FIDELITY SHIELD INSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

CONTENTS

CORPORATE INFORMATION

Board of Directors	N. Kamere	- Chairman
	A. Kurji	
	L. Kibet	
	S. Merali	
	Tandala Investment Limited	- J. Koskey (Alternate Director)
	K. Kangogo	
	G. Akinyi	
	R. Marisin	- Managing Director
Audit, Risk, Compliance and Sustainability Committee	L. Kibet	- Chairman
	A. Kurji	
	G. Akinyi	
	K. Kangogo	
Board Finance & Investments Committee	K. Kangogo	- Chairman
	S. Merali	
	J. Koskey	
	G. Akinyi	
Ethics, Compensation & Remuneration Committee	J. Koskey	- Chairman
	N. Kamere	
	A. Kurji	
	S. Merali	
Management	R. Marisin	- Managing Director
	A. Kiragu	- Head of Operations
	J. Munene	- Finance Manager
	M. Njoroge	- Human Resources Manager
	P. Mukunzi	- Underwriting Manager
	S. Kamau	- Claims Manager
	I. Wekesa	- ICT Manager
	R. Ngetich	- Marketing & Business Devt. Manager
	D. Gitau	- Business Development Manager - Retail
	A. Andayi	- Branch Manager – North Rift
	N. Shariff	- Branch Manager - Coast
	T. Amina	- Branch Manager - Nakuru
	S. Kiano	- Branch Manager - Thika
	R. Boro	- Branch Manager – Nairobi CBD
	S. Chirchir	- Branch Manager – Kisumu

CORPORATE INFORMATION (CONTINUED)

Registered Office

Fidelity Insurance Centre
Waridi Lane off Waiyaki Way
P O Box 47435 – 00100
Nairobi, Kenya

Branches

Head office Branch
Fidelity Insurance Centre
Waridi Lane off Waiyaki Way
P O Box 47435 – 00100
Nairobi, Kenya

Nairobi CBD Branch
Transnational Plaza, 8th Floor
Mama Ngina Street
P O Box 47435 - 00100
Nairobi, Kenya

Mombasa Branch
Mombasa Trade Centre, 8th floor, Nkurumah Road
P O Box 90103
Mombasa, Kenya

Eldoret Branch
Daima Towers, Mezzanine 2, Uganda Road
P O Box 7877
Eldoret, Kenya

Kisumu Branch
Kenya Re Plaza, Oginga Odinga street
P O Box 2243
Kisumu, Kenya

Nakuru Branch
WestSide Mall, 3rd Floor.
Kenyatta Lane
P O Box 18622-20100
Nakuru, Kenya

Thika Branch
Twin Oak Plaza, 4th Floor.
Kwame Nkurumah Street
P O Box 6283-01000
Thika, Kenya

CORPORATE INFORMATION (CONTINUED)

Company Secretary	Millicent Chepkirui Ngetich Certified Public Secretaries (Kenya) P O Box 9287- 00100 GPO Nairobi, Kenya
Independent Auditor	PricewaterhouseCoopers LLP P O Box 43963, 00100 PwC Tower, Waiyaki Way, Westlands Nairobi
Principal Advocate	Coulson Harney LLP 5th Floor, West Wing, ICEA Lion Centre Riverside Park, Chiromo Road P O Box 10643 – 00100 Nairobi, Kenya
Consulting Actuary	Kenbright Actuarial and Financial Services Ground Floor ACK Garden House Upper Hill, 1st Ngong Avenue P O Box 28281 – 00200 Nairobi, Kenya
Principal Banker	NCBA Bank Kenya PLC Mara and Ragati Road, Upper Hill P O Box 30437 – 00100 Nairobi, Kenya

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board of Directors, I am pleased to present the annual report and financial statements for the year ended 31 December 2025, reflecting our continued commitment to delivering value to our shareholders and stakeholders.

ECONOMIC OVERVIEW

Kenya's economy remained on a solid footing through 2025 with an estimated real GDP growth of 5%, driven by a resilient agricultural sector, rebounding construction, and improved service sector activity. The private sector credit rebounded with a growth of 5% by September 2025, supported by lower lending rates and an accommodative monetary stance.

The country however remained at high risk of debt distress, underscoring the urgency of credible fiscal consolidation. Domestic borrowing increased, with a notable shift toward short-term treasury bills, heightening rollover risks. Labor market weaknesses persisted, with formal employment remaining at 15% of total jobs and real wages falling, reflecting structural weaknesses in productivity growth and job creation.

OPERATING ENVIRONMENT

The macroeconomic environment in 2025 remained broadly supportive, characterised by price stability, easing monetary conditions, currency resilience and strong capital market performance.

Inflation remained well anchored within the Central Bank of Kenya target range of 2.5%–7.5%, averaging 4.5%, below the 5% midpoint target. The stable inflationary environment was supported by steady exchange rate and stable fuel prices.

The Kenya Shilling appreciated by 0.2% against the US Dollar to close at Kshs 129.0 in 2025, compared to Kshs 129.3 at the end of 2024 a significant moderation from the 17.4% appreciation recorded in 2024. This stability has been achieved despite significant global shocks including US trade tariffs and Middle East conflicts, underscoring the strength of Kenya's foreign exchange management framework.

The Central Bank of Kenya (CBK) aggressively reduced its benchmark lending rate (CBR) throughout 2025, starting from over 10% and closing the year at 9% in December 2025, following a series of consecutive cuts. This monetary easing was aimed at supporting the private sector, enhancing liquidity and reinforcing economic recovery momentum.

In the fixed income market, yields on government securities trended downward in line with the easing monetary stance. Treasury bill rates declined from a peak of 11.4% to a range of 7.7%–9.2% by year-end. While rates remained relatively elevated, particularly on the 364-day tenor, the market experienced periods of volatility, including reduced bond turnover in the final quarter of the year.

The equities market delivered exceptional performance in 2025, driven by improved investor confidence, a more stable political environment, lower interest rates, and stronger corporate earnings. Major indices at the Nairobi Securities Exchange posted gains exceeding 50% year-on-year, with the NSE 20 and NASI rising by 52.5% and 48.9% respectively. Market performance was supported by strong domestic investor participation and a notable 65% appreciation in Safaricom's share price.

THE INSURANCE INDUSTRY

Kenya's insurance industry remains fragmented and characterized by intense price competition, slow innovation and inconsistent profitability. Structural challenges such as low penetration, high operating costs and limited product differentiation continue to limit industry growth and profitability.

According to IRA 2025 Q3 Insurance Industry report, the industry showed sustained growth in long-term insurance business, a stable general insurance segment and mixed performance across reinsurance lines. The robust growth in Q3 2025 was driven by digital transformation and regulatory reforms.

The general insurance business recorded gross premium income of KES 185.40 billion in Q3 2025 with the Medical and Motor classes maintaining leading positions in terms of contribution to premium at 41.2% and 26.3% respectively.

CHAIRMAN'S STATEMENT (CONTINUED)

THE INSURANCE INDUSTRY (CONTINUED)

The underwriters incurred claims worth KES 55 billion, translating to a claim incurred loss ratio of 73.0%, an improvement from 76.5% in Q2 2024. The moderation of the loss ratio signals a degree of recovery in underwriting performance despite continued pressure from high claims in medical and motor insurance classes. The high premium volume classes of general insurance business contributed the largest proportions of incurred claims; Medical (49.4%), Motor Commercial (20.4%) and Motor Private (20.2%). The motor classes of insurance business contributed 40.6% of total claims incurred under general insurance business compared to their business contribution of 25.1% of the total premium under general insurance business.

In 2025, the Kenyan insurance industry faced critical challenges including low market penetration (approx. 2.3% of GDP), high insolvency rates, and mounting public mistrust due to claims settlement delays. Key bottlenecks included intense competition from banks/telecoms, rising fraud, stringent regulatory compliance costs, and economic volatility.

Despite the challenges in general insurance business classes and reinsurance business, the industry recorded improving claims ratios and strengthening asset base.

PERFORMANCE HIGHLIGHTS

The Company closed the year 2025 with a 24% growth in insurance service revenue to Kes. 4.7 billion from Kes. 3.8 billion in 2024. The growth was boosted by exponential growth in Medical, Miscellaneous and Motor commercial classes which recorded growths of 320%, 77% and 63% respectively.

Insurance service expenses increased by 21% to Kes 3.6 billion from Kes 3 billion prior year. Even though the expenses increase was at a lower rate than the revenue growth, the core underwriting business results was affected by a marginal increase in claims incurred which pushed the overall loss ratio up from 75% in 2024 to 77% in 2025. Management have put in place robust strategies aimed at improving the loss experience downwards in the short run with a view of achieving positive Net Insurance Results.

Premium collection efforts and strategies employed during the year saw the business achieve a record 41 debtor days resulting to debtor's impairment writeback of Kes. 20M and a reduction reported management expenses. This enhanced debtor's performance resulted from collaborative efforts by all business functions aimed at timely collections and strict adherence to the credit control policy. The enhanced premium collection not only boosted the investment portfolio and income but also reduced the credit risk which consequently improved the Company's capital adequacy ratio from 129% to 156% at the end of the year.

The investment portfolio comprising of government securities, bank deposits and equities recorded an overall growth of 39% to Kes 3.7 billion compared to 2.6 billion in 2024 with government securities alone recording a growth of 28%. Investment income increased by 14% to Kes 516 million from Kes 452 million in 2024 largely driven by increased investment assets, mainly fixed income and equities. The property portfolio on the other hand registered a devaluation loss of Ksh 32 million due to the low property occupancy and reduction of rental rates.

Profit before tax grew by 8% to Kes 231 million from Kes 213 million in 2024 which was attributed to increased investment income, containment of management expenses and improvement in the performance of medical book.

FUTURE OUTLOOK

The leading macroeconomic indicators remain broadly supportive heading into 2026. The Kenya Shilling is projected to trade within a range of KSh 129.0 to KSh 132.0 against the US Dollar by year-end 2026, while inflation is expected to remain within the Government's target band of 2.5%–7.5%, reflecting continued price stability.

Domestic and external borrowing levels are, however, expected to remain elevated in 2026. This will largely be driven by the need to service and refinance existing obligations, including forthcoming external debt maturities such as the USD 1.0 billion Eurobond due in February 2028. Consequently, fiscal consolidation efforts and global market conditions will remain key factors shaping liquidity, interest rates, and investor sentiment.

CHAIRMAN'S STATEMENT (CONTINUED)

FUTURE OUTLOOK(CONTINUED)

Against this backdrop, the external environment presents both opportunity and complexity. While macroeconomic stability and improving market confidence create avenues for growth, sustained success will require sharper execution, disciplined capital management, and clearly differentiated value propositions.
To strengthen competitiveness and restore performance momentum, the Company will focus on disciplined and strategic expansion, building liquidity and solvency buffers, driving growth through medical leadership, accelerating digitisation to enhance operational efficiency and customer experience, and fostering purposeful innovation to meet evolving client needs.

TRIBUTE

In closing, I wish to express my sincere appreciation to my fellow Directors for their unwavering support, commitment, diligent oversight, and collaboration, which have strengthened our governance framework, enhanced risk management, and ensured disciplined execution of our strategic priorities.

I commend Management and Staff for their professionalism and dedication in executing the Company's strategy and delivering outstanding results during the year under review. I assure you of the Boards continued support and look forward to another great year of performance.

Finally, I extend my heartfelt gratitude to our valued business intermediaries and customers for their continued trust, loyalty, and steadfast support.

Nicholas Kamere
Chairman
12 March 2026

CORPORATE GOVERNANCE STATEMENT

Fidelity Shield Insurance Company Limited considers the implementation of strong Corporate Governance practices essential for generating healthy and sustainable returns for its shareholders, while also fulfilling its responsibility to enhance the quality of life for all stakeholders. As a result, the Directors are dedicated to adhering to the highest standards of Corporate Governance in managing the Company's operations.

The Company ensures full compliance with all applicable rules, regulations, and laws in its business activities. It operates with the goal of building credibility in the market and creating greater value for its stakeholders. Decision-making and the exercise of authority are conducted with integrity, responsibility, accountability, and transparency.

BOARD OF DIRECTORS

Composition of the Board

The Company is guided by a strong Board that offers strategic direction, supervises Management, and ensures that Management is delivering value for all stakeholders.

The Insurance Regulatory Authority (IRA) has established Corporate Governance Guidelines for Insurers, outlining the minimum standards for insurers operating in Kenya. These guidelines specify that an insurance company's Board must have at least five members, with no fewer than one-third of the Board members, including the Chairman, being independent professionals. Additionally, the guidelines recommend the establishment of key committees, including Audit, Investment, Risk Management, Asset Liability Management, Policy-holder Protection, Ethics, and Nomination and Remuneration. The Board currently consists of seven members.

While the Board of Directors holds the ultimate responsibility for overseeing the Company's operational and financial performance, the day-to-day management has been delegated to the Managing Director.

Role of the Board

The primary responsibility of the Board of Directors is to provide overall strategic direction and governance for the company. This includes overseeing the company's operations, ensuring accountability, and making decisions that align with the long-term goals and interests of the shareholders and other stakeholders.

The Board of Directors meets at least quarterly and is chaired by a non-executive independent director.

Board Committees

To effectively fulfil its governance duties, the Board has established several standing committees, each with specific mandates. These committees operate based on clear terms of reference that outline their responsibilities and authority. They have unrestricted access to all company information and direct access to the Company Secretary and independent professionals to support them in carrying out their functions. Each committee reports to the Board at every meeting, summarizing the topics discussed and proposing actions for approval when necessary. Despite the delegation of authority to these committees, the Board retains full responsibility for the areas they oversee and the committees' activities.

Throughout the year, the Board held seven (7) meetings to assess the company's performance in relation to the business plan and budget. The attendance record for these meetings is outlined below:

Director	13.03.2025	15.05.2025	24.07.2025	07.11.2025
N. Kamere	√	√	√	√
K. Kangogo	√	√	√	√
S. Merali	√	x	x	√
J. Koskey	√	√	√	√
L. Kibet	x	x	x	x
G. Akinyi	√	√	√	√
A. Kurji	√	√	√	√

Key:

✓ - Present X – Absent with apology

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

The mandates of the committees and their membership are summarized as follows:

(a) Audit, Risk, Compliance and Sustainability Committee

The Audit, Risk, Compliance and Sustainability Committee (ARCS) consists of four members, including a Chairman who is a non-independent, non-executive director, and three other directors. In terms of auditing, the committee's primary goal is to assist the Board by independently reviewing the effectiveness of the company's financial reporting process and internal control systems. Regarding risk, the committee's main objective is to ensure that the company has a robust risk management system in place. It is responsible for defining the nature, role, responsibilities, and authority of the company's risk management function and systems, as well as outlining the scope of risk management activities. In relation to sustainability, the committee's main role is to oversee the implementation of the company's sustainability strategy towards the management of sustainability related risks and opportunities and climate related risks and opportunities. The committee also reviews the performance and findings of the Internal Audit, Risk, Compliance and Sustainability functions and external audit and recommends any necessary corrective actions at least quarterly.

The record of attendance at the Board Audit, Risk, Compliance & sustainability Committee meetings is set out below:

Director	05.03.2025	07.05.2025	16.07.2025	23.10.2025
A. Kurji	√	√	√	√
L. Kibet	√	√	√	x
K. Kangogo	√	√	√	√
G. Akinyi	√	√	√	√

Key:

✓ - Present X – Absent with apology

(b) Board Finance and Investment Committee

The Board Finance and Investment Committee (FIC) consists of four members who bring extensive expertise in finance, accounting, and investments. Its primary goal is to support the Board by offering strategic direction and oversight to safeguard the company's financial well-being and long-term growth. The committee is responsible for overseeing financial management, shaping investment strategies, managing financial risks, handling capital structure and financing, and ensuring strong financial governance. FIC presents its findings and recommendations to the full board for final approval.

The record of attendance at the Board Finance and Investment Committee meetings is set out below:

Director	06.03.2025	08.05.2025	17.07.2025	23.10.2025
J. Koskey	√	√	√	√
S. Merali	√	√	√	√
K. Kangogo	√	√	√	√
G. Akinyi	√	√	√	√

Key:

✓ - Present

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

(c) Ethics, Nomination and Compensation Committee

The Ethics, Compensation and Remuneration Committee (ENCC) consists of four members and its main goal is to support the Board in offering guidance to the various Management Committees, ensuring that human
resources objectives and matters are effectively addressed. The committee reviews and advises on issues
such as salary adjustments, bonus allocations, staff recruitment and resignations, as well as any disputes involving the company's workforce.

The record of attendance at the Board Compensation and Remuneration Committee meetings is set out below:

Director	04.03.2025	06.05.2025	17.07.2025	22.10.2025
J. Koskey	√	√	√	√
S. Merali	√	√	√	√
A. Kurji	√	√	√	√
N. Kamere	√	√	√	√

Key:

✓ - Present

(d) Management Committee

The Management Committee, made up of executive and senior staff, meets monthly with the primary goal of overseeing the implementation of the company's overall strategy. Each month, the committee evaluates the performance of all departments, with a particular focus on financial performance and the progress of strategy execution.

REPORT OF THE DIRECTORS

The Board of Directors is pleased to present the annual report along with the audited financial statements of Fidelity Shield Insurance Company Limited (the "Company") for the year ended 31 December 2025, which provide an overview of the Company's financial results and position.

PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of general insurance business.

RESULTS

Some of the Company's key performance indicators are:

Performance indicator	**2025**	**2024**
Insurance service revenue (Kes million)	4,660	3,772
Insurance service expenses	3,613	2,971
Insurance service result (Kes million)	(58)	(7)
Net Investment income	516	452
Profit before income tax (Kes million)	231	213
Insurance contracts liabilities (Kes million)	5,297	4,386
Reinsurance contracts assets (Kes million)	1,054	1,038
Total assets (Kes million)	6,860	5,776
Total equity (Kes million)	1,364	1,224

DIVIDEND

The directors recommend payment of dividend in respect of the year ended 31 December 2025 of Kes 100 million (2024: Kes 75 million).

DIRECTORS

The directors who served the Company up to the date of this report are as listed on page 2.

BUSINESS REVIEW

The performance highlights have been discussed in the Chairman's statement.

OPERATIONAL RISK

The Company operates a strong risk management system that ensures any unfavourable risk exposures are promptly addressed upon identification. The risk management framework includes regular risk identification, assessment, monitoring, and management processes. Key risks, such as insurance, credit, financial, and capital risks, are continuously monitored by the board.

OUR PEOPLE

Our employees play a key role in the Company's success. Fidelity has consistently aimed to be an employer of choice in the insurance sector. As a result, the Company is dedicated to developing and enhancing staff capabilities, fostering innovation, and cultivating an engaged workforce. A robust talent management system is in place, offering a clear framework for training, career progression, and employee rewards. The total number of staff at the end of the year was 96 (2024: 87).

REPORT OF THE DIRECTORS (CONTINUED)

OUTLOOK

Despite current global and domestic challenges, Kenya's medium-term growth outlook remains positive. We are focused on executing our strong strategy to expand our market presence and continue enhancing profitability. We will also focus on making the medical business more profitable by targeting profitable accounts and using claims management strategies like tightening pricing and underwriting policies, negotiating improved rates with hospitals, educating new customers, and implementing tele-consultations to lower consultation and drugs costs. We are confident that the renewed energy and strategic direction will ensure the Company's performance stays strong and sustainable in the years ahead.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

(a) There was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

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

TERMS OF APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Company's Articles of Association and Section 719 of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity, and independence of the auditors. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Sylvia Mwikali
Certified Public Secretaries (Kenya)
Company Secretary
12 March 2026

SUSTAINABILITY COMMITMENT STATEMENT

MANAGING DIRECTOR'S STATEMENT

Fidelity Insurance recognises that sustainability is essential to long-term value creation, business resilience, and stakeholder trust. As a regulated insurance provider, we are committed to progressively integrating environmental, social, and governance (ESG) considerations into our governance frameworks, and subsequently implement the disclosure requirements in line with IFRS S1, S2 and other standards to the extent that they are applicable to our business model.

In the current reporting period, we focused on establishing strategic, governance and risk management foundations to support a structured, forward-looking approach to sustainability. This included developing a Sustainability Strategy, which outlined our priority focus areas, governance arrangements, and a phased roadmap for implementation and reporting on the following areas:

Governance

Fidelity Insurance enhanced the mandate of the Audit Risk and Compliance Board Committee to include Sustainability oversight during the Committee's first meeting of the year held on 5th March 2025. The Committee's meetings and attendance are as outlined in the corporate governance statement above. The Company's sustainability strategy implementation was discussed in 4 out of the 4 meetings held.

Consequently, the company's sustainability structure was further enhanced by the creation of Sustainability Risk & Compliance department that is led by Sustainability, Risk & Compliance Officer who was appointed effective 1st March 2025. The department was then facilitated with a team of 13 Environmental Social and Governance (ESG) Champions drawn from 7 departments and 6 branches. The champions have been instrumental in the implementation of the ESG strategy in the company in the year under reporting.

To further support the Sustainability framework, the Board approved the ESG & Sustainability Policy on 15th May 2025. The policy enshrines our ESG principles and commitments to the Planet, the People, Sustainable Economy and Ethical Governance. This fulfilled our ESG commitment that was highlighted in our 2024 financial statement. The company also undertook efforts to increase female representation in management. This included facilitating female employees with professional trainings to equip them with skills for their career growth, followed by appointment of 3 women into managerial positions. Thus, our female representation in management grew from 23% in 2024 to 26% as at end of year 2025. The company targets 30% female representation in management by end of year 2026.

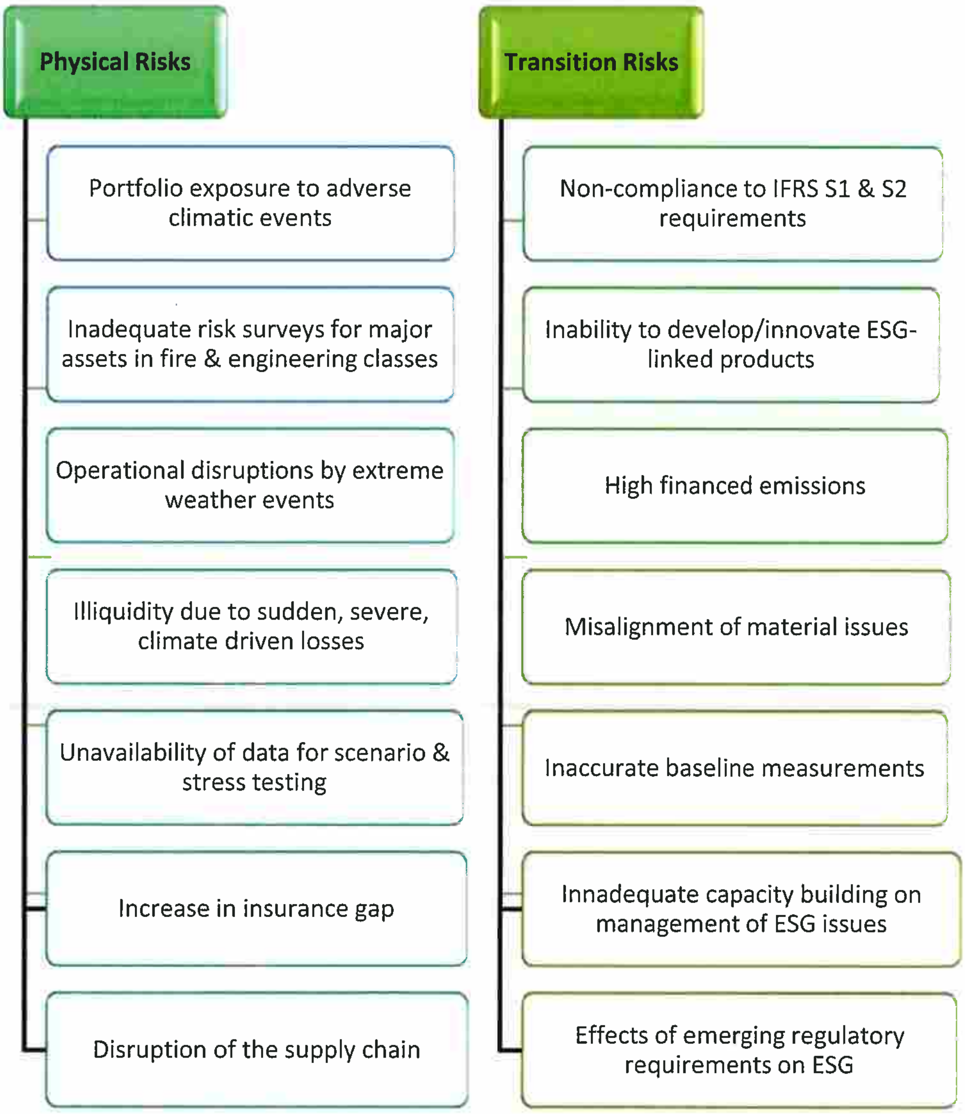
Risk Management

Fidelity Insurance established a robust Enterprise Risk Management (ERM) framework in the year 2016. Successful implementation of the framework has seen the company's ERM maturity grow consistently to attain 67% by 31st December 2025, as per KPMG's Maturity Assessment Report.

Management of Sustainability Related Risks and Opportunities (SRRO) and Climate Related Risks and Opportunities (CRRO) were embedded in the corporate ERM framework through development of ESG risk registers and dashboards. These tools were applied in identifying, assessing, evaluating, treating and reporting material sustainability and climate related risks. The table below shows key risks that were identified and further classified into Physical and Transition risks.

SUSTAINABILITY COMMITMENT STATEMENT (CONTINUED)

Risk Management (continued)



The following risks were later categorised into acute and chronic as follows.

Acute physical risks
- Portfolio exposure to adverse climatic events
- Operational disruptions by extreme weather events
- Illiquidity due to sudden, severe, climate-driven losses
- Disruption of the supply chain

Chronic physical risks
- Inadequate risk surveys for major assets in fire and engineering classes
- Unavailability of data for scenario & stress testing
- Increase in insurance gap

Acute transition risks
- Non-compliance to IFRS S1 & S2 requirements
- Misalignment of material issues
- Effects of emerging regulatory requirements on ESG

Chronic transition risks
- Inability to develop/innovate ESG-linked products
- High financed emissions
- Inaccurate baseline measurements
- Inadequate capacity building on management of ESG issues

SUSTAINABILITY COMMITMENT STATEMENT (CONTINUED)

Strategy

The company conducted ESG gap assessment based on the principles of sustainable insurance. Through the assessment, sustainability and climate related opportunities were identified and factored in the development of short, medium and long-term sustainability strategy for the next 3 years.

Adequate resources have been allocated to enable the implementation of the strategy. The company is committed to providing disclosures in line with IFRS S1 & S2 in the rolling years following it's successful actualisation of the sustainability strategy. The staff have also been provided with basic training and learning materials on sustainability and ESG. This was delivered in 3 quarterly webinars where the recorded average staff attendance rate was 70%.

More so, the company subscribed to the United Nations Global Compact (UNGC) Kenya Network, which champions the implementation of Sustainable Development Goals. The organisation also provided adequate materials for staff learning through the UNGC academy. Our staff's enrolment and learning through the academy builds our internal capacity to effectively manage sustainability strategy implementation challenges.

During the year under reporting, we innovated our processes to introduce tech-enabled solutions for our clients. This was achieved through designing and piloting an intermediary portal for procuring our motor and marine covers. We plan to roll-out more products on the portal which would further enable our clients to purchase our covers at their convenience. It also lays the foundation for business adaptation to consumer trends as we draft plans to reduce our environmental footprint in the long run.

Our approach in implementing sustainability strategy aligns with the relevant regulatory expectations and industry best practices.

Overview
The company is building capacity to enhance the quality and consistency of our sustainability reporting, including readiness activities for applicable sustainability disclosure standards. These efforts aim to strengthen internal awareness, data governance, and reporting capabilities.
Recognising that our sustainability journey is in the early stages, our near-term priorities include translating our strategy to actionable plans, with measurable achievements on targets by enhancing data quality, and introducing metrics to monitor performance. Over time, we aim to further integrate sustainability and climate considerations into underwriting, product innovation, and operations, while improving transparency through more structured sustainability disclosures.

Through these efforts, Fidelity Insurance seeks to strengthen resilience, meet evolving stakeholder expectations, and contribute responsibly to the sustainable development goals relevant to our business and communities.

Signed off by:

Richard Marisin
Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the 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 the Company keep 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 Companies Act, 2015. They also accept responsibility for:

(i) Designing, implementing, and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
(ii) Selecting suitable accounting policies and then applying them consistently; and
(iii) Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed 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 responsibility.

Approved by the Board of Directors on 12 March 2026 and signed on its behalf by:

Nicholas Kamere Chairman	Kevin Kangogo Director

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the insurance contract liabilities of Fidelity Shield Insurance Company Limited as at 31 December 2025.

The valuation was conducted in accordance with IFRS 17, generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies. In completing the actuarial valuation, I have relied upon the audited financial statements of the company.

In my opinion, the Fidelity Shield Insurance Company Limited's insurance liabilities were adequate as at 31 December 2025.

Ezekiel Macharia Mburu
Fellow of the Institute of Actuaries
12 March 2026
Nairobi

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Fidelity Shield Insurance Company Limited (the "Company") set out on pages 22 to 97 which comprise the statement of financial position at 31 December 2025 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

Key audit matters

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

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road,
Westlands P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20) 285 5000 F: +254 (20) 285 5001

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED (CONTINUED)

Key audit matters (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of insurance contract liabilities Insurance contract liabilities as disclosed in Note 18 comprise liability for remaining coverage and liability for incurred claims. We considered valuation of insurance contract liabilities as a significant area of focus because the estimation of the liability for incurred claims involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred particularly for claims incurred but not reported. In addition, the liabilities are adjusted for the time value of money based on historical settlement patterns. Judgement is applied in estimating this future settlement pattern and in determination of the discount rate. The determination of liability for incurred claims requires calculation of risk adjustment for non-financial risk which represents the compensation for bearing the uncertainty about the timing and amount of the risk insured. This calculation involves significant judgments. For onerous contracts, calculation of loss component involves judgment in estimating fulfilment cashflows relating to the remaining coverage period of insurance contracts.	Evaluated and tested controls on claims handling, settling, and reserving. Tested a sample of claim payments and reserves to confirm the amounts recorded in the claims systems agree to the source data. Checked the consistency of reserving methods year on year. Tested the appropriateness of the methodology and assumptions used by the external actuary and management in estimation of reserves as at 31 December 2025 and performed reprojections for a sample of reserves to validate the estimates. Tested management's calculation of the discount rate used to compute the present value of liability for incurred claims. Tested the methodology and assumptions used by management in estimating the risk adjustment. Reviewed the identification and classification of onerous contracts. Reconciled the claims data used by management to calculate reserves to the audited claims data. Assessed the adequacy of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED (CONTINUED)

Other information

The other information comprises the Corporate information, Chairman's statement, Report of the directors, Corporate governance statement, Sustainability commitment statement, Statement of Directors' Responsibilities, report of the consulting actuary and supplementary information which we obtained prior to the date of this auditor's report but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal 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 the directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED (CONTINUED)

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

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

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

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the report of the directors on pages 11 to 12 is consistent with the financial statements.

Patrick Kiambi, Practicing Certificate Number 2056
Engagement partner responsible for the audit
For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

30 **March 2026**

UNIQUE CODE: 21111260330

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2025 Kes '000	2024 Kes '000
Insurance service revenue	5	4,659,642	3,771,951
Insurance service expenses	6	(3,612,785)	(2,970,623)
Net expenses from reinsurance contracts held	7	(1,105,287)	(808,337)
Insurance service result		**(58,430)**	**(7,009)**
Interest income	8.1	412,984	351,727
Other investment income	8.2	103,387	100,516
Net investment income		**516,371**	**452,243**
Finance expenses from insurance contracts issued	8.3	(138,673)	(171,659)
Finance income from reinsurance contracts held	8.4	31,554	20,230
Net insurance finance expenses		**(107,119)**	**(151,429)**
Net insurance and investment result		**350,822**	**293,805**
Other income	9	30,439	10,828
Other operating expenses	10	(150,305)	(91,492)
Profit before income tax		230,956	213,141
Income tax expense	12	(14,574)	(32,492)
Profit for the year		216,382	180,649
Other comprehensive income, net of tax			
Item that may be subsequently reclassified to profit or loss			
Gain on revaluation of land and building, net of tax		(2,156)	2,878
Total comprehensive income		**214,226**	**183,527**

STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2025 Kes '000	At 31 December 2024 Kes '000
ASSETS			
Property and equipment	20	234,462	238,933
Right-of-use assets	21	8,525	15,405
Intangible assets	22	5,498	3,644
Deferred income tax	30	-	9,871
Investment properties	23	968,831	1,001,122
Due from the Kenya Motor Insurance pool		13,156	13,707
Equity investments at fair value through profit or loss	24	112,727	42,124
Mortgage loans	25	2,330	2,737
Loan to shareholder	27(ii)	11,639	28,499
Receivables arising out of reinsurance arrangements		150,644	71,803
Receivables from intermediaries	26	397,398	416,242
Reinsurance contract assets	18.2	1,054,458	1,038,093
Current income tax	12	61,098	43,381
Other receivables	27(i)	25,810	34,611
Government securities at amortised cost	28(i)	1,750,045	1,356,276
Government securities at fair value through profit or loss	28(ii)	1,171,393	919,908
Deposits with financial institutions	34	615,874	309,995
Cash and bank balances	34	276,315	229,179
Total assets		**6,860,203**	**5,775,530**
LIABILITIES			
Insurance contract liabilities	18.1	5,296,685	4,385,745
Payables arising from reinsurance arrangements		37,150	31,602
Lease liability	21	9,834	18,630
Other payables	31	142,910	115,119
Deferred income tax	30	9,964	-
Total liabilities		**5,496,543**	**4,551,096**
EQUITY			
Share capital	14	600,000	600,000
Revaluation reserve	15	100,140	102,296
Retained earnings		563,520	447,138
Proposed dividend	36	100,000	75,000
Total equity		**1,363,660**	**1,224,434**
Total liabilities and equity		**6,860,203**	**5,775,530**

The financial statements were approved by the board of directors on 12 March 2026 and were signed on its behalf by:

Nicholas Kamere Chairman	K. Kangogo Director	R. Marisin Principal Officer

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kes '000 (Note 14)	Revaluation reserves Kes'000 (Note 15)	Retained earnings Kes'000	Proposed dividend Kes'000 (Note 13)	Total Kes'000
Year ended 31 December 2025					
At 1 January 2025	600,000	102,296	447,138	75,000	1,224,434
Profit for the year	-	-	216,382	-	216,382
Other comprehensive income	-	(2,156)	-	-	(2,156)
Dividend paid	-	-	-	(75,000)	(75,000)
Proposed dividend	-	-	(100,000)	100,000	-
At 31 December 2025	**600,000**	**100,140**	**563,520**	**100,000**	**1,363,660**
At 1 January 2024	600,000	99,418	341,489	50,000	1,090,907
Profit for the year	-	-	180,649	-	180,649
Other comprehensive income	-	2,878	-	-	2,878
Dividend paid	-	-	-	(50,000)	(50,000)
Proposed dividend	-	-	(75,000)	75,000	-
At 31 December 2024	**600,000**	**102,296**	**447,138**	**75,000**	**1,224,434**

STATEMENT OF CASH FLOWS

	Notes	2025 Kes '000	2024 Kes '000
Cash flow from operating activities			
Cash generated from operations	35	677,386	319,516
Interest received	8.1	412,984	351,727
Purchase of quoted equities	24	(75,149)	(47,544)
Repayment of mortgage loans	25	407	565
Purchase of Government bonds at amortised cost	28(i)	(398,380)	(318,040)
Purchase of Government bonds at fair value through profit or loss	28(ii)	(209,668)	(683,004)
Proceeds from disposal of quoted equities	24	46,046	8,413
Maturity of treasury bonds at amortised cost	28(i)	14,670	25,000
Disposal of treasury bonds at fair value through profit or loss	28(ii)	-	461,553
Issue of mortgage loans		-	-
Repayment of interest portion of lease liabilities	21	(1,792)	(2,511)
Income tax paid	12	(11,531)	(47,982)
Net cash from operating activities		**454,973**	**67,693**
Cash flow from investing activities			
Purchase of property and equipment	20	(13,857)	(15,749)
Purchase of intangible assets	22	(4,793)	-
Proceeds of disposal of property and equipment		258	58
Net cash from investing activities		**(18,392)**	**(15,691)**
Cash flow from financing activities			
Repayment of principal portion of lease liabilities	21	(8,566)	(7,428)
Dividends paid		(75,000)	(50,000)
Net cash from financing activities		**(83,566)**	**(57,428)**
Cash and cash equivalents at start of year		539,174	544,600
Increase/(decrease) in cash and cash equivalents		353,015	(5,426)
Cash and cash equivalents at end of year	**34**	**892,189**	**539,174**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Fidelity Shield Insurance Company Limited, hereby referred to as the "Company" is a limited liability company incorporated and domiciled in Kenya. The address of the registered office is Fidelity Insurance Centre, Waridi Lane off Waiyaki Way, Westlands, P O Box 47435 - 00100, Nairobi, Kenya.

The Company underwrites all general insurance business. The Company began issuing medical insurance contracts in 2024.

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

2. Material accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis unless otherwise stated.

The financial statements are presented in Kenya Shillings (Kes) rounded off to the nearest thousand (Kes '000), unless otherwise indicated.

Statement of compliance

The financial statements of Fidelity Shield Insurance Company Limited have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and with the Companies Act, 2015.

The material accounting policies applied in the preparation of these financial statements are set out below.

IFRSs and amendments effective for the year ended 31 December 2025

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2025:

- **IAS 21 Exchange Rates (amendments)** - The amendments on 'Lack of Exchangeability' 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. These amendments will assist companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates.

The amendment listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

IFRSs and amendments not yet effective nor early adopted

Title	**Key requirements**	**Effective date**
Amendments to IFRS 9 and IFRS 7, "Contracts Referencing Nature-dependent Electricity"	The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.	Annual periods beginning on or after 1 January 2026.
Annual Improvements to IFRS Accounting Standards, " Volume 11 "	The IASB issued various amendments and clarifications to existing IFRS as part of the Annual Improvements to IFRS Accounting Standards Volume 11 , none of which are expected to have a material impact on the group's annual financial statements.	Annual periods beginning on or after 1 January 2026.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: • clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and • update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The Company does not expect these amendments to have a material impact on its operations or financial statements.	Annual periods beginning on or after 1 January 2026.
IFRS 18, 'Presentation and Disclosure in Financial Statements'	IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the group's consolidated financial statements.	Annual periods beginning on or after 1 January 2027

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

IFRSs and amendments not yet effective nor early adopted (continued)

IFRS 19, 'Subsidiaries without Public Accountability'	Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Company does not expect this standard to have an impact on its operations or financial statements.	Annual periods beginning on or after 1 January 2027

a) Foreign currency translation

Transactions and balances

Transactions in foreign currencies during the year are translated into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the end of the reporting period. The resulting differences from conversion and translation are dealt with in the profit or loss for the year in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

b) Insurance contracts

Measurement approaches

The Company uses premium allocation approach (PAA) measurement approach to measure insurance contracts issued and reinsurance contracts held with coverage period of one year or less and those that pass the other eligibility criteria prescribed by IFRS 17. The company does not have any insurance contracts issued, or reinsurance contracts held that do not meet the PAA eligibility criteria or with direct participating features.

Definition and classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

If a contract has a legal form of insurance but does not transfer significant insurance risk and expose the Company to financial risk, it is classified as investment contract and accounted for under IFRS 9. No such contracts have been issued by the Company.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired and reinsurance contracts held, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Unit of account

The Company manages insurance contracts issued by classes prescribed by Insurance Regulatory Authority, where each product line includes contracts that are subject to similar risks. All insurance contracts within a class represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Company assesses the profitability of the contracts issued based on the facts and circumstances to determine if they are onerous at initial recognition. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is done at the portfolio level.

Since all the Company's insurance contracts are measures using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for further aggregation separately from portfolios of the insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that must be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have contracts with any of the three components that require further separation or combination.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  i. the beginning of the coverage period of the group; and
  ii. the initial recognition of any underlying insurance contract.

- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held unless the Company entered the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and additional criteria discussed below are met.

When an insurance contract is modified, the Company treats changes in cash flows caused by the modification as changes in estimates of the Fulfilment Cashflows (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Company would have concluded that the modified contract is not within the scope of IFRS 17, results in different separable components, results in a different contract boundary or belongs to a different group of contracts.
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Accounting for contract modification and derecognition (continued)

When a new contract is required to be recognised because of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification. When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment.
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Measurement

Fulfilment cash flows (FCF)

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out from claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:
a) are based on a probability-weighted mean of the full range of possible outcomes.
b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a) the Company has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or

b) both the following criteria are satisfied:

   i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

   ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

a). costs directly attributable to individual contracts and groups of contracts; and

b). costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognised, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Initial and subsequent measurement

The Company uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all insurance classes other than engineering and miscellaneous as each of the contracts in all other classes have a coverage period of one year or less.

The Company carried out both quantitative and qualitative analysis of the PAA eligibility criteria for engineering and miscellaneous classes which have coverage periods of more than one year and concluded that there is no significant difference between the carrying amount of insurance contract liability determined under the general measurement method and PAA method. As a result, the classes qualify to be measured under the PAA.

For insurance contracts issued, intermediary commissions paid are deferred and recognised over the coverage period of the contracts in a group, while all other insurance acquisition cash flows are recognised as they are incurred. For reinsurance contracts held, commission income and broker fees are recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of the prepaid acquisition cash flow asset.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant prepaid acquisition cashflow asset.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a) the LRC; and
b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a) the remaining coverage; and
b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Initial and subsequent measurement (continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a) increased for premiums received in the period;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a) increased for ceding premiums paid in the period;
b) increased for broker fees paid in the period; and
c) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money for insurance contracts that typically have a settlement period of over one year.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein. Because of the short-term nature of the general insurance contracts, the FCF determined under GMM are not adjusted for time value of money.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

Amounts recognised in the statement of profit or loss and other comprehensive income

Insurance service result from insurance contracts issued

Insurance service revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

The Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses include the following:

a) incurred claims and benefits, excluding investment components;
b) other incurred directly attributable expenses;
c) insurance acquisition cash flows amortisation;
d) changes that relate to past service – changes in the FCF relating to the LIC; and
e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income(expenses) from reinsurance contracts held, comprising the following amounts:

a) reinsurance expenses;
b) incurred claims recovery;
c) other incurred directly attributable expenses;
d) effect of changes in the risk of reinsurers' non-performance; and
e) Changes relating to past service (i.e. adjustments to incurred claims)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the time value of money and changes in the time value of money; and
b) the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:
a) interest accreted on the LIC; and
b) the effect of changes in interest rates and other financial assumptions.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. All changes in risk adjustment for non-financial risk are presented under insurance service result.

The Company includes all insurance finance income or expenses for the period in profit or loss (that is, the profit or loss option (the PL option) is applied.

The Company has no significant insurance contracts that generate cash flows in foreign currency, and therefore it has chosen not to separate the foreign exchange differences from the other FCFs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Significant judgements and estimates in relation to IFRS 17

Areas of potential judgement	Applicable to the Company
PAA eligibility For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17 and might involve significant judgement.	For contracts that have a coverage period of more than one year, the Company carried out eligibility assessment and concluded that the carrying value of insurance contract liabilities were not materially different when measured under either GMM or PAA and therefore they qualify ti be measured under PAA.
Unit of account Judgements involved in the identification of portfolios of contracts, as required by IFRS 17 (that is, having similar risks and being managed together).	The Company issues general insurance contracts. After its assessment, management concluded that the level of aggregation per Insurance Regulatory Authority comprise of products that are priced and managed together, have similar risks and forms the portfolios of contracts.
Profitability grouping Profitability grouping of contracts into onerous contracts, non-onerous contracts (with no significant possibility of becoming onerous) and other contracts.	Using judgement, the Company selected the combined loss ratio (claims ratio + commission ratio + expenses ratio) as the measure of profitability. Best estimate combined ratio >100% indicates onerous group. If the ratio stressed by 5% is not more than 100%, the group is profitable, else, it is grouped as others.
For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous.	This area of judgement is potentially applicable to the Company. The Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous, other than those that had been identified without benefit of hindsight.
Measurement – Fulfilment cash flows	
The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when the Company can reprice the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.	The company uses judgement to treat premiums receivable as received when measuring insurance contracts and recognise a different financial asset from the receivables. For reinsurance contracts held, the amounts due to or from reinsurance are treated in the same way. This is mainly because of the cash and carry rule that governs insurance operations in Kenya, and the Company considers premium not paid as an arrangement outside the boundary of insurance contract. Most of the receivables are also due from intermediaries who collect from insured persons.
An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Company performs regular expense analysis and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

Discount rates

The bottom-up approach was used to derive the discount rates for the cash flows across all products. The company does not sell products that have cash flows which vary based on the return of underlying items.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (illiquidity premium). The risk-free yield was derived using the NSE yield curve on government bonds denominated in the reporting currency. Management uses judgement to assess the liquidity characteristics of the liability cash flows and determine the illiquidity premium.

The yield curves that were used to discount the estimates of future cash flows are as follows:

Period	Currency	1 year	2 years	3 years	4 years	5 years	6 years
31 December 2025	Kes	9.21%	9.96%	10.70%	10.47%	10.64%	11.43%
31 December 2024	Kes	11.41%	12.30%	13.44%	14.16%	14.14%	13.87%

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions, and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Estimates of future cash flows to fulfil insurance contracts (continued)

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method and other methods. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups or gross written premiums.

Acquisition costs that are not directly attributable to individual contracts are allocated to groups of contracts based on the gross written premiums or number of acquired policies. The Company does not allocate acquisition cash flows to future contracts expected to be issued because of the recurrent nature of most of the expenses and uncertainty of the renewals.

Claims settlement-related expenses (like claims processing staff costs) are allocated based on the number of claims handled in that period for a given group of contracts.

For the Company, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity, timing and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant methods and assumptions used are discussed below.

Expenses

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense ratios. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads.

The Company has not changed its methods or assumptions used to project expenses in 2025. Possible increases in expenses assumptions increase the liability for incurred claims and loss component on onerous contracts.

Claims

The Company estimates insurance liabilities in relation to claims incurred for all products. Estimates are performed on an accident year basis.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contract.

The most common methods used to estimate general insurance claims incurred are the chain-ladder and the Bornhuetter-Ferguson methods, which are the industry standards for this type of business.The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed, to produce an estimated ultimate claims cost for each accident year. The chain-ladder technique is the most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Company does not have a developed claims history for a particular type of claim.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Claims (continued)

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure, such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined, using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (that is, in relation to recent accident years or new products).

The Company has not changed the methods used to estimated incurred claims in 2024. In its claims incurred assessments, the Company uses internal and external data. Internal data is mainly obtained from the Company's management reports. Market data consists of inflation projections, large claims threshold,
large claims quantity, market claims ratios and other.

Where the contracts measured under PAA become onerous and GMM must be applied to estimate the loss component, the Company estimates the future expected claims. This is done using the average loss ratio of the recent five complete fiscal years, obtained from the management accounts.

Risk adjustment for non-financial risk

Because the risk adjustment represents compensation for uncertainty in cashflows and their timing, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company considers the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the portfolio level and allocated uniformly across the groups of contracts within the portfolio. The Company applied a cost of capital method to derive the risk adjustment for non-financial risk for portfolios which did not have well-developed data to support confidence level method (bootstrap method). The confidence level method was applied to well-developed portfolios.

In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at average of 12% per annum, representing the return required to compensate for the exposure to non-financial risk, depending on the risk profile of the portfolio. The Cost of Capital Approach was used to obtain the Risk Margin results for Aviation, Engineering, Fire Industrial, Liability, Marine, Miscellaneous and Personal Accident portfolios.

The capital is determined at a 75% confidence level, and it is projected in line with the run-off of the business. The rates used from this approach were derived from the Risk Based Capital Model provided by the Insurance Regulatory Authority ('IRA'). The RBC model provides the risk charges for each line of business under Capital Form 2. It also provides for an additional Catastrophe Risk Charge of 2%. The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2024: 75%).

The bootstrap method involved simulating claims reserves by sampling from the past outcomes of development factors. This resulted in the production of a full distribution of the claims from which the mean and the 75th percentile reserves were estimated and used to derive the risk adjustment margins. Unsmoothed development factors were used to allow for the full potential volatility in the claim's estimates. The bootstrapping technique was used for Fire Domestic, Motor Commercial, Motor Commercial PSV, Motor Private, Theft and Workmen's compensation portfolios.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Sensitivity analysis to underwriting risk variables

The table below shows information on how reasonably possible changes in assumptions made by the Company regarding underwriting risk variables impact insurance liabilities.

31 December 2025	LRC	LIC	Total	Impact on LRC	Impact on LIC	Total change	Impact on profit before tax	Impact on equity
Insurance contract liabilities	1,934,151	3,362,534	5,296,685					
Reinsurance contract assets	(417,631)	(636,827)	(1,054,458)					
Net insurance contract liabilities	**1,516,520**	**2,725,707**	**4,242,227**					
Expected Claims – 5% increase								
Insurance contract liabilities				68,507		68,507	(68,507)	(47,955)
Reinsurance contract assets				(7,253)		(7,253)	7,253	5,077
Net insurance contract liabilities				**61,254**		**61,254**	**(61,254)**	**(42,878)**
Expected Expenses – 5% increase								
Insurance contract liabilities				11,724		11,724	(11,724)	(8,207)
Reinsurance contract assets				(1,025)		(1,025)	1,025	718
Net insurance contract liabilities				**10,699**		**10,699**	**(10,699)**	**(7,489)**
Unpaid claims – 5% increase								
Insurance contract liabilities					168,169	168,169	(168,169)	(117,718)
Reinsurance contract assets					(33,325)	(33,325)	33,325	23,328
Net insurance contract liabilities					**134,844**	**134,844**	**(134,844)**	**(94,390)**
Discount rates – 5% increase								
Insurance contract liabilities					(11,392)	(11,392)	11,392	**7,974**
Reinsurance contract assets					(2,001)	(2,001)	2,001	1,401
Net insurance contract liabilities					**(13,393)**	**(13,393)**	**13,393**	**9,375**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Sensitivity analysis to underwriting risk variables

31 December 2024	LRC	LIC	Total	Impact on LRC	Impact on LIC	Total change	Impact on profit before tax	Impact on equity
Insurance contract liabilities	1,529,346	2,856,399	4,385,745					
Reinsurance contract assets	(383,339)	(654,754)	(1,038,093)					
Net insurance contract liabilities	**1,146,007**	**2,201,645**	**3,347,652**					
Expected Claims – 5% increase								
Insurance contract liabilities					43,951	43,951	(43,951)	(30,766)
Reinsurance contract assets					(2,929)	(2,929)	2,929	2,050
Net insurance contract liabilities					**41,022**	**41,022**	**(41,022)**	**(28,716)**
Expected Expenses – 5% increase								
Insurance contract liabilities					10,313	10,313	(10,313)	(7,219)
Reinsurance contract assets					(1,130)	(1,130)	1,130	791
Net insurance contract liabilities					**9,183**	**9,183**	**(9,183)**	**(6,428)**
Unpaid claims – 5% increase								
Insurance contract liabilities					142,820	142,820	(142,820)	(99,974)
Reinsurance contract assets					(32,738)	(32,738)	32,738	22,917
Net insurance contract liabilities					**110,082**	**110,082**	**(110,082)**	**(77,057)**
Discount rates – 5% increase								
Insurance contract liabilities					(21,169)	(21,169)	21,169	14,818
Reinsurance contract assets					3,022	3,022	(3,022)	(2,115)
Net insurance contract liabilities					**(18,147)**	**(18,147)**	**18,147**	**12,703**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Measurement categories

The Company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through profit and loss (FVPL)

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in profit or loss as per ECL model/approach.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Company considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Financial liabilities

Initial recognition and measurement

The Company's holding in financial liabilities represents mainly lease liability, amounts due to related parties and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Financial liabilities are classified as subsequently measured at amortised cost, except for:
Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g., short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. This information might be winding up of a company, company experiencing financial difficulties like under receivership etc. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

- EAD - The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

- LGD - The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

The calculation of ECLs (continued)

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- 12m ECL (stage 1) - The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- LTECL (stage 2)- This is recorded when an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR. The Company identifies a significant increase in credit risk where exposures have a regulatory risk rating of 'watch', or an exposure is greater than 30 days past due – this is in line with the IFRS 9 "30 Days past Due (DPD)" rebuttable presumption.
- Impairment (stage 3)- For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Central Bank base rates

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

Recognition of interest income

The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost. Similarly, interest income on interest bearing financial assets measured at FVPL under IFRS 9 is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

Recognition of interest income (continued)

The effective interest rate method (continued)

If expectations of fixed rate financial asset's cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the balance sheet with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Interest and similar income

Interest income comprises amounts calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of profit or loss and other comprehensive income.
In its interest income calculated using the effective interest method the Company only includes interest on financial instruments at amortised cost or FVPL.
The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

d) Ordinary Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

e) Property and equipment

All Property and equipment are initially recorded at cost. Buildings are subsequently carried at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation. All other property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight-line basis to write down the cost of each asset, or the revalued amount to its residual value over its estimated useful life, using the following annual rates:

Motor vehicles	25%
Computer equipment	30%
Furniture, fittings and equipment	20%
Buildings	2.5%

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

f) Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Company are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. After initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Valuation is done within every three years given that there are no conditions or circumstances that indicate the value of the building does not reflect the fair value. Fair values are determined based on the evaluation performed by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

g) Intangible assets

Intangible assets represent computer software costs, which is stated at cost less accumulated amortization and any impairment losses whenever there is an indication that the intangible asset may be impaired. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates in the estimated useful life of the intangible assets is four years. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. The carrying amounts of the intangible assets are disclosed in note 22.

h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The 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 groups of assets. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognised as an impairment loss in the profit or loss. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

h) Impairment of non-financial assets (continued)

If any such indication exists, the Company estimates the recoverable amount of that asset. The Company reverses an impairment loss recognised in prior periods for an asset other than goodwill if only there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. That increase is a reversal of an impairment loss. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

i) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of twelve months or less. For the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

j) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

k) Income tax

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

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

k) Income tax (continued)

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised, such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill. the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Current and deferred income tax for the year

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

l) Revenue recognition

Insurance revenue

Accounting policy in relation to insurance revenue has been set out in note 2(b).

Other revenues

Other revenues are recognized on the following bases:

- Fees and commission income - on the accrual basis in accordance with the substance of the relevant agreements.
- Interest income - it is recognized using the effective interest method as it accrues.
- Dividend income - when the shareholder's right to receive payment is established.
- Rental income – it is recognized as income on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of costs to be incurred to restore the underlying asset back to its original state; and lease payments made at or before the commencement date less any lease incentives received. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease. The lease payments are remeasured when there is a change in the lease term, future lease payments resulting from a change in an index or rate used to determine such lease payments, the amounts expected to be payable under the residual value guarantees or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

m) Leases (continued)

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in investment and other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

n) Retirement benefit obligations

The Company operates a defined contribution pension scheme for all eligible employees. The scheme is administered by Liaison Insurance Brokers Limited and is funded by contributions from both the company and employees.

The Company contributes to the statutory Social Health Insurance Fund. Contributions to these schemes are determined by local statute. The Company's obligations to retirement benefits are charged to the profit or loss in the year to which they relate.

Employee obligations

The estimate monetary liability for employees accrued annual leave at the end of the reporting period is charged to profit or loss in the year to which it relates.

o) Fair value measurement

The Company measures financial instruments, such as equity instrument and government securities measured at fair value through profit and loss and non-financial assets such as investment properties at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to / by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

o) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgments, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgments by the Company. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. The carrying amounts of the insurance contract liabilities and detailed analysis of these assumptions and judgement have been presented in Note 2.

3.2 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. Further disclosures relating to impairment of financial assets are also provided in Note 4.

4 Management of insurance and financial risks

The Company's activities expose it to a variety of financial risks, including insurance risk, liquidity risk, credit risk, and the effects of changes in property and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.

4.1 Insurance risk

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Insurance liabilities

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, fire and allied perils and their consequences. Inflation is also a factor due to the long period typically required to settle some claims.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.1 Insurance risk (continued)

Insurance liabilities (continued)

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has underwriting limits by type of risks and by industry. Performance of individual insurance policies is reviewed by management and the Company reserves the right not to renew individual policies. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may sue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

The reinsurance arrangements of the Company include proportional, excess-of-loss and catastrophe coverage and as such, the maximum loss that the Company may suffer in any one year is pre-determined.

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the level established based on past experience.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company also manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than set limits per class of business in any one year.
The Company has specialized claims units dealing with the mitigation of risks surrounding known claims. This unit investigates and adjusts all claims which are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be a different from the original liability established.

The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Company's past claims development experience be used to project future claims development and hence ultimate claim costs.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.1 Insurance risk (continued)

Management of insurance risk

Sensitivity analysis of reasonably possible changes to the assumptions used in calculating insurance contract liabilities is set out in note 2.

Maximum insurance loss

Year ended 31 December 2025		Maximum insured loss				Total
Class of business		**Kes 0 – Kes 15m**	**Kes 15m - Kes 250m**	**Kes 250m - Kes 1000m**	**Kes 1000m +**	
		Kes '000	**Kes '000**	**Kes '000**	**Kes '000**	**Kes'000**
Motor	Gross	83,035,269	2,804,746	-	-	85,840,015
	Net	74,115,337	1,545,105	-	-	75,660,442
Fire	Gross	7,808,874	50,199,148	49,395,750	148,068,368	255,472,140
	Net	5,974,643	21,379,293	2,936,021	958,129	31,248,086
Personal	Gross	2,068,283	6,563,415	16,358,298	11,965,219	36,955,215
accident	Net	2,008,398	4,319,989	2,188,442	531,563	9,048,392
Miscellaneous	Gross	13,626,561	44,549,413	37,882,566	127,153,588	223,212,128
	Net	9,749,882	13,218,647	4,551,603	4,242,545	31,762,677
Medical	Gross	10,302,873	-	-	-	10,302,873
	Net	5,151,436	-	-	-	5,151,436
Total	Gross	116,841,860	104,116,722	103,636,614	287,187,175	611,782,371
	Net	96,999,696	40,463,034	9,676,066	5,732,237	152,871,033

Year ended 31 December 2024		Maximum insured loss				Total
Class of business		**Kes 0 – Kes 15m**	**Kes 15m - Kes 250m**	**Kes 250m - Kes 1000m**	**Kes 1000m +**	
		Kes '000	**Kes '000**	**Kes '000**	**Kes '000**	**Kes'000**
Motor	Gross	63,890,565	1,299,962	-	-	65,190,527
	Net	57,365,471	730,438	-	-	58,095,909
Fire	Gross	5,982,371	45,586,650	64,015,039	89,647,665	205,231,725
	Net	4,645,678	18,786,313	3,932,484	615,447	27,979,922
Personal accident	Gross	1,996,478	7,665,357	9,974,660	11,750,068	31,386,563
	Net	1,900,707	4,587,096	1,354,511	2,114,970	9,957,284
Miscellaneous	Gross	12,062,631	43,814,662	48,564,797	95,155,898	199,597,988
	Net	8,752,576	11,560,066	4,213,194	390,912	24,916,748
Medical	Gross	2,358,810	-	-	-	2,358,810
	Net	1,179,405	-	-	-	1,179,405
Total	**Gross**	86,290,855	98,366,631	122,554,496	196,553,631	503,765,613
	Net	73,843,837	35,663,913	9,500,189	3,121,329	122,129,268

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk. To manage credit risk, the Company only does business with approved counterparties within the granted limits and avoids intended &/or unintended concentrations in any one counterparty group, industry, region, product amongst others. The Company manages and controls market risk exposures to be within acceptable limits, while optimizing the return on risks of market risk assets. To manage liquidity risk, the Company maintains available funding in a manner that provides a sufficient level of liquidity under various market stressed scenarios, while at the same time ensuring an adequate balance between the need to hold liquid assets, and maximization of returns on surplus funds.

Market risk

Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The company is not exposed to interest rates risk because all its financial instruments are held at fixed interest rates.

Price risk

Equity price risk

The Company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as equity instruments at FVPL. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Quoted Investments held are listed and traded on the Nairobi Securities Exchange.

The Company has a defined investment policy which sets limits on the Company's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the Company's price risk arising from its investments in equity securities.

The management meet monthly and the Finance & Investment Committee quarterly to discuss the company investment strategies. At these meetings, the directors and senior managers discuss investment return and concentration of the equity investments. The table below shows the concentration of equities by industry:

	2025			2024		
Sector	Cost Kes' 000	Market value Kes' 000	%	Cost Kes' 000	Market value Kes' 000	%
Banking	39,953	90,139	80%	29,559	33,024	78%
Energy and petroleum	9,572	22,588	20%	9,572	9,100	22%
	49,525	**112,727**	**100%**	**39,131**	**42,124**	**100%**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Listed equity securities represent 100% of total equity investments. A 10-percentage point increase or decrease represents management's assessment of the reasonably possible change in stock exchange indices. If equity securities price had been 10 percentage points higher or lower, the profit and loss before tax would increase or decrease by Kes 11.27 million.

Price risk on bonds at fair value through P&L

Price risk for fair value through P&L bonds refers to the potential for the bond's market value to fluctuate due to changes in interest rates, credit quality, or other market conditions. Since fair value through P&L bonds are recorded at fair value with unrealized gains or losses recognized in the profit and loss, their price can be volatile. If interest rates rise, the price of existing bonds typically falls, as newer bonds may offer higher yields, making the older ones less attractive. Fair value through P&L bonds represent 40% of the total government securities portfolio. If the bonds price had been 10 percentage points higher or lower, the profit and loss before tax would increase or decrease by Kes 117.14 million.

Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the company and other parties are designated in the functional currencies of the individual companies.

On 31 December 2025, if the Kenya shilling had strengthened by 0.2% against the US Dollar with all other variables held constant, the profit before income tax for the year would have been Kes 231,416 (2024: Kes 168,099) higher/lower, mainly as a result of US Dollar denominated deposits with financial institutions in Kenya. The company has cash at bank and fixed deposits held in USD.

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Receivables arising from reinsurance arrangements and reinsurance contract assets;
- Receivables form intermediaries;
- Cash and bank balances (including deposits with financial institutions);
- Government securities;
- Due from Kenya Insurance Motor Pool;
- Other receivables.
- Loan to shareholder; and
- Mortgage loans.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counter party and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and geographical location are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of any contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral. Maximum exposure to credit risk is represented by the carrying amounts of receivables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.3 Financial risk (continued)

Credit risk (continued)

Receivables from insurance intermediaries and reinsurers include receivables arising from direct insurance and reinsurance arrangements.

Deposits include deposits with financial institutions.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

Management makes regular reviews to assess the degree of compliance with the Company's procedures on credit. Exposures to individual policyholders of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

With regard to credit exposure arising out of deposits with financial institutions, the Company has policies in place to ensure that it only deals with financial institutions which have a strong credit rating.

The maximum exposure of the Company to credit risk (financial instruments subject to impairment) as at the balance sheet date is as follows:

Financial assets	**31 December 2025 Kes '000**	**31 December 2024 Kes '000**
Government securities at amortised cost	1,750,045	1,356,276
Government securities at FVPL	1,171,393	919,908
Deposits with financial Institutions	615,874	309,995
Cash and bank balances	276,315	229,179
Mortgage loans	2,330	2,737
Receivables arising out of reinsurance arrangements	150,644	71,803
Receivable from intermediaries	397,398	416,242
Due from Kenya Insurance Motor Pool	13,156	13,707
Other receivables	13,901	25,229
Reinsurance contract assets	1,054,458	1,038,093
Loan to shareholder	11,639	28,499
Exposure to credit risk	**5,457,153**	**4,411,668**

No collateral is held for any of the above assets other than the staff mortgage loans. Properties in relation to staff mortgage loans are charged to the Company as collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Credit risk (continued)

The financial assets alongside the expected credit loss allowance are as below:

As of 31 December 2025: Financial assets	**Measurement category**	**Exposure at default (EAD) Kes'000**	**Expected credit loss (ECL) Kes'000**	**Carrying amount Kes '000 Kes'000**
Deposits with financial institutions	Amortised cost	616,013	(139)	615,874
Government securities at amortised cost	Amortised cost	1,750,220	(175)	1,750,045
Government securities at FVPL	Fair value	1,171,393	-	1,171,393
Other receivables	Amortised cost	13,986	(85)	13,901
Receivables arising out of reinsurance arrangements	Amortised cost	154,234	(3,590)	150,644
Receivable from intermediaries	Amortised cost	559,237	(161,839)	397,398
Cash and bank balances	Amortised cost	276,315	-	276,315
Mortgage loans	Amortised cost	2,330	-	2,330
Due from the Kenya Motor Insurance Pool	Amortised cost	13,308	(152)	13,156
Reinsurance contract assets	Amortised cost	1,054,458	-	1,054,458
Loan to shareholder	Amortised cost	11,639	-	11,639
		5,623,133	**(165,980)**	**5,457,153**

As of 31 December 2024: Financial assets	**Measurement category**	**Exposure at default (EAD) Kes'000**	**Expected credit loss (ECL) Kes'000**	**Carrying amount Kes'000**
Deposits with financial institutions	Amortised cost	310,047	(52)	309,995
Government securities at amortised cost	Amortised cost	1,356,388	(113)	1,356,275
Government securities at FVPL	Fair value	919,908	-	919,908
Other receivables	Amortised cost	25,317	(88)	25,229
Receivables arising out of reinsurance arrangements	Amortised cost	80,535	(8,732)	71,803
Receivable from intermediaries	Amortised cost	598,276	(182,034)	416,242
Cash and bank balances	Amortised cost	229,188	-	229,188
Mortgage loans	Amortised cost	2,736	-	2,736
Due from the Kenya Motor Insurance Pool	Amortised cost	13,865	(159)	13,706
Reinsurance contract assets	Amortised cost	1,038,093	-	1,038,093
Loan to shareholder	Amortised cost	28,499	-	28,499
		4,602,852	**(191,178)**	**4,411,674**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Credit risk (continued)

Reconciliation of expected credit losses for financial assets measured at amortised cost for the year

As at 31st Dec 2025 Financial assets	ECL as at 1 January 2025	Write off	Charge/(credit) through P&L	ECL as at 31 December 2025
	Kes '000	Kes '000	Kes '000	Kes '000
Deposits with financial institutions	52	-	87	139
Government securities at amortised cost	112	-	63	175
Other receivables	88	-	(3)	85
Receivables arising out of reinsurance arrangements	8,733	-	(5,143)	3,590
Receivable from intermediaries	182,034	-	(20,195)	161,839
Due from Kenya Insurance Motor pool	159	-	(7)	152
Cash and bank balances	-	-	-	-
Mortgage loans	-	-	-	-
	191,178	**-**	**(25,198)**	**165,980**

As at 31st Dec 2024 Financial assets	ECL as at 1 January 2024	Write off	Charge/(credit) through P&L	ECL as at 31 December 2024
	Kes '000	Kes '000	Kes '000	Kes '000
Deposits with financial institutions	32	-	20	52
Government securities at amortised cost	105	-	7	112
Other receivables	43	-	45	88
Receivables arising out of reinsurance arrangements	8,790	-	(57)	8,733
Receivable from intermediaries	227,344	-	(45,310)	182,034
Due from Kenya Insurance Motor pool	142	-	17	159
Cash and bank balances	-	-	-	-
Mortgage loans	-	-	-	-
	236,456	**-**	**(45,278)**	**191,178**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The following table provides an analysis of financial assets and liabilities of the company into relevant maturity based on the remaining periods to maturity. The amounts disclosed in the table below are contractual undiscounted cashflows. The balances due within twelve months equal their carrying amounts as the impact of discounting is not significant.

31 Dec 2025 Financial assets	0 to 6 months	6-12 months	1- 5 years	over 5 years	No stated maturity	Total
	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000
Equity instruments at fair value through profit or loss	-	-	-	-	112,727	112,727
Reinsurance assets	-	1,054,458	-	-	-	1,054,458
Receivable from intermediaries	-	559,237	-	-	-	559,237
Government securities at amortised cost	-	-	701,519	1,088,263	-	1,789,782
Government securities at FVPL	-	-	435,922	735,471	-	1,171,393
Deposits with financial institutions	616,013	-	-	-	-	616,013
Due from Kenya Insurance Motor Pool	-	13,308	-	-	-	13,308
Mortgage loans	-		2,330	-	-	2,330
Receivable arising out of reinsurance arrangements	-	154,234	-	-	-	154,234
Other receivables	-	10,695	3,291	-	-	13,986
Loan to shareholder	-	11,639	-	-	-	11,639
Cash and bank balances	276,315	-	-	-	-	276,315
Total	**892,328**	**1,803,571**	**1,143,062**	**1,823,734**	**112,727**	**5,775,422**
Payables arising from reinsurance arrangements	-	37,150	-	-	-	37,150
Lease liability	-	5,657	5,728	488	-	11,873
Other payables	142,910	-	-	-	-	142,910
Liability for incurred claims	1,154,534	1,154,534	1,171,061	-	-	3,480,129
Total	**1,297,444**	**1,197,341**	**1,176,789**	**488**	**-**	**3,672,062**
Liquidity surplus/(gap)	**(405,116)**	**606,230**	**(33,727)**	**1,823,246**	**112,727**	**2,103,360**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Liquidity risk (continued)

31 Dec 2024

Financial assets	0 to 6 months	6-12 months	1- 5 years	over 5 years	No stated maturity	Total
	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000	Kes '000
Equity instruments at fair value through profit or loss	-	-	-	-	42,124	42,124
Reinsurance assets	-	1,038,093	-	-	-	1,038,093
Receivable from intermediaries	-	416,242	-	-	-	416,242
Government securities at amortised cost	-	-	374,013	1,004,747	-	1,378,760
Government securities at FVPL	-	-	230,053	689,855		919,908
Deposits with financial institutions	310,047	-	-	-	-	310,047
Due from Kenya Insurance Motor Pool	-	13,865	-	-	-	13,865
Mortgage loans	-	-	2,737	-	-	2,737
Receivables arising from reinsurance arrangements	-	80,535	-	-	-	80,535
Other receivables	-	22,016	3,301	-	-	25,317
Loan to shareholder	-	28,499	-	-	-	28,499
Cash and bank balances	229,179	-	-	-	-	229,179
Total	**539,174**	**1,602,955**	**485,973**	**1,793,061**	**42,124**	**4,463,287**
Payables arising from reinsurance arrangements	-	31,602	-	-	-	31,602
Lease liability	5,178	5,660	11,944	-	-	22,782
Other payables	115,119	-	-	-	-	115,119
Liability for incurred claims	969,927	969,927	983,811	-	-	2,923,665
Total	**1,090,224**	**1,007,189**	**995,755**	**-**	**-**	**3,093,168**
Liquidity surplus/(gap)	**(551,050)**	**595,766**	**(509,782)**	**1,793,061**	**42,124**	**1,370,119**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.3 Capital risk

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- to maintain financial strength to support new business growth.
- to satisfy the requirements of its policyholders, regulators, and rating agencies.
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- to allocate capital efficiently to support growth.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its debt-to-equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the Insurance Regulatory Authority and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its Asset and Liability Management (ALM) framework the necessary tests to ensure continuous and full compliance with such regulations. The Company has complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio based on the Risk Based Capital Model is as follows:

	2025 Kes '000	2024 Kes '000
Total Capital Available (TCA)	1,327,165	1,145,395
Minimum Required Capital (MRC)	853,266	887,527
Capital Adequacy Ratio (CAR)*	**156%**	**129%**

The Company did not have any borrowings at 31 December 2025 (31 December 2024: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Insurance service result

An analysis of the insurance service result by its components (insurance revenue, expenses, and net expenses from reinsurance contracts held) by portfolio is included in the tables below.

	Year ended 31 December 2025			
	Insurance revenue (PAA)	Insurance service expenses	Net reinsurance income (expenses)	Insurance service result
		Note 6	Note 7	
	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	701,933	(9,481)	(683,730)	**8,722**
Fire domestic	72,325	(36,520)	(41,312)	**(5,507)**
Fire industrial	36,220	(20,390)	(16,714)	**(884)**
Liability	329,327	(120,021)	(206,293)	**3,013**
Marine	92,754	(86,351)	(32,889)	**(26,486)**
Medical	120,311	(155,591)	7,950	**(27,330)**
Aviation	246,139	(249,068)	(5,225)	**(8,154)**
Motor private	226,224	(42,568)	(177,100)	**6,556**
Motor commercial	993,762	(994,131)	33,967	**33,598**
Motor commercial - PSV	37,879	(22,654)	1,462	**16,687**
Personal accident	1,390,451	(1,528,615)	196	**(137,968)**
Theft	9,755	(11,794)	(1,466)	**(3,505)**
Workmen's compensation	84,707	(56,602)	(16,060)	**12,045**
Miscellaneous	317,855	(278,999)	31,927	**70,783**
Total	**4,659,642**	**(3,612,785)**	**(1,105,287)**	**(58,430)**

	Year ended 31 December 2024			
	Insurance revenue (PAA)	Insurance service expenses	Net reinsurance income (expenses)	Insurance service result
		Note 6	Note 7	
	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	72,595	(56,443)	(15,124)	**1,028**
Fire domestic	29,754	(72,922)	39,579	**(3,589)**
Fire industrial	287,685	(245,051)	(38,628)	**4,006**
Liability	93,002	(71,830)	(15,631)	**5,541**
Marine	138,970	(110,113)	(23,934)	**4,923**
Medical	38,092	(104,882)	17,669	**(49,121)**
Aviation	704,872	(19,860)	(685,944)	**(932)**
Motor private	1,260,160	(1,350,430)	(33,951)	**(124,221)**
Motor commercial	623,934	(544,990)	(18,203)	**60,741**
Motor commercial - PSV	27,990	(24,018)	(535)	**3,437**
Personal accident	11,573	(15,655)	4,429	**347**
Theft	70,162	(49,332)	(16,819)	**4,011**
Workmen's compensation	290,920	(225,488)	17,605	**83,037**
Miscellaneous	122,242	(79,609)	(38,850)	**3,783**
Total	**3,771,951**	**(2,970,623)**	**(808,337)**	**(7,009)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Insurance service expenses

The analysis of the insurance service expense is included in the table below.

31 December 2025	Incurred claims	Changes that relate to past service	Attributable expenses	Changes in loss component	Changes in risk adjustments on LIC	Insurance acquisition cash flows amortisation	Total insurance service expenses
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	(34,627)	18,618	(6,141)	-	(39)	(14,330)	**(36,519)**
Fire domestic	(6,462)	2,675	(9,494)	-	166	(7,275)	**(20,390)**
Fire industrial	(47,532)	2,595	(15,170)	-	519	(60,433)	**(120,021)**
Liability	(45,147)	(15,737)	(10,371)	(1,255)	(364)	(13,479)	**(86,353)**
Marine	(61,945)	(54,853)	(14,411)	(4,113)	(216)	(20,054)	**(155,592)**
Medical	(208,830)	1,124	(36,810)	20,752	(704)	(24,599)	**(249,067)**
Aviation	0	0	(9,469)	-	-	(12)	**(9,481)**
Motor private	(800,851)	(234,981)	(291,165)	(50,604)	(14,115)	(136,900)	**(1,528,616)**
Motor commercial	(646,189)	(126,587)	(79,288)	(43,095)	167	(99,138)	**(994,130)**
Motor commercial PSV	(15,599)	9,141	(3,382)	(5,415)	(4,590)	(2,809)	**(22,654)**
Personal accident	(3,986)	1,332	(6,621)	(597)	(5)	(1,918)	**(11,795)**
Theft	(50,221)	15,453	(12,553)	-	(55)	(9,226)	**(56,602)**
Workmen's compensation	(334,801)	142,101	(18,597)	(2,938)	(1,453)	(63,308)	**(278,996)**
Miscellaneous	(14,179)	8,194	(29,855)	-	4	(6,733)	**(42,569)**
Total	**(2,270,369)**	**(230,925)**	**(543,327)**	**(87,265)**	**(20,685)**	**(460,214)**	**(3,612,785)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Insurance service expenses (continued)

31 December 2024	Incurred claims	Changes that relate to past service	Attributable expenses	Changes in loss component	Changes in risk adjustments on LIC	Insurance acquisition cash flows amortisation	Total insurance service expenses
Engineering	(65,605)	28,432	(4,948)	(134)	221	(14,409)	**(56,443)**
Fire domestic	(61,284)	254	(6,028)	(54)	-	(5,810)	**(72,922)**
Fire industrial	(166,973)	(4,791)	(14,243)	(625)	-	(58,419)	**(245,051)**
Liability	(52,919)	(56)	(8,630)	(558)	-	(9,667)	**(71,830)**
Marine	(90,598)	12,795	(9,634)	(379)	-	(22,297)	**(110,113)**
Medical	(32,941)	-	(34,788)	(218)	(33,144)	(3,791)	**(104,882)**
Aviation	-	500	(9,146)	16	-	(11,230)	**(19,860)**
Motor private	(758,567)	(190,525)	(267,983)	74	(7,061)	(126,368)	**(1,350,430)**
Motor commercial	(346,410)	(72,641)	(58,087)	2,849	(5,382)	(65,319)	**(544,990)**
Motor commercial - PSV	(12,888)	(4,296)	(2,509)	(429)	(1,971)	(1,925)	**(24,018)**
Personal accident	(9,254)	377	(4,461)	5	(455)	(1,867)	**(15,655)**
Theft	(33,245)	5,406	(11,140)	452	265	(11,070)	**(49,332)**
Workmen's compensation	(196,898)	55,453	(19,398)	(4,526)	-	(60,119)	**(225,488)**
Miscellaneous	(56,923)	2,368	(18,009)	(107)	-	(6,938)	**(79,609)**
Total	**(1,884,505)**	**(166,724)**	**(469,004)**	**(3,634)**	**(47,527)**	**(399,229)**	**(2,970,623)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Net expenses from reinsurance contracts held

The analysis of the net expenses from reinsurance contracts held is included in the table below.

2025	Reinsurance expenses (PAA)	Reinsurance attributable expenses	Incurred claims recovery	Changes in risk adjustments on LIC	Changes in loss recovery component	Commission income	Total net expenses from reinsurance contracts held
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	**Kes'000**
Engineering	(73,362)	(147)	19,970	87	-	12,141	**(41,311)**
Fire domestic	(19,024)	(47)	(2,323)	(167)	-	4,846	**(16,715)**
Fire industrial	(313,554)	(583)	32,076	(506)	-	76,274	**(206,293)**
Liability	(40,995)	(81)	2,930	(41)	195	5,103	**(32,889)**
Marine	(87,159)	(203)	72,466	6	2,791	20,049	**7,950**
Medical	(123,070)	(353)	103,853	352	(10,376)	24,368	**(5,226)**
Aviation	(702,039)	(318)	-	-	-	18,627	**(683,730)**
Motor private	(64,024)	(226)	30,498	49	2,181	31,720	**198**
Motor commercial	(38,699)	(187)	63,914	(267)	4,122	5,085	**33,968**
Motor commercial - PSV	(315)	(1)	1,426	(16)	367	-	**1,461**
Personal accident	(2,151)	(6)	(1)	-	165	527	**(1,466)**
Theft	(46,492)	(62)	20,351	54	-	10,089	**(16,060)**
Workmen's compensation	(25,759)	(53)	50,790	341	795	5,813	**31,927**
Miscellaneous	(191,219)	(328)	3,588	(3)	-	10,861	**(177,101)**
Total	**(1,727,862)**	**(2,595)**	**399,538**	**(111)**	**240**	**225,503**	**(1,105,287)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Net expenses from reinsurance contracts held (continued)

2024	Reinsurance expenses (PAA)	Reinsurance attributable expenses	Incurred claims recovery	Changes in risk adjustments on LIC	Changes in loss recovery component	Commission income	Total net expenses from reinsurance contracts held
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	**Kes'000**
Engineering	(57,106)	(240)	24,980	78	(208)	17,372	**(15,124)**
Fire domestic	(16,192)	(106)	51,879	141	-	3,857	**39,579**
Fire industrial	(259,580)	(1,346)	156,966	580	-	64,752	**(38,628)**
Liability	(52,584)	(212)	31,225	366	-	5,574	**(15,631)**
Marine	(107,385)	(641)	59,869	297	-	23,926	**(23,934)**
Medical	(19,046)	(208)	16,470	109	16,573	3,771	**17,669**
Aviation	(705,258)	(699)	(475)	(15)	-	20,503	**(685,944)**
Motor private	(64,252)	(375)	21,478	406	958	7,834	**(33,951)**
Motor commercial	(34,320)	(210)	13,974	(1,881)	246	3,988	**(18,203)**
Motor commercial - PSV	(289)	(2)	(278)	2	32	-	**(535)**
Personal accident	(2,123)	(11)	5,913	-	130	520	**4,429**
Theft	(33,565)	(515)	9,749	(290)	(146)	7,948	**(16,819)**
Workmen's compensation	(32,354)	(140)	41,881	965	-	7,253	**17,605**
Miscellaneous	(105,456)	(436)	47,073	83	-	19,886	**(38,850)**
Total	**(1,489,510)**	**(5,141)**	**480,704**	**841**	**17,585**	**187,184**	**(808,337)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8.1 Interest income

	2025 Kes '000	2024 Kes '000
Interest on Government securities at amortised cost	217,630	167,327
Interest on Government securities at fair value through profit or loss	153,757	66,103
Interest on deposits with financial institutions	41,345	118,005
Interest on mortgage loans	252	292
	412,984	**351,727**

8.2 Other investment income

Fair value gains on equity investments (note 24)	41,500	2,993
Fair value gains on government securities (note 28(ii))	41,816	42,974
Loss on disposal of equity investments	(2,091)	(988)
Rental income from investment property	54,453	54,987
Fair value (loss) / gain on investment property (note 23)	(32,291)	550
	103,387	**100,516**

8.3 Net finance expenses

Interest accreted using current financial assumptions	(100,548)	(155,330)
Effect of changes in interest rates and other financial assumptions	(38,125)	(16,329)
Net finance expenses	**(138,673)**	**(171,659)**

8.4 Net finance income

Interest accreted using current financial assumptions	23,558	18,093
Effect of changes in interest rates and other financial assumptions	7,996	2,137
Net finance income	**31,554**	**20,230**

9 Other income

Gain on disposal of assets	259	60
Reinsurance premium tax recovery	17,653	8,745
Other	12,527	2,023
	30,439	**10,828**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Operating and other expenses	2025 Kes '000	2024 Kes '000
Staff costs (note 11)	368,045	303,073
Auditors' remuneration	7,023	8,508
Depreciation on property and equipment (note 20)	15,248	12,613
Amortisation on the right-of-use assets (note 21)	6,840	7,031
Amortisation of intangible assets (note 22)	2,939	3,895
Expected credit losses on financial assets (Note 4.2)	(25,198)	(45,278)
Marketing and advertising costs	77,248	56,578
Finance and bank charges	7,920	5,865
Printing, stationery, and insurance	54,694	34,001
Consultancy fees	17,532	24,994
Director's fees and other expenses	13,799	12,561
Underwriting and claims expenses	93,065	81,122
ICT expenses	38,269	45,634
Other expenses	18,803	15,040
	696,227	**565,637**
Attributable to insurance contracts issued	543,327	469,004
Attributable to reinsurance contracts held	2,595	5,141
Non-attributable expenses	150,305	91,492
	696,227	**565,637**

11 Staff costs

Staff costs include the following:		
- Salaries and wages	285,095	240,753
- Retirement benefit costs – defined contribution plan	25,154	21,950
- Medical & other staff insurances	18,994	16,397
- Training & subscriptions	15,742	10,618
- Staff welfare	23,060	13,355
	368,045	**303,073**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Income tax expense

	2025 Kes '000	2024 Kes '000
Current income tax charge	4,372	30,667
(Over) provision of current tax in prior year	(10,558)	(3,085)
Deferred income tax charge (note 30)	(3,658)	4,910
Under provision of deferred tax in prior year (note 30)	24,418	-
	14,574	**32,492**

Reconciliation of taxation charge to the expected tax based on accounting profit:

	2025 Kes '000	2024 Kes '000
Profit before income tax	230,956	213,141
Tax calculated at a tax rate of 30%	69,287	63,942
Tax effect of income not subject to tax	(83,115)	(38,429)
Expenses not deductible	18,811	9,945
Effect of change in tax rate	(4,844)	-
Deferred tax on IFRS 16 Balances	575	119
(Over) provision of current tax in prior year	(10,558)	(3,085)
Under provision of deferred tax in prior year (note 30)	24,418	-
Income tax expense	**14,574**	**32,492**

Income not subject to tax mainly relates to interest on infrastructure bonds which do not attract income tax charge. Expenses not deductible for tax purposes mainly relate to amortisation of right of use assets, Interest on lease liabilities, excess pension, loss on sale of shares and expenses on exempt investments income.

Current income tax

	2025 Kes'000	2024 Kes'000
At 1 January	(43,381)	(22,981)
Charge for the year	(6,186)	27,582
Tax paid during the year	(11,531)	(47,982)
At 31 December	**(61,098)**	**(43,381)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Dividends

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors propose payment of dividends of Kes. 100 million for the year ended 31 December 2025 (2024: Kes 75 million).

14 Share capital

	2025 Kes'000	2024 Kes'000
Issued and fully paid for:		
6,000,000 ordinary shares of Kes 100 each	600,000	600,000
Total share capital	600,000	600,000

15 Revaluation reserve

The revaluation reserve represents solely the surplus on the revaluation of buildings and is non-distributable.

	2025 Kes '000	2024 Kes '000
At 1 January	102,296	99,418
Revaluation gain on revaluation of buildings, net of tax	(2,156)	2,878
At 31 December	**100,140**	**102,296**

16 Retained earnings

The retained earnings represent the amount available for dividend distribution to the shareholders of the company, except for cumulative fair value gains on the company's investment properties of Kes. 355 million (2024: Kes 387 million) whose distribution is subject to restrictions imposed by regulation. The retained earnings net of proposed dividends of Kes 100 million is Kes 564 million (2024: Kes 447 million)

	2025 Kes '000	2024 Kes '000
Retained earnings at end of year	667,214	522,138
Cumulative fair value gain on property	(354,921)	(387,212)
Retained earnings available for distribution	**312,293**	**134,926**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Composition of the balance sheet - Insurance contacts

Analysis of the amounts presented on the balance sheet for insurance contracts is shown in the table below, along with the presentation of current and non-current portions of the balances:

	As at 31 December 2025		As at 31 December 2024	
	Insurance contract liabilities	**Reinsurance contracts assets**	**Insurance contract liabilities**	**Reinsurance contracts assets**
	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	154,993	137,556	134,592	112,008
Fire domestic	16,464	5,633	56,483	47,316
Fire industrial	129,891	103,994	195,263	168,153
Liability	194,568	42,712	162,205	52,456
Marine	198,221	134,494	159,341	122,260
Medical	168,554	79,169	80,836	38,621
Aviation	166,715	162,390	164,684	159,834
Motor private	1,869,716	63,264	1,552,087	54,803
Motor commercial	1,422,965	92,638	1,034,993	76,246
Motor commercial – PSV	60,740	554	54,451	750
Personal accident	6,369	1,628	5,506	1,433
Theft	178,620	109,284	177,615	109,938
Workmen's compensation	680,845	90,475	565,823	67,462
Miscellaneous	48,024	30,667	41,866	26,813
Total	**5,296,685**	**1,054,458**	**4,385,745**	**1,038,093**
Current portion	5,296,685	1,054,458	4,385,745	1,038,093
Non-current portion	-	-	-	-
Total	**5,296,685**	**1,054,458**	**4,385,745**	**1,038,093**

Detailed reconciliations of changes in insurance contract balances during the reporting periods are included in subsequent notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims

18.1 Insurance contracts issued

The reconciliation of the liability for remaining coverage and incurred claims is included on the table below.

Total	2025					2024				
	LRC		LIC for contracts measured under PAA			LRC		LIC for contracts measured under PAA		
	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Insurance contracts liabilities as at 1 January	1,345,677	183,669	2,723,956	132,443	4,385,745	1,071,272	136,142	2,112,771	128,809	3,448,994
Insurance revenue	(4,659,642)	-	-	-	(4,659,642)	(3,771,951)	-	-	-	(3,771,951)
Insurance service expenses	1,003,540	87,263	2,501,293	20,686	3,612,782	868,233	47,527	2,051,229	3,634	2,970,623
Insurance service result from insurance contract issued	(3,656,102)	87,263	2,501,293	20,686	(1,046,860)	(2,903,718)	47,527	2,051,229	3,634	(801,328)
Finance expenses from insurance contracts issued	-	-	138,673	-	138,673	-	-	171,659	-	171,659
Total amounts recognised in comprehensive income	(3,656,102)	87,263	2,639,966	20,686	(908,187)	(2,903,718)	47,527	2,222,888	3,634	(629,669)
Cash flows:										
Premiums written	5,013,815	-	-	-	5,013,815	4,085,109	-	-	-	4,085,109
Claims paid	-	-	(2,154,517)	-	(2,154,517)	-	-	(1,611,703)	-	(1,611,703)
Attributable expenses paid	(543,327)	-	-	-	(543,327)	(469,000)	-	-	-	(469,000)
Insurance acquisition cash flows paid	(496,844)	-	-	-	(496,844)	(437,986)	-	-	-	(437,986)
Total cash flows	3,973,644	-	(2,154,517)	-	1,819,127	3,178,123	-	(1,611,703)	-	1,566,420
Insurance contracts liabilities as at 31 December	**1,663,219**	**270,932**	**3,209,405**	**153,129**	**5,296,685**	**1,345,677**	**183,669**	**2,723,956**	**132,443**	**4,385,745**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims (continued)

18.1.1 Insurance contracts issued

The reconciliation of the liability for remaining coverage and incurred claims is included on the table below.

Motor	2025					2024				
	LRC		LIC for contracts measured under PAA			LRC		LIC for contracts measured under PAA		
	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Insurance contracts liabilities as at 1 January	843,621	150,068	1,532,087	115,755	2,641,531	704,907	135,654	1,215,892	118,248	2,174,701
Insurance revenue	(2,422,092)	-	-	-	(2,422,092)	(1,912,084)	-	-	-	(1,912,084)
Insurance service expenses	612,681	99,115	1,815,065	18,538	2,545,399	522,191	14,414	1,385,326	(2,493)	1,919,438
Insurance service result from insurance contract issued	(1,809,411)	99,115	1,815,065	18,538	123,307	(1,389,893)	14,414	1,385,326	(2,493)	7,354
Finance expenses from insurance contracts issued	-	-	75,416	-	75,416	-	-	127,411	-	127,411
Total amounts recognised in comprehensive income	(1,809,411)	99,115	1,890,481	18,538	198,723	(1,389,893)	14,414	1,512,737	(2,493)	134,765
Cash flows:										
Premiums written	2,703,540	-	-	-	2,703,540	2,066,049	-	-	-	2,066,049
Claims paid	-	-	(1,549,863)	-	(1,549,863)	-	-	(1,196,542)	-	(1,196,542)
Attributable expenses paid	(373,835)	-	-	-	(373,835)	(328,579)	-	-	-	(328,579)
Insurance acquisition cash flows paid	(266,675)	-	-	-	(266,675)	(208,863)	-		-	(208,863)
Total cash flows	2,063,030	-	(1,549,863)	-	513,167	1,528,607	-	(1,196,542)	-	332,065
Insurance contracts liabilities as at 31 December	**1,097,240**	**249,183**	**1,872,705**	**134,293**	**3,353,421**	**843,621**	**150,068**	**1,532,087**	**115,755**	**2,641,531**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims (continued)

18.1.2 Insurance contracts issued

The reconciliation of the liability for remaining coverage and incurred claims is included on the table below.

Non-Motor	2025					2024				
	LRC		LIC for contracts measured under PAA			LRC		LIC for contracts measured under PAA		
	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Insurance contracts liabilities as at 1 January	502,058	33,599	1,191,870	16,687	1,744,214	366,369	488	896,879	10,561	1,274,297
Insurance revenue	(2,237,550)	-	-	-	(2,237,550)	(1,859,867)	-	-	-	(1,859,867)
Insurance service expenses	390,859	(11,849)	686,228	2,148	1,067,386	346,044	33,113	665,903	6,127	1,051,187
Insurance service result from insurance contract issued	(1,846,691)	(11,849)	686,228	2,148	(1,170,164)	(1,513,823)	33,113	665,903	6,127	(808,680)
Finance expenses from insurance contracts issued	-	-	63,257	-	63,257	-	-	44,248	-	44,248
Total amounts recognised in comprehensive income	(1,846,691)	(11,849)	749,485	2,148	(1,106,907)	(1,513,823)	33,113	710,151	6,127	(764,432)
Cash flows:										
Premiums written	2,310,272	-	-	-	2,310,272	2,019,060	-	-	-	2,019,060
Claims paid	-	-	(604,655)	-	(604,655)	-	-	(415,161)	-	(415,161)
Attributable expenses paid	(169,491)	-		-	(169,491)	(140,425)	-	-	-	(140,425)
Insurance acquisition cash flows paid	(230,170)	-	-	-	(230,170)	(229,123)	-	-	-	(229,123)
Total cash flows	**1,910,611**	-	**(604,655)**	**-**	**1,305,956**	**1,649,512**	**-**	**(415,161)**	**-**	**1,234,351**
Insurance contracts liabilities as at 31 December	**565,978**	**21,750**	**1,336,700**	**18,835**	**1,943,263**	**502,058**	**33,601**	**1,191,869**	**16,688**	**1,744,216**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims (continued)

18.2 Reinsurance contracts held

The reconciliation for the asset for remaining coverage and incurred claims is included on the table below.

Total	2025					2024				
	Remaining Coverage		Incurred Claims for contracts measured under PAA			Remaining Coverage		Incurred Claims for contracts measured under PAA		
	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Reinsurance contracts assets as at 1 January	363,300	20,041	642,880	11,872	1,038,093	281,422	2,457	417,038	11,031	711,948
Net expenses from reinsurance contracts held	(1,502,358)	239	396,942	(111)	(1,105,288)	(1,302,325)	17,584	475,558	841	(808,342)
Finance income from re insurance contracts held	-	-	31,554	-	31,554	-	-	20,230	-	20,230
Total amounts recognised in comprehensive income	(1,502,358)	239	428,496	(111)	(1,073,734)	(1,302,325)	17,584	495,788	841	(788,112)
Cash flows:										
Reinsurance premiums paid	1,770,647	-	-	-	1,770,647	1,591,408	-	-	-	1,591,408
Recoveries from reinsurance	-	-	(448,907)	-	(448,907)	-	-	(275,087)	-	(275,087)
Attributable expenses paid	-	-	2,595	-	2,595	-	-	5,141	-	5,141
Ceding commissions	(234,236)	-	-	-	(234,236)	(207,205)	-	-	-	(207,205)
Total cashflows	1,536,411	-	(446,312)	-	1,090,099	1,384,203	-	(269,946)	-	1,114,257
Reinsurance contracts assets as at 31 December	**397,353**	**20,280**	**625,064**	**11,761**	**1,054,458**	**363,300**	**20,041**	**642,880**	**11,872**	**1,038,093**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims (continued)

18.2.1 Reinsurance contracts held

The reconciliation for the asset for remaining coverage and incurred claims is included on the table below.

Motor	2025					2024				
	Remaining Coverage		Incurred Claims for contracts measured under PAA			Remaining Coverage		Incurred Claims for contracts measured under PAA		
	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Reinsurance contracts assets as at 1 January	33,693	3,338	88,202	6,567	131,800	28,869	2,102	83,531	8,040	122,542
Net expenses from reinsurance contracts held	(66,233)	6,669	95,423	(234)	35,625	(87,040)	1,236	35,091	(1,473)	(52,186)
Finance income from re insurance contracts held	-	-	4,782	-	4,782	-	-	3,895	-	3,895
Total amounts recognised in comprehensive income	(66,233)	6,669	100,205	(234)	40,407	(87,040)	1,236	38,986	(1,473)	(48,291)
Cash flows:										
Reinsurance premiums paid	122,668	-	-	-	122,668	104,737	-	-	-	104,737
Recoveries from reinsurance	-	-	(98,764)	-	(98,764)	-	-	(34,902)	-	(34,902)
Attributable expenses paid	-	-	415	-	415	-	-	587	-	587
Ceding commissions	(40,068)	-	-	-	(40,068)	(12,873)	-	-	-	(12,873)
Total cashflows	82,600	-	(98,349)	-	(15,749)	91,864	-	(34,315)	-	57,549
Reinsurance contracts assets as at 31 December	**50,060**	**10,007**	**90,058**	**6,333**	**156,458**	**33,693**	**3,338**	**88,202**	**6,567**	**131,800**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims (continued)

18.2.2 Reinsurance contracts held

The reconciliation for the asset for remaining coverage and incurred claims is included on the table below.

Non-Motor	2025					2024				
	Remaining Coverage		Incurred Claims for contracts measured under PAA			Remaining Coverage		Incurred Claims for contracts measured under PAA		
	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Reinsurance contracts assets as at 1 January	329,607	16,703	554,678	5,305	906,293	252,553	355	333,507	2,991	589,406
Net expenses from reinsurance contracts held	(1,436,125)	(6,430)	301,519	123	(1,140,913)	(1,215,285)	16,348	440,467	2,314	(756,156)
Finance income from re insurance contracts held	-	-	26,772	-	26,772	-	-	16,335	-	16,335
Total amounts recognised in comprehensive income	**(1,436,125)**	**(6,430)**	**328,291**	**123**	**(1,114,141)**	**(1,215,285)**	**16,348**	**456,802**	**2,314**	**(739,821)**
Cash flows:										
Reinsurance premiums paid	1,647,979	-	-	-	1,647,979	1,486,671	-	-	-	1,486,671
Recoveries from reinsurance	-	-	(350,143)	-	(350,143)	-	-	(240,185)	-	(240,185)
Attributable expenses paid	-	-	2,180	-	2,180		-	4,554	-	4,554
Ceding commissions	(194,168)	-	-	-	(194,168)	(194,332)	-	-	-	(194,332)
Total cashflows	1,453,811	-	(347,963)	-	1,105,848	1,292,339	-	(235,631)	-	1,056,708
Reinsurance contracts assets as at 31 December	**347,293**	**10,273**	**535,006**	**5,428**	**898,000**	**329,607**	**16,703**	**554,678**	**5,305**	**906,293**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Claims development

19.1 Gross claims development

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the table below on gross of reinsurance basis as at 31 December 2025.

				Accident year			
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**
Estimate of ultimate claim costs							
At end of accident year	1,049,653	997,183	1,413,656	1,731,144	1,847,867	1,748,529	
1 year later	1,061,893	1,016,290	1,440,785	1,756,649	1,860,513	-	
2 years later	1,073,232	1,026,057	1,447,123	1,758,163	-	-	
3 years later	1,074,902	1,029,608	1,452,866	-	-	-	
4 years later	1,075,152	1,030,784	-	-	-	-	
5 years later	1,076,152	-	-	-	-	-	
Cumulative gross claims paid	(1,032,772)	(957,944)	(1,204,628)	(1,388,198)	(1,473,632)	(996,683)	(7,053,857)
Gross claim liabilities - accident years from 2020 to 2025	43,380	72,840	248,238	369,965	386,881	751,846	1,873,150
Gross claim liabilities - prior accident years							1,606,979
Effect of discounting							(270,724)
Effect of risk adjustment for non-financial risk							153,128
LIC for insurance contracts							**3,362,533**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Claims development (continued)

19.2 Net claims development

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the table below on net of reinsurance basis as at 31 December 2025.

	Accident year						
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**
Estimate of ultimate claim costs							
At end of accident year	980,130	931,135	1,320,023	1,616,482	1,725,477	1,632,716	
1 year later	991,559	948,976	1,345,356	1,640,299	1,737,283	-	
2 years later	1,002,147	958,097	1,351,273	1,641,712	-	-	
3 years later	1,003,706	961,412	1,356,636	-	-	-	
4 years later	1,003,940	962,510	-	-	-	-	
5 years later	1,004,873	-	-	-	-	-	
Cumulative net claims paid	(904,785)	(839,436)	(1,044,675)	(1,233,788)	(1,131,873)	(913,266)	(6,067,823)
Net claim liabilities - accident years from 2020 to 2025	100,088	123,074	311,961	407,924	605,410	719,450	2,267,907
Net claim liabilities - prior accident years							540,292
Effect of discounting							(223,858)
Effect of risk adjustment for non-financial risk							141,366
Net LIC for insurance contracts							**2,725,707**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Property and equipment

	Revalued Land and Buildings Kes '000	Motor vehicles Kes '000	Furniture & office equipment Kes '000	Work in progress Kes '000	Total Kes '000
Cost/valuation					
At 1 January 2024	244,343	1,200	187,230	-	432,773
Additions	-	-	15,749	-	15,749
Disposals	-	-	(1,642)	-	(1,642)
Fair value gain	4,230	-	-	-	4,230
At 31 December 2024	**248,573**	**1,200**	**201,337**	**-**	**451,110**
At 1 January 2025	248,573	1,200	201,337	-	451,110
Additions	-	-	13,857	-	13,857
Disposals	-	-	-	-	-
Accumulated depreciation on revaluation	(30,275)	-	-	-	(30,275)
Fair value loss	(3,080)	-	-	-	(3,080)
At 31 December 2025	**215,218**	**1,200**	**215,194**	**-**	**431,612**
Depreciation					
At 1 January 2024	(21,815)	(1,200)	(178,191)	-	(201,206)
Charge for the year	(4,230)	-	(8,383)	-	(12,613)
Eliminated on disposals	-	-	1,642	-	1,642
At 31 December 2024	**(26,045)**	**(1,200)**	**(184,932)**	**-**	**(212,177)**
At 1 January 2025	(26,045)	(1,200)	(184,932)	-	(212,177)
Charge for the year	(4,230)	-	(11,018)	-	(15,248)
Eliminated on disposals	-	-	-	-	-
Eliminated on revaluation	30,275	-	-	-	30,275
At 31 December 2025	**-**	**(1,200)**	**(195,950)**	**-**	**(197,150)**
Net book value					
At 31 December 2025	**215,218**	**-**	**19,244**	**-**	**234,462**
At 31 December 2024	**222,528**	**-**	**16,405**	**-**	**238,933**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Property and equipment (continued)

Buildings were valued on 31 December 2025 by Regent Valuers International (K) Limited, registered professional valuers. The basis of valuation was current market value with existing use.

Land and buildings are carried at the fair value hierarchy level 3 in the fair value hierarchy.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2025 Kes '000	2024 Kes '000
Cost	143,767	143,767
Accumulated depreciation	(52,839)	(49,245)
Net book value	**90,928**	**94,522**

21. Leases

a) Right-of-use assets

The Company leases office space for its use. Information about the leases in which the Company is a lessee is presented below:

Cost	2025 Kes '000	2024 Kes '000
At 1 January	39,429	38,857
Additions	3,552	4,297
Derecognition	(4,298)	(3,725)
At 31 December	**38,683**	**39,429**
Amortization		
At 1 January	(24,024)	(20,718
Charge for the year	(6,840)	(7,031)
Eliminated on derecognition	706	3,725
At 31 December	(30,158)	(24,024)
Carrying amount at 31 December	**8,525**	**15,405**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Leases (continued)

b) Lease liabilities

	2025 Kes '000	2024 Kes '000
Analyzed as:		
Non - current	6,982	13,276
Current	2,852	5,354
At 31 December	**9,834**	**18,630**

The movement in the lease liabilities is as follows:

	2025	2024
At 1 January	18,630	21,761
Additions	3,552	4,297
Disposals	(3,782)	-
Interest on the lease liabilities	1,792	2,511
Payment of lease liabilities	(10,358)	(9,939)
At 31 December	**9,834**	**18,630**

	2025	2024
In the statement of cashflows:		
Payment of the principal portion of lease liabilities	8,566	7,428
Payment of the interest portion of the lease liabilities	1,792	2,511

Lease liabilities maturity analysis (undiscounted cashflows)

	2025	2024
Year 1	5,657	10,246
Year 2	2,512	5,888
Year 3	1,867	2,709
Year 4	908	1,632
Year 5	929	2,307
	11,873	**22,782**

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's treasury function. All lease obligations are denominated in Kenya Shillings.

The contractual amounts disclosed in the maturity analyses as required by IFRS 16 are the contractual undiscounted cash flows i.e., Gross lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Intangible assets – computer software

Cost	2025	2024
	Kes '000	Kes '000
At 1 January	60,093	70,295
Work In Progress	4,793	-
Disposals	-	(10,202)
At 31 December	**64,886**	**60,093**
Amortisation		
At 1 January	56,449	52,554
Amortisation charge	2,939	3,895
At 31 December	**59,388**	**56,449**
Net book value		
At 31 December	**5,498**	**3,644**

The work in progress relates to Meru Branch set up.

23. Investment properties

At 1 January	1,001,122	1,000,572
Fair value gain/(loss)	(32,291)	550
At 31 December	**968,831**	**1,001,122**

The Company's investment properties were last valued as at 31 December 2025 by Regent Valuers International (K) Limited, registered valuers on open market value basis. Direct operating expenses attributable to management of the investment properties amounted to 0.7 million (2024: Kes 0.7 million). The fair values arising from the open market valuation of investment properties is categorised as level 3 in the fair value hierarchy.

A portion of the building of 18% which is accounted for as property and equipment in line with IAS 16 is owner occupied. This has been disclosed in note 20 of the financial statements.

The effects of changes in the gross annual rent yield have the following effect on the fair value of the properties.

	% change	31 Dec 2025 Kes '000	31 Dec 2024 Kes '000
Gross annual rental	+/-5%	2,723	2,749
Rate of return	+/-5%	0.28%	0.27%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Equity investments at fair value through profit or loss

	2025 Kes '000	2024 Kes '000
At 1 January	42,124	-
Additions	75,149	47,544
Disposals	(46,046)	(8,413)
Fair value gain	41,500	2,993
At 31 December	**112,727**	**42,124**

25 Mortgage loans

	2025	2024
At 1 January	2,737	3,302
Loan repayments	(407)	(565)
At 31 December	**2,330**	**2,737**
Maturity profile of mortgage loans:		
Loans maturing:		
Within 1 year	-	65
In 1-5 years	2,330	2,672
	2,330	**2,737**

The mortgage loans are secured by title deeds.

26 Receivables from intermediaries

	2025	2024
Gross receivables	559,237	598,276
Provision for impairment losses	(161,839)	(182,034)
Net receivables	**397,398**	**416,242**
Movement in provision for impairment losses:		
At 1 January	182,034	227,344
Write off	-	-
Impairment (credit)/charge in the year (Note 4.2)	(20,195)	(45,310)
At 31 December	**161,839**	**182,034**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Other receivables & loans

27(i) Other receivables

31 December 2025	Gross carrying amounts Kes '000	Loss allowance Kes '000	Net carrying amounts Kes '000
Due from related parties (note 37(ii))	695	-	695
Prepayments	11,909	-	11,909
Utilities and rental deposit	3,291	-	3,291
Rent receivable	5,697	(85)	5,612
Other receivables	4,303	-	4,303
	25,895	**(85)**	**25,810**
31 December 2024			
Due from related parties (note 37(ii))	6	-	6
Prepayments	9,382	-	9,382
Utilities and rental deposit	3,301	-	3,301
Rent receivable	17,992	(88)	17,904
Other receivables	4,018	-	4,018
	34,699	**(88)**	**34,611**

All other receivables are classified as current assets except utilities and rental deposit which are classified as noncurrent assets.

27(ii) Loan to shareholders

31 December 2025	Gross carrying amounts Kes '000	Loss allowance Kes '000	Net carrying amounts Kes '000
Loan amount	11,639	-	11,639

31 December 2024	Gross carrying amounts Kes '000	Loss allowance Kes '000	Net carrying amounts Kes '000
Loan amount	28,499	-	28,499

This loan was granted to one of the shareholders, Southern Shield Holdings who own 25% of the company's shares. The loan is secured by the shares owned by Southern Shield Holdings and is due for repayment within 12 months. The shareholder has authorized the company to recover the loan from any distributions payable to them in relation to their shares. The loan is subject to an interest rate based on the prevailing market rate for 12-month government instruments, which may vary during the loan term. The accrued interest on the loan as at 31 December 2025 Kes. 2.7M.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Government securities

(i) Government securities held at amortised cost	2025 Kes '000	2024 Kes '000
- Maturing within 1 year		-
- Maturing in 1-5 years	385,721	170,589
- Maturing after 5 years	1,364,499	1,185,799
	1,750,220	**1,356,388**
At 1 January	1,356,276	1,053,086
Additions	398,380	318,040
Amortisation of discount	10,234	10,262
Maturities	(14,670)	(25,000)
Impairment provision in the year	(175)	(112)
At 31 December	**1,750,045**	**1,356,276**

(ii) Government securities at fair value through profit and loss	2025 Kes '000	2024 Kes '000
At 1 January	919,908	655,483
Additions	209,669	683,004
Disposals	-	(461,553)
Fair value gain	41,816	42,974
At 31 December	**1,171,393**	**919,908**

29 Weighted average effective interest rates

The following table summarises the weighted average effective interest rates at year-end on the principal interest-bearing investments:

	2025 %	2024 %
Mortgage loans	10	10
Government securities	12	14
Deposits with financial institutions	8	16

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Deferred income tax

Deferred tax is calculated using the enacted income tax rate of 30% (2024: 30%). The movement in the deferred tax asset account is as follows:

	2025 Kes '000	2024 Kes '000
At 1 January	9,871	16,132
Charge to profit or loss (note 12)	(20,760)	(4,992)
Charge through other comprehensive income	925	(1,269)
At 31 December	**(9,964)**	**9,871**

The net deferred tax asset is made up of the following temporary differences:

	1 January 2025 Kes '000	(Charged)/ credited to profit or loss Kes '000	Charged to OCI Kes '000	31 December 2025 Kes '000
Year ended 31 December 2025				
Property and equipment - historical cost basis	6,978	1,749	-	8,727
Property and equipment - revaluation surplus	(50,942)	12,540	925	(37,477)
Investment property - historical cost adjustment	(20,196)	(33,042)	-	(53,238)
Provisions	72,055	(1,129)	-	70,926
Other deductible differences	1,976	(878)	-	1,098
Net deferred income tax asset/(liability)	**9,871**	**(20,760)**	**925**	**(9,964)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Deferred income tax (continued)

	1 January 2024	(Charged)/ credited to profit or loss	Charged to OCI	31 December 2024
	Kes '000	Kes '000	Kes '000	Kes '000
Year ended 31 December 2024				
Property and equipment - historical cost basis	9,313	(2,335)	-	6,978
Property and equipment - revaluation surplus	(49,673)	-	(1,269)	(50,942)
Investment property - historical cost adjustment	(20,113)	(83)	-	(20,196)
Provisions	75,520	(3,465)	-	72,055
Other deductible differences	1,085	891	-	1,976
Net deferred income tax asset	**16,132**	**(4,992)**	**(1,269)**	**9,871**

31 Other payables

	2025	2024
	Kes'000	Kes'000
Accrued expenses	70,505	46,753
Accrued leave	7,310	6,268
Rental deposits	19,416	20,118
Payroll liabilities	14,886	9,217
Sundry creditors	5,754	7,428
Other liabilities	25,039	25,335
	142,910	**115,119**

32 Contingent liabilities

The company is subject to litigation arising in the normal course of insurance business. The directors, based on the legal advice, are of the opinion that this litigation will not have a material effect on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 Operating leases

The Company as a lessor

The maturity analysis of contracted operating lease payments in which the Company is the lessor, relate to investment properties owned by the Company.

	2025 Kes '000	2024 Kes '000
Year 1	9,995	3,616
Year 2	17,881	39,321
Year 3	-	-
Year 4	18,835	36,716
Year 5	21,184	19,689
	67,895	**99,342**

The lease income on the operating leases as at 31 December 2025 was 54M Kes million (2024: Kes 55 million).

34 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2025 Kes '000	2024 Kes '000
Cash and bank balances	276,315	229,179
Deposits with financial institutions	615,874	309,995
	892,189	**539,174**

Deposits with financial institutions have an original average maturity of 3 months (2024: 3 months). The effective interest rate on deposits was per 8% annum (2024: 16%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 Notes to the statement of cash flows

Reconciliation of loss before taxation to cash generated from operations:

	2025 Kes'000	2024 Kes'000
Profit before income tax	230,955	213,141
Adjustments for:		
Interest on Government securities, deposits with financial institutions and mortgage loans (note 8.1)	(412,984)	(351,727)
Depreciation of property and equipment (note 20)	15,248	12,613
Amortisation charge on intangible assets (note 22)	2,939	3,895
Amortisation of the right-of-use assets (note 21 (a))	6,840	7,031
Interest on lease liabilities (note 21 (b))	1,792	2,511
Gain on disposal of leases	(190)	-
Gain on sale of equipment (note 9)	(259)	(60)
Change in fair value of quoted shares (note 24)	(41,500)	(2,993)
Amortisation of Government securities at amortised cost (note 28 (i))	(10,234)	(10,262)
Unrealized fair value gains on Government securities at fair value through P&L (note 28 (ii))	(41,816)	(42,974)
Change in fair value of investment property (note 23)	32,291	(550)
Impairment provision on Government securities (note 28 (i))	175	112
Changes in:		
Insurance contract liabilities	910,940	936,749
Reinsurance contract assets	(16,365)	(326,145)
Due from Kenya Motor Insurance Pool	551	(1,487)
Intangible assets	-	10,204
Receivables arising out of reinsurance arrangements	(78,841)	36,130
Receivable from intermediaries	18,844	(201,845)
Payables arising from reinsurance arrangements	5,548	17,257
Other receivables	25,661	(37,739)
Other payables	27,791	55,655
Cash generated from in operations	**677,386**	**319,516**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Dividends

The directors propose payment of the first and final dividends of Kes 16.7 (2024: Kes 12.5) per share amounting to Kes 100 million (2024: Kes 75 million). The proposed dividend is not payable until ratified at the annual general meeting. Payment of dividends is subjected to applicable withholding tax under Kenya Income tax act.

37. Related party transactions

The Company is related to other Companies through common shareholdings or common directorships.
In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

	2025 Kes'000	2024 Kes'000
(i) Transactions with related parties		
Insurance service revenue		
- Related parties – directors	849	720
- Related parties – other	1,730	2,766
	2,579	**3,486**
(ii) Outstanding balances with related parties		
Loans advanced to staff (note 27(i))	695	6
Southern Shield Holdings (note 27(ii))	11,639	28,499
	12,334	**28,505**
(iii) Mortgage loans to directors and key management staff of the Company		
At 1 January	2,737	3,302
Loan repayments received	(407)	(565)
At 31 December	**2,330**	**2,737**
(iv) Key management compensation		
Salaries and other short-term employment benefits	**65,922**	**53,091**
(v) Directors' remuneration		
Directors' fees	10,062	10,101
Other Directors expenses	3,737	2,460
Other remuneration (included in key management compensation above)	62,185	50,631
	75,984	**63,192**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 Currency

The financial statements are presented in Kenya Shillings (Kes'000), which is the Company's Functional Currency.

39 Events after the reporting date

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure or adjustment to the financial results and position at 31 December 2025.

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SUPPLEMENTAL INFORMATION - GENERAL INSURANCE BUSINESS INSURANCE SERVICE RESULTS FOR THE YEAR 2025

Portfolio	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Aviation	Medical	Motor Private	Motor Comm	Motor-PSV	Personal Accident	Theft	WIBA	Misc.	2025 Total
Gross written premium	83,184	37,975	319,418	82,878	125,115	703,964	313,716	1,499,043	1,163,930	40,567	9,491	72,635	329,283	232,615	**5,013,814**
Insurance service revenue	**72,325**	**36,220**	**329,327**	**92,754**	**120,311**	**701,933**	**246,139**	**1,390,451**	**993,762**	**37,879**	**9,755**	**84,707**	**317,855**	**226,224**	**4,659,642**
Incurred claims	(16,009)	(3,787)	(44,937)	(60,884)	(116,797)	-	(207,706)	(1,035,832)	(772,776)	(6,458)	(2,654)	(34,768)	(192,701)	(5,985)	**(2,501,294)**
Attributable expenses	(6,141)	(9,494)	(15,170)	(10,371)	(14,411)	(9,469)	(36,810)	(291,165)	(79,288)	(3,382)	(6,621)	(12,553)	(18,597)	(29,855)	**(543,327)**
Insurance acquisition costs	(14,330)	(7,275)	(60,433)	(13,479)	(20,054)	(12)	(24,599)	(136,900)	(99,138)	(2,809)	(1,918)	(9,226)	(63,308)	(6,733)	**(460,214)**
Changes in risk adjustment	(39)	166	519	(364)	(216)	-	(704)	(14,115)	167	(4,590)	(5)	(55)	(1,453)	4	**(20,685)**
Changes in loss component	-	-	-	(1,255)	(4,113)	-	20,752	(50,604)	(43,095)	(5,415)	(597)	-	(2,938)	-	**(87,265)**
Insurance service expense	**(36,519)**	**(20,390)**	**(120,021)**	**(86,353)**	**(155,591)**	**(9,481)**	**(249,067)**	**(1,528,616)**	**(994,130)**	**(22,654)**	**(11,795)**	**(56,602)**	**(278,997)**	**(42,569)**	**(3,612,785)**
Reinsurance premium expense	(73,362)	(19,024)	(313,554)	(40,995)	(87,159)	(702,039)	(123,070)	(64,025)	(38,699)	(315)	(2,151)	(46,492)	(25,759)	(191,218)	**(1,727,862)**
Reinsurance claims recoveries	19,970	(2,323)	32,076	2,930	72,466	-	103,853	30,498	63,914	1,426	(1)	20,351	50,790	3,588	**399,538**
Commission income	12,141	4,846	76,274	5,103	20,049	18,627	24,368	31,720	5,085	-	527	10,089	5,813	10,861	**225,503**
Attributable expenses	(147)	(47)	(583)	(81)	(203)	(318)	(353)	(226)	(187)	(1)	(6)	(62)	(53)	(328)	**(2,595)**
Changes in risk adjustment	87	(167)	(506)	(41)	6	-	352	49	(267)	(16)	-	54	341	(3)	**(111)**
Changes in loss component	-	-	-	195	2,791	-	(10,376)	2,181	4,122	367	165	-	795	-	**240**
Net gain/(expenses) from reinsurance	**(41,311)**	**(16,715)**	**(206,293)**	**(32,889)**	**7,950**	**(683,730)**	**(5,226)**	**197**	**33,968**	**1,461**	**(1,466)**	**(16,060)**	**31,927**	**(177,100)**	**(1,105,287)**
Insurance service result	**(5,505)**	**(885)**	**3,013**	**(26,488)**	**(27,330)**	**8,722**	**(8,154)**	**(137,968)**	**33,600**	**16,686**	**(3,506)**	**12,045**	**70,785**	**6,555**	**(58,430)**

SUPPLEMENTAL INFORMATION - GENERAL INSURANCE BUSINESS INSURANCE SERVICE RESULTS FOR THE YEAR 2024

Portfolio	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Aviation	Medical	Motor Private	Motor Comm	Motor-PSV	Personal Accident	Theft	WIBA	Misc.	2024 Total
Gross written premium	66,273	31,568	346,344	107,071	129,194	722,500	74,731	1,320,682	713,377	31,990	9,050	88,855	311,779	131,695	**4,085,109**
Insurance service revenue	**72,595**	**29,754**	**287,685**	**93,002**	**138,970**	**704,872**	**38,092**	**1,260,160**	**623,934**	**27,990**	**11,573**	**70,162**	**290,920**	**122,242**	**3,771,951**
Incurred claims	(37,173)	(61,030)	(171,764)	(52,975)	(77,803)	500	(32,941)	(949,092)	(419,051)	(17,184)	(8,877)	(27,839)	(141,445)	(54,555)	**(2,051,229)**
Attributable expenses	(4,948)	(6,028)	(14,243)	(8,630)	(9,634)	(9,146)	(34,788)	(267,983)	(58,087)	(2,509)	(4,461)	(11,140)	(19,398)	(18,009)	**(469,004)**
Insurance acquisition costs	(14,409)	(5,810)	(58,419)	(9,667)	(22,297)	(11,230)	(3,791)	(126,368)	(65,319)	(1,925)	(1,867)	(11,070)	(60,119)	(6,938)	**(399,229)**
Changes in risk adjustment	(134)	(54)	(625)	(558)	(379)	16	(218)	74	2,849	(429)	5	452	(4,526)	(107)	**(3,634)**
Changes in loss component	221	-	-	-	-	-	(33,144)	(7,061)	(5,382)	(1,971)	(455)	265	-	-	**(47,527)**
Insurance service expense	**(56,443)**	**(72,922)**	**(245,051)**	**(71,830)**	**(110,113)**	**(19,860)**	**(104,882)**	**(1,350,430)**	**(544,990)**	**(24,018)**	**(15,655)**	**(49,332)**	**(225,488)**	**(79,609)**	**(2,970,623)**
Reinsurance premium expense	(57,106)	(16,192)	(259,580)	(52,584)	(107,385)	(705,258)	(19,046)	(64,252)	(34,320)	(289)	(2,123)	(33,565)	(32,354)	(105,456)	**(1,489,510)**
Reinsurance claims recoveries	24,980	51,879	156,966	31,225	59,869	16,470	(475)	21,478	13,974	(278)	5,913	9,749	41,881	47,073	**480,704**
Commission income	17,372	3,857	64,752	5,574	23,926	20,503	3,771	7,834	3,988	-	520	7,948	7,253	19,886	**187,184**
Attributable expenses	(240)	(106)	(1,346)	(212)	(641)	(699)	(208)	(375)	(210)	(2)	(11)	(515)	(140)	(436)	**(5,141)**
Changes in risk adjustment	78	141	580	366	297	(15)	109	406	(1,881)	2	-	(290)	965	83	**841**
Changes in loss component	(208)	-	-	-	-	-	16,573	958	246	32	130	(146)	-	-	**17,585**
Net gain/(expenses) from reinsurance	**(15,124)**	**39,579**	**(38,628)**	**(15,631)**	**(23,934)**	**(668,999)**	**724**	**(33,951)**	**(18,203)**	**(535)**	**4,429**	**(16,819)**	**17,605**	**(38,850)**	**(808,337)**
Insurance service result	**1,028**	**(3,589)**	**4,006**	**5,541**	**4,923**	**16,013**	**(66,066)**	**(124,221)**	**60,741**	**3,437**	**347**	**4,011**	**83,037**	**3,783**	**(7,009)**