Taxation				
i) Tax expense				
Current income tax	1,701,836	1,426,585	-	-
Deferred tax expense relating to the origination and reversal of temporary differences (Note 24)	(17,969)	(4,071)	-	-
Income tax expense	<u>1,683,867</u>	<u>1,422,514</u>	<u>-</u>	<u>-</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate of 30% (2024: 30%) as follows:



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Notes (continued)

13 Taxation (continued)	Group		Bank	
	2025 <u>Kshs</u>	2024 <u>Kshs</u>	2025 <u>Kshs</u>	2024 <u>Kshs</u>
Profit before income tax	74,280,280	55,191,970	69,010,447	50,355,380
Tax calculated at the statutory tax rate of 30% (2024: 30%)	22,284,084	16,557,591	20,703,134	15,106,614
Tax effect of:				
Expenses not deductible for tax purposes	1,911	-	-	-
Deferred tax asset not recognised	(20,602,128)	(15,135,077)	(20,703,134)	(15,106,614)
Income tax expense	<u>1,683,867</u>	<u>1,422,514</u>	<u>-</u>	<u>-</u>
ii) Current tax liability				
At start of the year	(31,975,492)	300,987	-	-
Current income tax	1,701,836	1,426,585	-	-
Tax paid - Balance of tax	(873,740)	(300,987)	-	-
- Withholding tax	(12,688,705)	(33,402,077)	(44,717,473)	(33,022,576)
- Instalment tax tax	(791,002)	-	-	-
	<u>(44,627,103)</u>	<u>(31,975,492)</u>	<u>(44,717,473)</u>	<u>(33,022,576)</u>

14 Property and equipment

a) Group	Computers <u>Kshs</u>	Equipment <u>Kshs</u>	Furniture & fittings <u>Kshs</u>	Motor vehicles <u>Kshs</u>	Total <u>Kshs</u>
Cost					
At 1 January 2024	51,478,078	36,805,484	77,388,227	1,670,000	167,341,789
Additions	23,704,272	5,684,927	55,772,700	8,181,880	93,343,779
At 31 December 2024	<u>75,182,350</u>	<u>42,490,411</u>	<u>133,160,927</u>	<u>9,851,880</u>	<u>260,685,568</u>
At 1 January 2025	75,182,350	42,490,411	133,160,927	9,851,880	260,685,568
Additions	28,251,930	7,971,878	7,005,386	-	43,229,194
At 31 December 2025	<u>103,434,280</u>	<u>50,462,289</u>	<u>140,166,313</u>	<u>9,851,880</u>	<u>303,914,762</u>
Depreciation					
At 1 January 2024	35,665,991	29,110,082	48,395,747	417,500	113,589,320
Charge for the year	12,010,141	3,352,827	7,763,566	1,713,174	24,839,708
At 31 December 2024	<u>47,676,132</u>	<u>32,462,909</u>	<u>56,159,313</u>	<u>2,130,674</u>	<u>138,429,028</u>
At 1 January 2025	47,676,132	32,462,909	56,159,313	2,130,674	138,429,028
Charge for the year	13,155,235	3,482,610	14,383,797	2,462,970	33,484,612
At 31 December 2025	<u>60,831,367</u>	<u>35,945,519</u>	<u>70,543,110</u>	<u>4,593,644</u>	<u>171,913,640</u>
Net book value					
At 31 December 2025	<u>42,602,913</u>	<u>14,516,770</u>	<u>69,623,203</u>	<u>5,258,236</u>	<u>132,001,122</u>
At 31 December 2024	<u>27,506,218</u>	<u>10,027,502</u>	<u>77,001,614</u>	<u>7,721,206</u>	<u>122,256,540</u>

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Notes (continued)

14 Property and equipment (continued)

b) Bank	Computers Kshs	Equipment Kshs	Furniture & fittings Kshs	Motor vehicles Kshs	Total Kshs
Cost					
At 1 January 2024	50,982,078	36,805,484	77,049,878	1,670,000	166,507,440
Additions	23,472,272	5,684,927	55,772,700	8,181,880	93,111,779
At 31 December 2024	74,454,350	42,490,411	132,822,578	9,851,880	259,619,219
At 1 January 2025	74,454,350	42,490,411	132,822,578	9,851,880	259,619,219
Additions	27,951,930	7,971,878	7,005,386	-	42,929,194
At 31 December 2025	102,406,280	50,462,289	139,827,964	9,851,880	302,548,413
Depreciation					
At 1 January 2024	35,339,409	29,110,082	48,314,044	417,500	113,181,035
Charge for the year	11,922,445	3,352,827	7,736,122	1,713,174	24,724,568
At 31 December 2024	47,261,854	32,462,909	56,050,166	2,130,674	137,905,603
At 1 January 2025	47,261,854	32,462,909	56,050,166	2,130,674	137,905,603
Charge for the year	12,963,400	3,482,610	14,359,785	2,462,970	33,268,765
At 31 December 2025	60,225,254	35,945,519	70,409,951	4,593,644	171,174,368
Net book value					
At 31 December 2025	42,181,026	14,516,770	69,418,013	5,258,236	131,374,045
At 31 December 2024	27,192,496	10,027,502	76,772,412	7,721,206	121,713,616

15 Right-of-use assets	Group and Bank	
	2025 Kshs	2024 Kshs
At start of the year	83,436,239	74,146,410
Net additions	46,960,280	34,821,758
Depreciation charge	(29,194,589)	(25,531,929)
At end of the year	101,201,930	83,436,239

The Group leases various offices and branches. The leases of offices and branches are typically for periods of between 3 and 9 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

For information on the related lease liabilities, see Note 26.



CARITAS MICROFINANCE BANK LTD

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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

	Group and Bank	
	2025	2024
	<u>Kshs</u>	<u>Kshs</u>
16 Intangible assets		
Software costs		
Cost		
At 1 January	63,384,472	52,827,119
Additions	19,803,916	10,557,353
Additions - WIP	14,933,620	-
At 31 December	<u>98,122,008</u>	<u>63,384,472</u>
Amortization		
At 1 January	33,123,249	28,859,568
Charge for the year	4,959,446	4,263,681
At 31 December	<u>38,082,695</u>	<u>33,123,249</u>
Net Book Value		
At 31 December	<u>60,039,313</u>	<u>30,261,223</u>

17 Government securities

Financial assets comprise investment in Treasury bonds.

The group has reclassified the financial asset above measured at fair value to amortised cost during the year. This was as a result of change in the business model from available for sale financial assets to held to maturity hence the reclassification which has been done prospectively.

	Group and Bank	
	2025	2024
	<u>Kshs</u>	<u>Kshs</u>
a) Amortised cost		
At start of year	420,000,000	420,000,000
Interest	13,419,571	13,564,366
At end of year	<u>433,419,571</u>	<u>433,564,366</u>
Amortised cost can be analysed as follows:		
Maturing within 91 days	-	-
Maturing after 91 days	433,419,571	433,564,366
Total other financial assets	<u>433,419,571</u>	<u>433,564,366</u>

CARITAS MICROFINANCE BANK

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FOR THE YEAR ENDED 31 DECEMBER 2025



Notes (continued)

17 Government securities (continued)

None of the financial assets is either past due or impaired.

The fair values of the financial assets are categorised under Level 1 based on the information set out in accounting policy (I).

Credit risk primarily arises from the changes in the market value and the financial stability of the respective quoted companies, issuers of commercial bonds and investment funds.

Management monitors the credit quality of financial assets by:

- discussion at the management and board meetings;
- reference to external historical information available; and

The maximum exposure to credit risk as at reporting date is the carrying amount of the financial assets as disclosed above.

	Group and Bank	
	2025	2024
	<u>Kshs</u>	<u>Kshs</u>
18 Cash and cash equivalent		
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:		
Short-term bank deposits (See below)	1,348,458,646	790,928,282
Cash at bank	84,248,319	53,725,663
Deposit with CBK	192,509,786	197,342,384
Cash in hand	29,912,253	36,281,238
	<u>1,655,129,004</u>	<u>1,078,277,567</u>

Short-term bank deposits

Kingdom Bank Limited	17,051,655	311,846,033
Family Bank Limited	25,000,001	359,228,154
Sidian Bank Limited	112,815,083	-
ICEA Lion Asset Managers	87,532,422	100,899,604
Standard Investment Bank	515,000,000	-
Britam Holding PLC	180,000,001	-
Jubilee Holdings Limited	15,199,253	-
Madisson Holdings Limited	345,694,458	-
Interest receivable	50,165,773	18,954,491
	<u>1,348,458,646</u>	<u>790,928,282</u>

The weighted average effective interest rate on short-term bank deposits for the year ended 31 December 2025 was 14.97% (2024: 14.75%).

The Group's cash and bank balances are held with major Kenyan financial institutions and, insofar as the directors are able to measure any credit risk to these assets, it is deemed to be limited.



CARITAS MICROFINANCE BANK LTD

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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

19 Loans and advances	Group and Bank	
	2025 <u>Kshs</u>	2024 <u>Kshs</u>
Gross loans and advances	3,982,093,215	3,168,873,549
Credit loss allowance (see below)	(124,897,651)	(139,767,575)
Net loans and advances	3,857,195,564	3,029,105,974

Allowance for expected credit losses

At start of year	139,767,575	121,676,579
Net provision (income)/expense for the year	(14,869,924)	18,090,996
At end of year	<u>124,897,651</u>	<u>139,767,575</u>

20 Receivables and prepayments	Group		Bank	
	2025 <u>Kshs</u>	2024 <u>Kshs</u>	2025 <u>Kshs</u>	2024 <u>Kshs</u>
Prepaid expenses	44,207,679	37,486,965	44,207,679	37,382,790
Prepaid taxes	51,873,098	45,412,982	51,873,098	45,412,982
Accounts receivables	27,972,775	16,226,188	21,869,789	8,863,255
Prepaid ATM cards	6,900,960	553,200	6,900,960	553,200
	<u>130,954,512</u>	<u>99,679,335</u>	<u>124,851,526</u>	<u>92,212,227</u>

21 Investments in subsidiary	2025 <u>Kshs</u>	2024 <u>Kshs</u>
	5,000,000	5,000,000

Details of the investment in subsidiary is as shown below:

Subsidiary	Country of incorporation	Principal activity	Holding	
			2025	2024
Caritas Bancassurance Intermediary Limited	Kenya	Provision of insurance agency services	100%	100%

The Group financial statements include the results of the subsidiary, Caritas Bancassurance Intermediary Limited.

22 Customers deposits	Group		Bank	
	2025 <u>Kshs</u>	2024 <u>Kshs</u>	2025 <u>Kshs</u>	2024 <u>Kshs</u>
Current and demand accounts	1,028,246,030	615,380,757	1,056,789,454	628,712,923
Savings accounts	1,764,827,536	1,417,926,405	1,764,827,536	1,417,926,405
Fixed deposit accounts	2,563,573,710	2,105,779,134	2,563,573,710	2,105,779,134
	<u>5,356,647,276</u>	<u>4,139,086,296</u>	<u>5,385,190,700</u>	<u>4,152,418,462</u>

CARITAS MICROFINANCE BANK

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Notes (continued)

23 Other liabilities

Excise and stamp duty	2,001,320	1,273,752	2,001,320	1,273,752
Leave accrual	1,361,585	1,361,585	1,361,585	1,361,585
Other liabilities and accrued expenses	98,421,965	54,639,564	77,251,409	44,789,014
	<u>101,784,870</u>	<u>57,274,901</u>	<u>80,614,314</u>	<u>47,424,351</u>

24 Deferred tax

Deferred income tax is calculated using the enacted tax rate of 30%, except for capital gains, for which the enacted tax rate of 15% is used (2024: 30% and 15%).

Deferred tax assets/(liabilities), and the deferred tax charge/(credit) in the profit and loss account and in other comprehensive income (OCI) are attributable to the following items:

a) Group

	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2025			
Property and equipment	(17,106)	17,969	863
Net deferred tax asset/(liability)	<u>(17,106)</u>	<u>17,969</u>	<u>863</u>

	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2024			
Property and equipment	(42,120)	25,014	(17,106)
Tax losses	(130,375)	130,375	-
Over provision in prior year	10,274	(10,274)	-
Prior year adjustment	141,044	(141,044)	-
Net deferred tax asset/(liability)	<u>(21,177)</u>	<u>4,071</u>	<u>(17,106)</u>

b) Bank

	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2025			
Property and equipment	-	-	-
Net deferred tax asset/(liability)	<u>-</u>	<u>-</u>	<u>-</u>

	At start of year Kshs	(Credited)/ charged to profit or loss Kshs	At end of year Kshs
Year ended 31 December 2024			
Property and equipment	-	-	-
Net deferred tax asset/(liability)	<u>-</u>	<u>-</u>	<u>-</u>



CARITAS MICROFINANCE BANK LTD

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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

24 Deferred tax (continued)

The deferred tax asset has not been recognized in deductible temporary differences and tax losses carried forward amounting to Kshs. 99,857,144 (2024: Kshs. 101,171,964) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilized.

	Group and Bank	
	2025 <u>Kshs</u>	2024 <u>Kshs</u>
25 Borrowing		
MESPT	168,181,814	54,545,450
The movement is as shown below: -		
At start of the year	54,545,450	90,909,090
Additions during the year	150,000,000	-
Repaid during the year	(36,363,636)	(36,363,640)
	<u>168,181,814</u>	<u>54,545,450</u>

The MESPT loan is secured as below:

Lien over Government Bond FXD1/2022/015 in the name of Caritas Microfinance Bank of KES 100,000,000.

	Group and Bank	
	2025 <u>Kshs</u>	2024 <u>Kshs</u>
26 Lease liabilities		
Current	37,867,061	32,351,840
Non-current	73,343,410	60,018,005
Lease liabilities	<u>111,210,471</u>	<u>92,369,845</u>

The total cash outflow for leases in the year was:

Payments of principal portion of the lease liability	<u>36,551,165</u>	<u>32,351,840</u>
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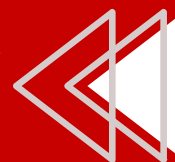
In 2025, the Group recognised lease assets and lease liabilities only for those leases that were classified as finance leases under the accounting policy at that time.

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 15.

CARITAS MICROFINANCE BANK

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Notes (continued)

27 Share capital

	Group and Bank	
<i>Authorized:</i>		
50,000,000 Ordinary shares of Kshs 20 each	1,000,000,000	1,000,000,000
<i>Issued and fully paid:</i>		
At 1 January	700,000,000	700,000,000
Paid up during the year	105,785,000	-
At 31 December	805,785,000	700,000,000
Shareholders contribution pending allotment		
Contributions for share allocation	-	66,900,000

The contribution pending allotment were made by some of the shareholders before the end of the financial year under review and have subsequently, been allotted and converted into share capital before the signing of this financial statements.

28 Related party balances

The Group is related to other companies which are related through common shareholding or common directorships.

The following transactions were carried out with related parties

	Group		Bank	
	2025 Kshs	2024 Kshs	2025 Kshs	2024 Kshs
i) Loans due from employees				
Employees	60,943,380	58,207,000	60,943,380	58,207,000
Interest income earned	5,084,472	4,968,220	5,084,472	4,968,220
Weighted average interest rate	8.00%	8.00%	8.00%	8.00%
ii) Key management and directors' compensation				
Remuneration to key management	44,956,456	37,854,298	44,956,456	36,285,382
Directors' emoluments	12,718,630	11,560,477	11,693,837	10,851,811
	57,675,086	49,414,775	56,650,293	47,137,193
iii) Insider loans and advances				
Directors, shareholders and associates	12,698,000	5,497,000	12,698,000	5,497,000
Employees	60,943,380	58,207,000	60,943,380	58,207,000
	73,641,380	63,704,000	73,641,380	63,704,000



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FOR THE YEAR ENDED 31 DECEMBER 2025

Notes (continued)

	Group		Bank	
	2025	2024	2025	2024
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
28 Related party balances				
iv) Deposits received from shareholders and employees				
Employees	5,429,899	7,154,571	5,429,899	7,154,571
Shareholders	1,087,674,047	818,302,368	1,087,674,047	818,302,368
	<u>1,093,103,946</u>	<u>825,456,939</u>	<u>1,093,103,946</u>	<u>825,456,939</u>
Interest expensed	<u>36,317,342</u>	<u>27,584,692</u>	<u>36,317,342</u>	<u>27,584,692</u>
Weighted average interest rate	<u>10.28%</u>	<u>12.13%</u>	<u>10.28%</u>	<u>12.13%</u>

29 Statutory reserve

The statutory reserve relates to the excess provisions for impairment of loans and advances as computed in accordance with the Central Bank of Kenya regulations over provisions for expected credit losses as computed in accordance with IFRS Accounting Standards. The statutory reserve is not distributable.

30 Events after the reporting period

The directors are not aware of any matters arising after 31 December 2025 that would significantly affect the operations of the Group.

31 Currency

These consolidated financial statements are presented in Kenya Shillings, which is also the functional currency.

A Decade of Empowering Households

June 19, 2025 · Caritas MFB · Celebrating 10 Years of Impact · Celebrating 10 Years of Impact



Thanksgiving mass



Caritas MFB Choir Thanksgiving mass



Decade of Impact celebration



MC address



Evening gala



Red carpet reception



Staff recognition



Keynote address



Product launch

“From a bold vision in 2015 to a decade of transforming lives — Caritas Microfinance Bank remains committed to empowering households across Kenya, one family at a time.”

NOTES

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NOTES

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One Pre-Paid Card. More Convenience



Secure Identity



Seamless Access



Instant Payments



Key Features

- Customizable card design
- ID + Payments in one card
- Promotes safety & convenience
- Built-in expenses management

WHERE CAN IT BE USED?



Schools

Student allowances
& ID management



NGOs

Welfare disbursements
to beneficiaries



Corporates

Travel & expense
management



Churches

Clergy allowances
& expenses

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