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STANBIC HOLDINGS PLC

ANNUAL INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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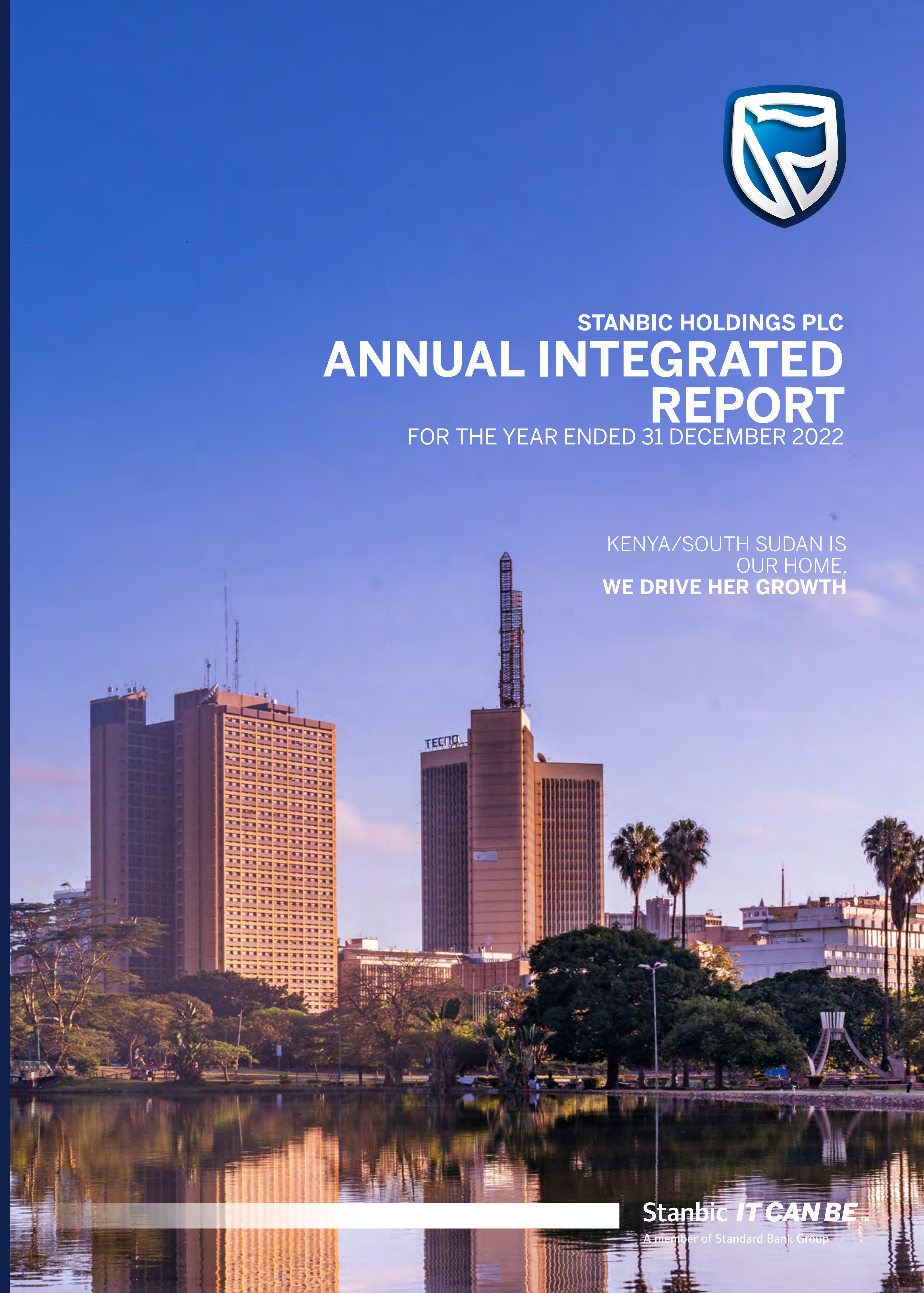
ANNUAL INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

KENYA/SOUTH SUDAN IS OUR HOME,
WE DRIVE HER GROWTH



Stanbic *IT CAN BE.*

A member of Standard Bank Group

Our success and growth over the long term is centred on making a difference in the communities in which we operate.

Our report sets out the progress we have made towards achieving our strategic priorities and 2025 Ambition in the period 1 January 2022 to 31 December 2022. Our progress is evaluated against our strategic value drivers. This report also provides an assessment of the opportunities, risks and impacts influencing our ability to create and preserve sustainable value, and guard against value erosion, as we deliver our purpose. Our purpose, Kenya/South Sudan is our home, we drive her growth. The scope of information in this report is related predominately to the medium term

Driving Kenya's Growth

Stanbic has a strong presence in East Africa.

Our intention is to build and promote stakeholder engagement activities and relationships that are meaningful, and support us in fulfilling our purpose, enhancing our reputation and meeting regulatory requirements.

Our reporting landscape

Our full suite of reports caters for the diverse needs of our stakeholders. As the central connection point of our reporting suite and the primary report to our stakeholders, the integrated report contextualises the information in our other reports. Our remaining reports provide additional disclosure on our performance for the year and satisfy our compliance reporting requirements.

Our annual integrated report

Provides an outline of our ability to create and preserve value, and guard against value erosion in the short, medium and long term.

Sustainability Report

An assessment of the approach to Environmental Social Governance Risk Management, including approach to climate risk management, and key outcomes with respect to societal impact linked to the activities of the Group including the Foundation.

Annual financial statements

Set out our full audited annual financial statements, including the report of the Group Audit Committee.

Oversight

The Board Audit Committee is responsible for providing oversight of the financial reporting process.

Feedback

We welcome the views of our stakeholders on this report.

Please contact our Head of Investor Relations, Priscilla Were at WereP@Stanbic.com with your feedback.

Navigating our report

Refers readers to information within this report.

Refers readers online, to information across our suite of reports.

Additional reports and other financial information, including the notice of annual general meeting (AGM), can be found online at:

https://www.stanbicbank.co.ke/kenya/personal/about-us/investor-relations

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Navigating our report

In navigating our report, various icons and symbols are used to align content with the business strategy, external goals, as well as how we define our stakeholders, Social Economic and Environmental (SEE) pillars and values. These icons and symbols are summarised as follows:

Our strategic value drivers

Client focus + Employee engagement + Risk and conduct + Operational excellence = Financial outcome | SEE impact

United Nations Sustainable Development Goals (SDGs)

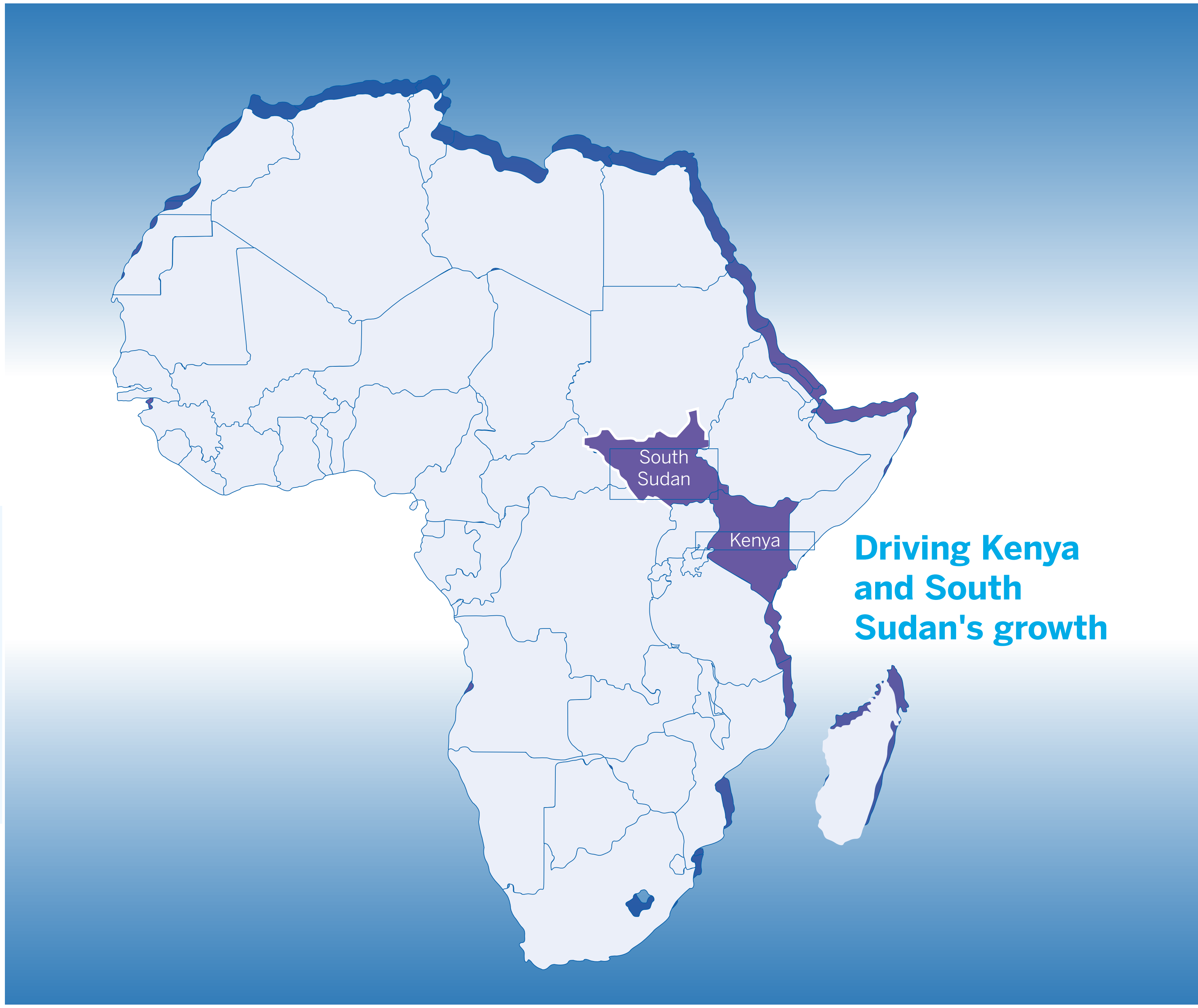
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
SUSTAINABLE DEVELOPMENT GOALS

Our capitals

- Financial Capital
- Human Capital
- Intellectual Capital
- Social and Relationship Capital
- Manufactured Capital
- Natural Capital

Our stakeholders

- CLIENTS
- EMPLOYEES
- REGULATORS AND GOVERNMENT
- SHAREHOLDERS AND INVESTMENT ANALYSTS
- COMMUNITIES



Our SEE impact areas

- Financial inclusion
- Job creation and enterprise development
- Climate change and sustainable finance
- Infrastructure
- Trade and investment
- Education
- Health

Understanding our audience

Our integrated report serves as an overview of how we have created value and from whom we have created it. Our stakeholders are those individuals or organisations that have an interest in and impact on our ability to create value and form the basis of this report.

OUR CLIENTS

- Consumer and high networth individuals
- Business and commercial clients
- Corporate and Investment Banking clients

Client experience through impeccable service is a central strategic value driver. This focuses on client-centricity and is realised through the delivery of an integrated financial. services organisation.

EMPLOYEES AND THEIR REPRESENTATIVES

- Long-term employees
- Short-term employees
- Banking, insurance, and finance union

Our people are key drivers to realising our strategic objectives, operational efficiencies, and delivery of value through our solutions.

REGULATORS AND GOVERNMENT

- National Treasury
- Central Bank of Kenya
- Bank of South Sudan
- Capital Markets Authority (CMA)
- Securities Exchange
- Bankers Associations
- Insurance Regulatory Authority

The bodies that govern the formal legal and regulatory frameworks within the jurisdictions we operate in and with which we comply. This also extends to other organisations impacted by our operations.

SHAREHOLDERS AND INVESTMENT ANALYSTS

- Investors
- Shareholders
- Analysts

Those people and organisations for whom we create value and those people and organisations who assess the attainment of our strategic objectives.

COMMUNITIES AND CIVIL SOCIETY

- Corporate Social Investment beneficiaries
- Suppliers/Partners
- Media
- Advocacy groups
- General Public
- Local Government

The broader context within which we operate, including our natural environment, and whose sustainability and growth we are committed to.

The mechanisms through which we drive value

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT + OPERATIONAL EXCELLENCE = FINANCIAL OUTCOME | SEE IMPACT

CLIENT FOCUS	EMPLOYEE ENGAGEMENT	RISK AND CONDUCT	OPERATIONAL EXCELLENCE	FINANCIAL OUTCOME	SEE IMPACT
We will provide consistently exceptional client experiences in all our markets.	We will ensure our people feel deeply connected with our purpose and are empowered and recognised.	We will do the right business, the right way by adhering to our risk appetite metrics.	We use technology and data to better serve and protect our clients, reduce costs and scale our platforms.	We will deliver superior value to shareholders.	We will drive growth by delivering sustainable shared value.

Our approach to integrated thinking

Our purpose	Integrated thinking	Materiality	Intended outcomes
Kenya/South Sudan is our home, we drive her growth. ▪ Our values ▪ Our vision	▪ We recognise the inherent importance of inculcating a culture of integrated thinking. ▪ This means that we continuously align our purpose to our strategic value drivers and operating model. Creating synergies and linkages between every part of our decision-making value chain. ▪ Our integrated report, which communicates how each area of our business creates value towards an intended purpose, aligns and promotes the principles of integrated thinking.	We consider a material theme to be any matter that can affect our shared value creation from the standpoint of the "Group" and its main stakeholders. We determine our material themes through: ▪ Active stakeholder engagement. ▪ Internal dialogue and deliberation. ▪ Prioritising issues by their level of impact on our value creation capabilities. ▪ Reporting and disclosure.	An integrated report that has the following characteristics; ▪ Stakeholder centricity ▪ Strategic focus ▪ Material to our operating environment ▪ Balanced and accurate

About our report

Our reporting scope and boundary

Our integrated report is the primary report of Stanbic Holdings Plc, which together with its subsidiaries is known as the Group. Unless otherwise stated, it covers the financial year from 1 January 2022 to 31 December 2022. The aim of this report is to inform our stakeholders of both our financial and non-financial performance during the year. It reflects our commitment to our clients, people, shareholders, and communities, and describes our strategy and the way it was implemented in order to create value for all our stakeholders. It also includes a description of the ways in which we have structured our strategy to address the challenges, risks, and opportunities that Stanbic faced in what was an eventful and demanding year. In demonstrating the integrated thinking that we apply to our business activities, this report also demonstrates our commitment to the principles of integrated reporting as they align with long-term value creation and the role we play as a financial services organisation in society, in striving to live our purpose of moving Kenya forward.

This report outlines the material matters dealt with in the year that could have impacted on our ability to deliver on our strategy and specifically our value creation model. We provide an overview of our operating context, performance, governance processes, material risks managed and how our approach to these aligns with best practice.

Read more on page 38-46.

Our reporting frameworks

Our 2022 Annual Integrated Report is aligned with the principles unpacked in the King IV Code on Corporate Governance (King IV). All financial information presented, including the comparative periods, is reported in accordance with the International Financial Reporting Standards (IFRS). The non-financial sections of this report are guided by the International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework.

Materiality

We consider a material theme to be any matter that has the capacity to affect our shared value creation from the standpoint of the "Group" and its main stakeholders. Determining material themes is central in guiding decision making, since it provides a broader vision of the risks and opportunities inherent to the business and connects our strategies to various outside interests. As part of our engagement with stakeholders, we have identified the issues that present significant risk and opportunity to our business and our ability to create value.

Read more on page 49-57.

Forward-looking statements

This report contains certain forward-looking statements in respect to our strategy, performance, and operations. These forward-looking statements involve risk and uncertainty as they relate to future events and circumstances, which are difficult to predict. They are thus by definition beyond the Group's control, and could cause our actual results, performance, or achievements to be different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Directors' statement of responsibility

The Board of Directors (the Board), supported by the Board Audit Committee (BAC), acknowledges its responsibility for overseeing and ensuring the integrity of this integrated report. The Board has applied its collective mind to the report's presentation and preparation, which it believes to have been prepared in accordance with the IIRC's <IR> Framework. The Board further believes that the report fairly represents the Group's material matters and that it offers a balanced view of our strategy and value-creation model.

How to read our report

Sections	Commentary	Key Concepts	Frameworks applied
Our Business Read more on page 10.	A snapshot of the key facets of the Group.	▪ Who we are ▪ Where we operate ▪ Our values ▪ Our value driven culture ▪ Our business structure ▪ 2022 financial highlights	▪ King IV Code ▪ <IR> Framework
A Perspective from our Leadership Read more on page 18.	Thought leadership and reflections on material issues in the global and regional context, the Group's holistic performance, including financial and non-financial aspects, and projections on the delivery of strategy and future performance.	▪ Message from the Chairman ▪ Message from the Chief Executive, Stanbic Holdings Plc ▪ Message from the outgoing Chief Executive, Stanbic Bank ▪ Message from the incoming Chief Executive, Stanbic Bank ▪ Group Financial Review	▪ IFRS ▪ Companies Act ▪ Banking Act ▪ CBK Prudential Guidelines ▪ King IV Code ▪ Equator Principles ▪ CMA Guidelines ▪ Insurance Act ▪ IRA Guidelines ▪ <IR> Framework
Our Approach to Value Creation Read more on page 34.	Insights on the Group's overarching strategy, the key matters that could impede or enhance the delivery of our strategy, and how our business model creates sustainable value for our stakeholders in the short, medium and long term.	▪ Our strategic approach ▪ Our support of the UN SDGs ▪ Our capitals ▪ Operating context ▪ Our material matters ▪ Our strategy ▪ Our key milestones ▪ Our delivery model ▪ Our strategic outcomes ▪ Our impact	▪ King IV Code ▪ <IR> Framework
Delivering our strategy Read more on page 64.	Details the performance of the Group in the year and how it resonates with our strategic priorities, enabling appreciation of the Group's overall delivery of value for stakeholders.	▪ Client focus ▪ Employee engagement ▪ Operational excellence	▪ IFRS ▪ Companies Act ▪ Banking Act ▪ CBK Prudential Guidelines ▪ King IV ▪ Equator Principles ▪ CMA Guidelines ▪ Insurance Act ▪ IRA Guidelines ▪ <IR> Framework
Entrenching value sustainably Read more on page 84.	Social, Economic and Environmental (SEE) impact in line with the Group's agenda to create both financial and non-financial value.	▪ SEE Impact – Financial inclusion – Job creation and enterprise development – Sustainable finance and climate change – Infrastructure – Trade and investment – Education – Health	▪ King IV ▪ Equator Principles

Sections	Commentary	Key Concepts	Frameworks applied
Safeguarding Value Read more on page 96.	Insight on our risk management approach including responsiveness to changing risk context and enhancements undertaken in the year. Broad governance disclosures covering the governance structures, policies and procedures, the key activities undertaken by the Board in the year, compliance with regulatory requirements, key governance concerns in the year and the remuneration report.	**Managing risk** ▪ Managing risk (Risk and Conduct) ▪ Credit risk ▪ Non-financial risks ▪ Financial crime and control ▪ Market risk **Governance** ▪ Board of directors ▪ Stanbic Bank Kenya leadership council ▪ Our board committees ▪ Directors' remuneration report	▪ Basel II & III ▪ Companies Act ▪ Banking Act ▪ CBK Prudential Guidelines ▪ King IV Code ▪ <IR> Framework ▪ IFRS
Annual Financial Statements Read more on page 124.	Audited reports on the business activities and financial performance of the Group.	▪ Financial statements	▪ IFRS ▪ Companies Act ▪ CBK Risk Management Guidelines ▪ Banking Act ▪ CBK Prudential Guidelines **Assurance** ▪ Unmodified audit opinion expressed by KPMG Kenya
Additional information Read more on page 232.	Information to enable stakeholders to prepare and participate in the Annual General Meeting (AGM)	▪ Group shareholding ▪ Notice of annual general meeting ▪ Proxy form	▪ Companies Act ▪ CMA Guidelines

***Definitions:**
1. Banking Act – Banking (Amendment) Act of 2016.
2. CBK Prudential Guidelines – Central Bank of Kenya Prudential Guidelines of 2013.
3. CBK Risk Management Guidelines – CBK Risk Management Guidelines of 2013.
4. CMA Guidelines – Capital Markets Authority Guidelines.
5. Companies Act – Kenya Companies (Amendment) Act of 2017.
6. IFRS – International Financial Reporting Standards.
7. IRA Guidelines – Insurance Regulatory Authority Guidelines.
8. King IV – King Report on Corporate Governance.
9. The Group – Stanbic Holdings Plc

OUR BUSINESS

KENYA/SOUTH SUDAN
IS OUR HOME,
WE DRIVE HER GROWTH

Who we are

We are a client-centric, digitally enabled, universal financial services organisation.

Stanbic at a glance

Stanbic is a leading financial services organisation that serves the needs of clients across Kenya and South Sudan. With a proud track record in the region spanning over 100 years, we use our on-the-ground presence to unlock the potential of our clients through solutions tailored to a digital future. We are a member of the Standard Bank Group Limited, Africa's leading bank and financial services group, operating in 20 countries.

Our purpose

The reason we exist:

Kenya/South Sudan is our home, we drive her growth.

Our vision

What we aspire to be:

To be a leading financial services organisation in Kenya and South Sudan, delivering exceptional client experiences and superior value.

Diversified Integrated financial services offering

The pursuit of our purpose is contingent on our ability to meet the needs of our clients. In doing so, we create value through three key services.

Corporate and Investment Banking

The Corporate and Investment Banking segment serves large companies (multinational, regional, and domestic), governments, parastatals, and institutional clients. (Our clients leverage our in-depth sector and regional expertise, our specialist capabilities, and our access to global capital markets for advisory, transactional, trading and funding support.)

What we offer

- Investment banking
  - Financing
  - Advisory
  - Structured solutions
- Transaction banking and services
  - Transaction Banking
  - Trade
  - Investor Services
- Global markets
  - Client
  - Trading

Alignment to SEE Impact Areas

- Climate change and sustainable finance
- Infrastructure
- Trade and Investment

Business and Commercial Clients

Our comprehensive banking solutions, designed to address the needs of small-to medium-sized enterprises (SMEs) as well as commercial banking clients ensure our clients are able to access a variety of products and services to transact, trade and fund their businesses.

What we offer

- Transactional products and services
- Lending
- Deposit taking
- Digital banking solutions
- Vehicle and asset financing
- Trade finance
- Chinese desk
- Bancassurance
- Foreign exchange

Alignment to SEE Impact Areas

- Financial Inclusion
- Job creation and enterprise development
- Health
- Education

Consumer and High Net-Worth Clients

This segment provides banking solutions for individual clients, including High Net Worth individuals. Our various client platforms provide access to a variety of personal banking and wealth management solutions, including insurance, investments and advisory capabilities.

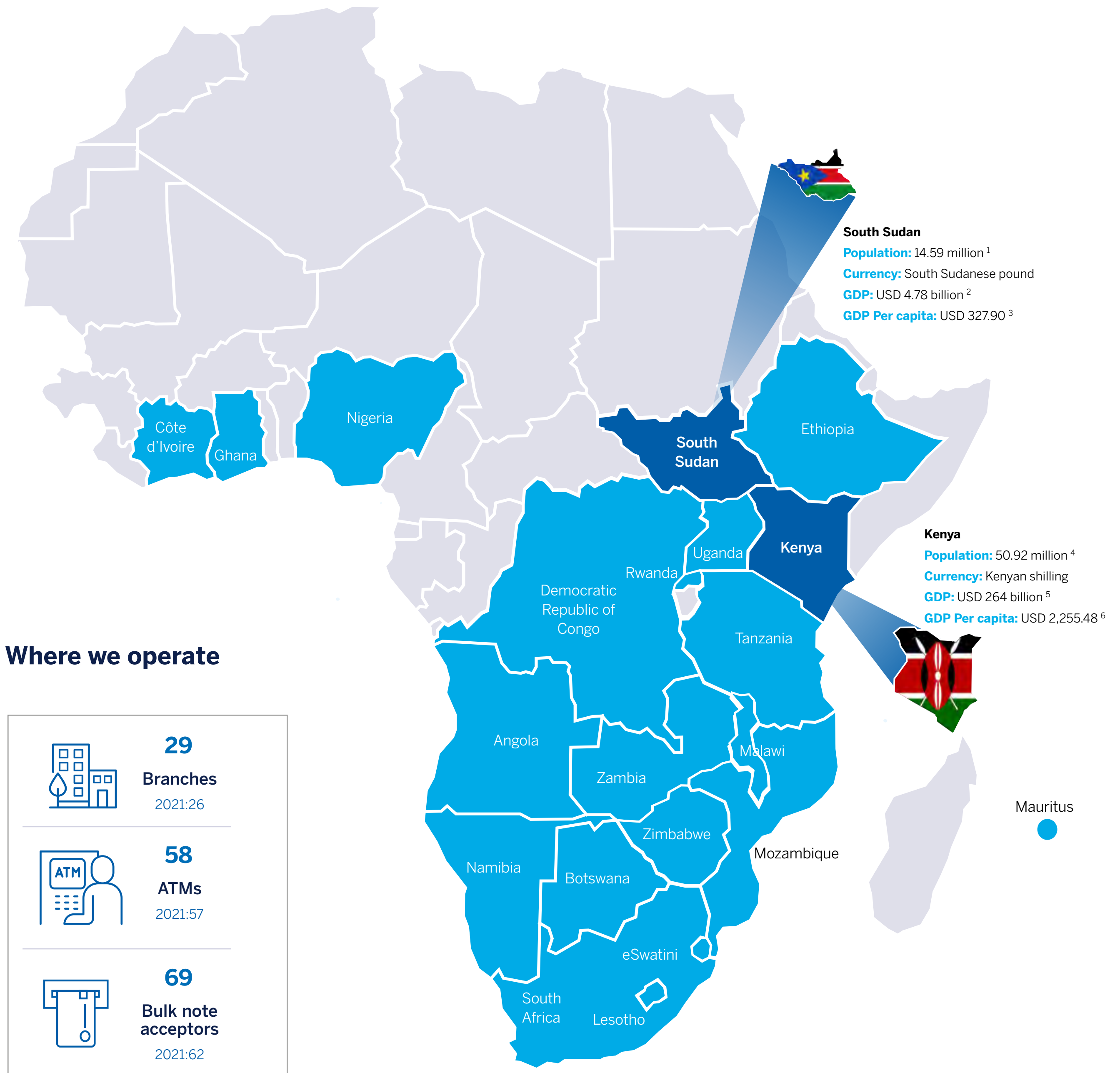
What we offer

- Transactional products and services
- Deposit taking
- Lending
- Vehicle and asset financing
- Bancassurance
- Mortgages
- Investments
- Digital banking solutions
- Trade finance
- Chinese desk
- Foreign exchange

Alignment to SEE Impact Areas

- Trade and Investment
- Financial Inclusion

Where we operate



South Sudan
Population: 14.59 million [1]
Currency: South Sudanese pound
GDP: USD 4.78 billion [2]
GDP Per capita: USD 327.90 [3]

Kenya
Population: 50.92 million [4]
Currency: Kenyan shilling
GDP: USD 264 billion [5]
GDP Per capita: USD 2,255.48 [6]

Where we operate

29 Branches 2021:26

58 ATMs 2021:57

69 Bulk note acceptors 2021:62

857 Agent outlets 2021:172

Digital Capabilities

Modernised banking platforms

Recognised Brand

- Standard Bank
- Stanbic Bank
- SBG Securities
- Stanbic Bancassurance Intermediary Limited

Our Footprint

Standard Bank Group Network

[1] Statistica, South Sudan Population, Available at URL: https://www.statista.com/statistics/727349/total-population-of-south-sudan/
[2] Statistica, South Sudan GDP, Available at URL: https://www.statista.com/statistics/727342/gross-domestic-product-gdp-in-south-sudan/
[3] Statistica, South Sudan GDP per capita, Available at URL: https://www.statista.com/statistics/727344/gross-domestic-product-gdp-per-capita-in-south-sudan/
[4] Statistica, Kenya Population, Available at URL: https://www.statista.com/statistics/451116/total-population-of-kenya/
[5] Statistica, Kenya GDP, Available at URL: https://www.statista.com/statistics/451111/gross-domestic-product-gdp-in-kenya/.
[6] Statistica, Kenya GDP per capita, Available at URL: https://www.statista.com/statistics/451113/gross-domestic-product-gdp-per-capita-in-kenya/

Our Values

1. SERVING OUR CLIENTS

Central to our value proposition is the ability to meet the specific needs of our clients through our suite of digitally focused, client-centric products and services.

2. GROWING OUR PEOPLE

Serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.

3. DELIVERING TO OUR SHAREHOLDERS

Our shareholders provide us with the right to exist, so we focus on providing them with long-term returns. We focus on meeting our various targets and delivering on our commitments.

4. BEING PROACTIVE

Our business is shaped by how agile we are predicting and leveraging future opportunities. We thus strive to remain abreast of trends and anticipate our actions.

5. WORKING IN TEAMS

Our purpose depends on us pursuing our strategy in a unified way. We recognise that teams can achieve greater things than individuals. Therefore, teams are valued across our business units, divisions and countries.

6. RESPECTING EACH OTHER

We have the highest regard for the dignity of all people. We respect each other, our diversities and our unique ways of working. We recognise that there are corresponding obligations associated with our rights.

7. UPHOLDING THE HIGHEST LEVELS OF INTEGRITY

Our entire business model is based on trust and integrity as perceived by our stakeholders, especially our clients.

8. CONSTANTLY RAISING THE BAR

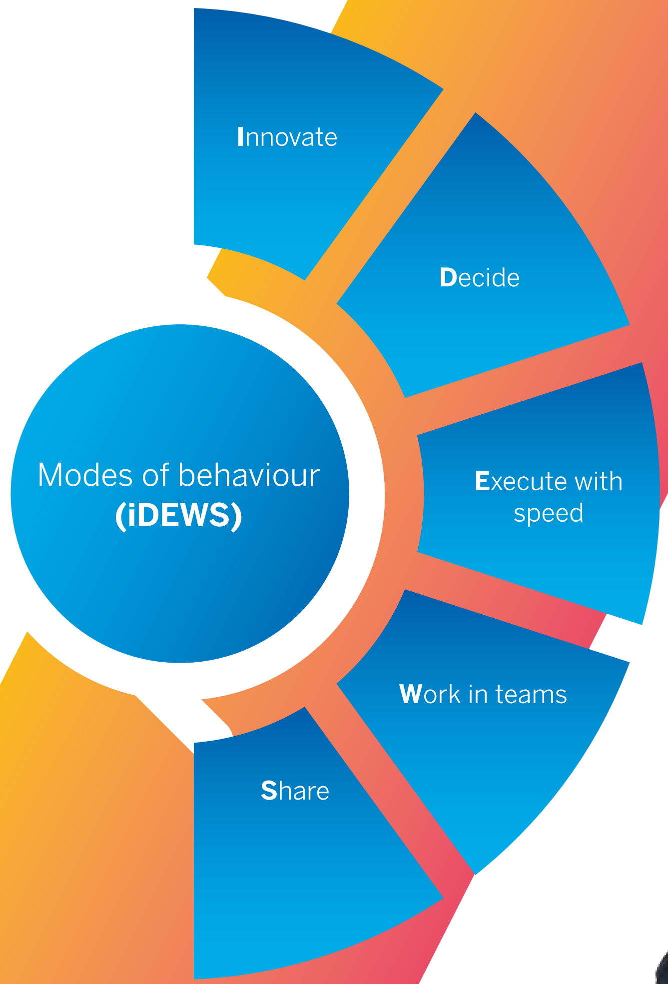
We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become complacent or arrogant.

Our values-driven culture

We focus on five critical principles (5C's) and modes of behaviour (iDEWS) to uphold a values-driven culture so as to achieve our purpose. This culture provides us with a day-to-day cohesiveness in our approach to purpose, vision, values and ethical conduct. It is reinforced by our code of ethics that guides us in being responsible and respectful in our dealings with our stakeholders. We have clarified the conduct expected of our employees providing clear parameters for their dealings with stakeholders.

Our Five Critical Principles (5Cs)

Care for colleagues	Client first, in everything we do	Collaboration	Continuous innovation and entrepreneurship	Courage



Our business structure

STANDARD BANK GROUP LIMITED (SOUTH AFRICA)*

100%

74.92%
Stanbic Africa Holdings Limited (UK)

25.08%
Other Shareholders

100%
Stanbic Holdings Plc Kenya**

100%
Stanbic Bank Kenya Limited

100%
Stanbic Bancassurance Intermediary Limited

100%
SBG Securities Limited

100%
Stanbic Nominees Limited

100%
Stanbic Kenya Foundation Limited

100%
SBG Securities Nominees Limited

* Listed on the Johannesburg Stock Exchange.
** Listed on the Nairobi Securities Exchange.

2022 financial highlights

KShs 235.9b — **Customer loans**
2021: 185.3b
↑ 27%

KShs 271.6b — **Customer deposits**
2021: 242.4b
↑ 12%

KShs 32.1b — **Revenue**
2021: KShs 24.9b
↑ 28%

KShs 9.1b — **Profit after tax**
2021: KShs 7.2b
↑ 26%

15.3% — **Return of Equity**
2021: 13.3%
↑ 200 bps

5.4% — **Net interest margin**
2021: 4.4%
↑ 100 bps

46.7% — **Cost to income**
2021: 50.9%
↓ 420 bps

KShs 22.92 — **Earnings per share**
2021: KShs 18.23
↑ 26%

2.21% — **Credit loss ratio**
2021: 1.4%
↑ 81 bps

KShs 12.60 — **Dividends per Share**
2021: KShs 9.00
↑ 40%

PERSPECTIVE FROM OUR LEADERSHIP

KENYA/SOUTH SUDAN
IS OUR HOME,
WE DRIVE HER GROWTH

Message from the Chairman

Total Dividend

KShs 4.98 bn

2022: 55% of profit after tax
(2021: 50%)

Kitili Mbathi
Chairman

2022 was a challenging year, with the optimism generated by post-pandemic economic recovery waning as the lag impacts of the pandemic continued to affect supply chains and production. New headwinds, particularly the Russia-Ukraine conflict, which has impacted commodity prices, resulted in unprecedented levels of inflation at 9%, which was above the Government target range of 2.5% to 7.5%. Monetary interventions aimed at stemming the increase in the cost of living have led to an upward lift in interest rates. The peaceful conclusion of the Kenyan elections and subsequent transition of power enabled a faster resumption of economic momentum. Stability in South Sudan was increasingly gaining traction and the green shoots of improved economic opportunity were appearing. The most recent conflict in Sudan has however put a dampener on the region's near-term prospects.

Driving strategy

The Group has been intentionally focused on achieving the strategy that was put in place three years ago. Our major aim is to place the client at the forefront of everything that we do. This means being available for our clients and ensuring convenience in their financial dealings. Foundational to this client-centric approach has been our investment in digitisation which continues post-pandemic. We are now able to onboard clients, provide services and offer investment options while generating value for the Group through our digital channels. Further, we have been nimble in responding to trends that impact our stakeholders, positioning ourselves as a key ally in managing and adapting to the challenges that they face.

A key part of our strategy is to provide enhanced offerings. By innovating on the diverse solutions we offer, clients are enabled to achieve more and enjoy improved experiences. We have noted increases in client numbers, deposits, and loans, attesting to our improved proximity to clients through relevant products, solutions, and partnerships. It also gives credence to our place as a legitimate and trusted partner in the financial services sector. Our capabilities within client solutions, engineering, and innovation, are already providing benefits through improved responses to clients, tailored digital solutions and enhanced oversight.

Further, progress has been made on transforming operational efficiency by integrating engineering and IT capabilities, which has enabled improvements in operational efficiencies. This has seen an improvement in turnaround time on client-facing processes resulting in a decrease in client complaints. Client-facing teams continue to surpass their targets, improving client experience as we pursue greater excellence in our execution.

The Board

The Board is committed to ensuring the implementation of best practice governance processes. In the year, we strengthened this area, including onboarding additional talent, demonstrating our continued efforts to preserve and safeguard the institution. In addition to its regular activities, the Board sought in particular to address and resolve gaps that were identified through various assessments and ensure the required improvements were undertaken.

The year provided greater evidence of our competency in managing and mitigating risk. We have taken particular cognisance of emerging risks and proactively sought to identify and address them. In volatile times with divergent streams of change occurring at the same time, the potential for entrenched methods to become obsolete is real, and therefore we have kept abreast with the dynamic context globally and in the region. This has kept us in good stead, being able to protect and enhance stakeholder value.

One of the key actions taken by the Board in the course of the year was the recruitment of a new Chief Executive for the Bank in preparation for the retirement of the incumbent. We are proud to note that our succession planning process worked well, and the recruitment was conducted seamlessly and to the highest standard, leading to a smooth transition. I am therefore pleased to welcome Mr. Joshua Oigara, a seasoned financial sector leader, to our team.

Sustainability

We have a holistic approach to sustainability that covers how we do our business and the impacts we want to achieve in society. The pandemic reminded us of the universality of humanity, the fact that we are strongly interconnected globally. It reinforced the importance of our SEE (Social, Economic and Environmental) imperative and the need to resonate with the challenges faced by our stakeholders. This informs the credit we choose to give, the businesses we choose to lend to, and the sectors we choose to operate in. It is guiding our choice to go beyond transactional engagements with our clients to actually accompany them in the long haul.

Sustainability continues to shape our agenda in addressing the societal challenges that we face in this region. We do this through initiatives in which we are best suited to engage and contribute. Through the SDGs we have chosen, we are committed to contributing to the 2030 agenda and empowering people and communities. For instance, we are providing a Catalytic Fund through the Stanbic Foundation to transition vulnerable businesses to become fully fledged commercial entities.

Looking ahead

In Kenya, we expect improved economic conditions in the near term. We are however cognisant of several challenges, including the elevated cost-of-living, the ravages of drought that continue to impact on agriculture, the economy's mainstay, and limited fiscal space. Despite these conditions, we anticipate increased economic activities by our clients across deposits, borrowing and investments. South Sudan is showing improved stability, which creates greater opportunities for clients and stakeholders to engage in productive activities.

In the midst of these opportunities, we will continue to drive our intent to improve client experience by identifying ways to serve them better and deliver increased value. We have focused on improving our return on equity (ROE) and addressing credit impairments. Overall, we want to be able to drive growth in Kenya and South Sudan.

Acknowledgements

I would like to express our gratitude to our former Chief Executive, Charles Mudiwa. As Chief Executive of the Bank, he was instrumental in leading the strategic impetus we have noted over the last 5 years, resulting in a well-positioned, digital, sustainable financial services organisation that has experienced year on year growth. His resolute leadership, technical expertise and sound counsel proved indispensable as we navigated major transitions and context-related challenges.

Our clients continue to display their confidence in us as a partner in enabling them to meet and achieve their financial needs and goals. Through their continued patronage, we have jointly co-created a world class financial institution that is a source of pride and confidence.

I appreciate the robust engagement of Board members who continue to apply themselves with diligence and commitment to the highest standards of governance, ensuring that they dispense their responsibilities appropriately.

The management has been remarkable in steering the course, despite the many headwinds experienced, and ensuring we remain on track in delivering on strategy, thus creating stakeholder value. In tandem, our employees, who returned to office in the year, delivered seamlessly ensuring we remained true to our brand promise, "it can be".

Message from the Chief Executive Stanbic Holdings Plc

Profit After Tax

KShs 9.10bn

(2021: KShs 7.2 bn)

Patrick M Mweheire

Chief Executive Stanbic Holdings Plc

2022 saw us leverage our strategy to drive value creation for our stakeholders, delivering strong growth in all revenue lines and key balance sheet drivers. As we moved into the medium-term phase of our strategy with a focus on accelerating transformation, we were able to build on the foundations laid over the last two years. The last two years focused on supporting our clients to traverse the negative impact of the pandemic, the global geopolitical risks and build resilience to enable them to withstand future shocks.

Accelerating transformation has required a focus on embedding key skills across the Group, allowing us to further drive digitisation, optimisation of processes and to follow a data centred approach to responding to market needs. This has specifically spurred on our ability to respond to the market across East Africa. In order to serve our clients better, we launched borderless banking, a solution that enables clients to make real time transactions across Kenya, Uganda, Tanzania and South Sudan seamlessly. In 2022, the solution facilitated over USD 800m in turnover to boost trade in the region.

Our strategy continues to be underpinned by six value drivers, namely client focus, maintaining ongoing employee engagement, operational excellence, managing risk and conduct and doing the right business the right way sustainably. The focus on achieving outputs against these value drivers has resulted in us driving financial outcomes and realising our commitments under our Social, Economic and Environmental (SEE) pillars.

Client focus

Building on the drive to deliver increased levels of efficiency and seamless integration of existing solutions, in 2022 the Group consolidated efforts to deliver a pan bank approach to servicing our clients and solutioning for them holistically.

In Kenya, product innovation in insurance, vehicle asset finance, everyday banking, home loans and cards, extended our reach in the market. Overall, the approach to the market was to drive growth and scale, this meant ensuring products were competitive and easy to consume by our clients and added value along the client's journey towards wealth creation. In South Sudan, we focused on transitioning our clients to our digital platforms resulting to 80% of our corporate clients being migrated to digital channels.

Employee engagement

Our capacity to provide value to stakeholders and to implement our strategy depends on the quality of our people and their commitment to our strategic objectives. We are considered a great place to work, and our people feel deeply connected to our purpose, their colleagues and our clients. We saw a slight drop in our employee net promotor score in Kenya but an increase in South Sudan. We are aware of the causes for the drop in our net promotor score in Kenya and have put measures in place to address the concerns raised.

As the market evolves, our staff profile is starting to shift with new hires allowing us to bring in younger talent, responding to the need to service our clients differently, and for the business to respond to the need to work in a more digitally inclined workplace.

Operational excellence

We continue to leverage technology to drive efficiencies, enhance access and to de-risk the business. Understanding our operating landscape allows us to identify areas for improvement and optimisation. This is achieved through the collection and analysis of data on our clients, operations, competitors, markets, product performance and trending best practice approaches in financial services. This approach to leveraging technology and understanding our operating environment has resulted in the innovation of products tailored to our client needs, enhancing efficiencies and resulting in an improved cost-to-income ratio by 420bps to 46.7% from 50.9% reported the previous year.

System stability and availability is key to enhancing convenience and enhancing client experience. We achieved a 99% uptime of our systems in 2022 leading to increased client satisfaction levels year on year.

Risk and conduct

Our robust risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. Risk management is enterprise wide and is a crucial element in the execution of our strategy.

2022 was a challenging year because of global and local challenges posed by persistent inflationary pressures, geopolitical tensions and lingering effects of Covid-19 which impacted on credit and operational risk management. We experienced elevated levels of credit impairment charges mirroring the tough operating environment.

Financial outcome

The Group reported profit after tax of KShs 9.1 billion representing a 26% year on year growth, improved shareholder return evidenced by increase in dividends and 200 bps rise in return on equity.

SEE outcomes

To address specific needs in society, we deployed tailored solutions in the market such as products for women, youth, SMEs and MSMEs, infrastructure (roads and energy) and agricultural sectors (tea and dairy), manufacturing and green lending.

We enhanced access to financial services by expanding our touchpoints thereby adding 685 new agent outlets and three new branches.

Through initiatives rolled out by our Foundation, we enhanced levels of financial fitness within our communities and client base. Under the D.A.D.A proposition aimed at empowering women-run businesses 25,000 D.A.D.A clients were trained to promote growth of their businesses in the year. In 2022 we appointed the Head of Sustainability to spearhead sustainability agenda across the Group.

Looking ahead

We will continue to find innovative ways to improve the efficiency within the business. This will include servicing our clients as a pan bank, extending our capabilities in respect to borderless banking, remaining focused on our purpose "Kenya / South Sudan is our home, we drive her growth". We will continue to seek strategic partnerships to extend the reach of our financial services offering. This will be done aligning with partners who have the same approach to the market and who can enhance the levels of client experience. As our digital transformation continues, we will continue to focus on data driven mechanisms to enhance our revenue streams. These initiatives will ensure that we are positioned to grow in the foreseeable future and continue to invest in Kenya and South Sudan.

Message from the outgoing Chief Executive, Stanbic Bank

Earnings per share

KShs 22.92

(2021: KShs 18.23)

Charles Mudiwa
Outgoing Chief Executive, Stanbic Bank

2022 marked my final year as Chief Executive of the Bank. As I review my five-year tenure at the helm of this institution, I realise that I have experienced the rare privilege of working with talented and committed board members and employees dedicated to our stakeholders, particularly our clients and the countries in which we operate. We have traversed a journey of implementing the Bank's strategy that is providing results by creating sustainable value, showcasing improved operational excellence, and providing a best in class client experience.

The context

While the optimism generated in 2021 waned based on significant challenges in the global and regional operating context, the Group was able to achieve traction in its strategic drive and post a positive performance. The peaceful conclusion of the Kenyan general elections and the decline in COVID-19 impact enabled a speedy rebound of economic activity. This was however dampened by the increase in cost-of-living following marked inflation, volatility in commodity prices and foreign exchange markets, and the slowdown in economic performance in leading economies, most significantly China.

Despite this context, we delivered a large portion of our strategy while enjoying improved performance on key aspects. Balance sheet growth was above 20%, while customer loans and deposits increased by 27%, and 12% respectively, both above the industry benchmark. From an income statement perspective, we grew our profit after tax by 26% YoY and our revenue grew by 28%. In terms of income contributions, net interest income went up 32% while non-interest revenue increased 24%, showcasing a good balance in revenue line growth.

Delivering on strategy

A key aspect of our strategic drive has been the use of technology. We have made several enhancements in the year focused on the automation of reconciliation in South Sudan, curbing anti-money laundering and terrorism financing. In addition, we deployed new capabilities, including a collection system for the Moja Expressway, and we went live with World Remit partnership that enables our clients to send and receive funds internationally.

Enhancements to legacy products such as mobile and SME lending, Chama App, and our ecosystem offering were part of our commitment to improvements that drive value for clients. Overall, we have continued to deliver on our key strategic priorities of transforming client experience, achieving operational excellence and driving sustainable growth and value. We have utilised our distribution network to help us build new capabilities. We have opened branches, and relocated others, while working to enhance the network.

Importantly, in the year, we updated and enhanced our operating model to enable us to better serve our clients and improve efficiency as we seek to create sustainable value. The results of this change will be noted in the coming years, but we have already seen early returns in the form of improved efficiency in client engagements.

Employee engagement

In February, we chose to trigger a 100% return to office policy. We launched several employee engagement forums as we realised returning to the office required adjustments by employees and settling down. Among these engagements were forums covering mental health and safety in the workplace, safety at home, financial wellness, financial planning, and estate planning. These interventions are aimed at equipping our employees with essential personal and work-related knowledge and skills. Our eNPS in 2022 was +35, indicating that employee sentiment towards the Bank remains positive.

Impressively, Stanbic is the only Bank in this market with a rotary club comprised of employees. This speaks to our culture of intentionally contributing to society through our diverse capabilities. We are proud of this engagement as employee volunteerism and giving showcases their appreciation of the power they possess to make a difference through collective action and partnerships. In 2022, in partnership with Stanbic Foundation, our employees supported a feeding programme at Gatina Primary and participated in feeding pupils every Friday.

Impacting communities

Our SEE imperative provides us with the guidance required as we seek to impact communities in which we operate in. Further, the Stanbic Bank Foundation continues to grow with new initiatives being launched in the year. The Catalytic Fund, a partnership with GIZ went live with KShs 76 million availed to support small businesses to scale and formalise into viable commercial enterprises. Further, our engagement with Microsoft to equip small enterprises with digital skills made progress while we co-created a blue economy project with GIZ that will cover both Kenya and South Sudan. In South Sudan, in conjunction with the UNDP, we launched an NBA partnership to grow talent in basketball. We have also been working with prisons in South Sudan to prepare those who are released for life after prison.

Climate risk

In 2021, the Central Bank of Kenya (CBK) rolled out a guideline on climate related risk management, requiring regulated financial institutions to develop policies and mechanisms to address climate risks and impact. As a result of this, we appointed a Head of Sustainability to lead the process internally. We developed an ESG policy, which was signed off by the Board and the regulator. We have committed to reduce our carbon footprint to reach net zero by 2050. In this regard, we are starting to build sustainable solutions and monitor our clients on ESG parameters. We are proactively pursuing green and blue financing opportunities.

Looking forward

As I retire from the Chief Executive position, I am proud that we have built a business that is resilient, sustainable, and that continues to generate good shareholder value into the future.

I welcome my successor, Joshua Oigara, as he takes up the leadership of the Bank. I am confident that he will steward the Bank to deliver enhanced value. I thank the Board for the support they have provided during my tenure and their commitment to delivering on their mandate. The employees of the Bank inspired me with their dedication to stakeholders and the strength they displayed during the difficult pandemic season, always delivering despite the challenges they faced. I found inspiration in the loyalty of our clients and their resilience, while the regulator's counsel and support were indispensable.

Some notable highlights on our 5-year (2017-2022) journey include:

Double digit **growth in client** numbers	**NPS score 38** in 2022 (28 in 2017). **CSI** 8.4 in 2022 (7.7 in 2017)	**2018:** Set up of **Stanbic Foundation**
First in the market to **launch women** proposition **(D.A.D.A)**	Reduction of **cost to income** to 46.7% in 2022 from 56% in 2017	Diversity and inclusion (**67%** of Kenya Leadership Council is female)

Message from the incoming Chief Executive, Stanbic Bank

Return on Equity

15.3%

(Up 200bps)

Joshua Oigara

Incoming Chief Executive, Stanbic Bank

I join Stanbic at a pivotal point in the strategic direction of the Group. In the second year of our strategy, the Group has achieved considerable growth and strategic progress. But I am cognisant that there is much that needs to be done to enable us to be a truly significant player in the financial sector. I am therefore honoured to pick up from the remarkable progress made by my predecessor, Charles Mudiwa, and strive to deliver on the aspirations of the Group and its stakeholders.

2022 was a good year with strong performance in most key indicators, including top line revenue, balance sheet growth, client satisfaction and cost efficiency. In South Sudan, our performance was solid, with a performance well ahead of target and increased momentum for further growth. This performance is made even more noteworthy given the strong headwinds that impacted both Kenya and South Sudan.

Delivering on our strategy

Taking up the reins at the close of the year, it is clear that we are building on a strong foundation. Firstly, a continued emphasis on strong returns will remain a key pursuit for Stanbic. Our aim is to manage a sustainable business that provides solid returns to shareholders while also adhering to the approaches and principles of responsible and sustainable banking. The intention is to accelerate the momentum of growth in our business, including doubling our client numbers, currently at about 300,000, increasing earnings from our traditional revenue lines, while also improving returns from new revenue lines and expanding our portfolio in terms of Micro, Small and Medium Enterprises (MSMEs) and personal banking. In 2023, our target is to grow our Return on Equity to above 20% from 15% reported in the year 2022.

Secondly, and closely related to our growth ambition, is our intent to pursue scale. Our ambition is to be one of the top three banks in the region, up from our current position at number eight. This will not only require organic growth but also leveraging strategic partnerships to achieve scale. In addition, we are exploring integration across the Standard Bank Group entities in the East African region to increase collaboration and mutually beneficial arrangements that deliver value for clients and stakeholders. Closely linked to scale is our ecosystem approach which we will continue to deepen and expand, enabling us to reach a greater numbers of clients and solution key sectors in which we have strong historical ties. We are aiming for double digit growth on our balance sheet.

A third agenda item is to enhance our risk management approach amidst our growth ambitions. As a financial services organisation, we have solid risk management approaches that have evolved in response to emerging risks. However, our ambitions require greater vigilance to manage these risks within appetite. This will require us to sharpen our focus on emerging challenges, ensuring we are responsive to any issues that arise. We will remain proactive in our risk approach, ensuring that we remain ahead of any adverse occurrences. Our aim is to improve our risk profile, with Non-Performing Loans (NPLs) within appetite.

Finally, we aim to enhance our culture to support our strategy. This means permitting employees to courageously pursue new ideas and initiatives. We want to leverage this courage to take on new challenges and deliver on our growth momentum. This requires supporting and emboldening employees to pursue opportunities, take calculated risks, and excel at delivering appropriate and innovative client solutions.

Our ambitions will also require us to address areas in the Group that require improvement such as business areas that are behind target. Cost optimisation as we invest for the future will be key.

Key considerations

To achieve our ambitions will require several initiatives, including delivering best in class client experience and ensuring our client metrics, including Net Promoter Score and Client Satisfaction Scores are above industry norms. Importantly, client engagement remains an indispensable facet of our culture which requires that we be client centric in everything we do.

The quality of our relationship with our employees is important and we are committed to engaging them consistently. Over the years, we have invested in learning and development to empower them with personal and professional skills for work and life. We will continue to emphasise their wellbeing, invest in structured engagements, and provide opportunities for them to speak up and feel heard when they voice their views. A key focus will be our performance, as evidenced by the eNPS, with a target of reaching +50 in the next 2 years, up from +35.

Our context remains dynamic, with both local and international factors affecting the operating environment. Our business model remains robust and fit not only for current success but also for the future. In South Sudan, we are focused on deepening our solutions and transforming the business as the environment shifts, enabling us to provide enhanced and new propositions. Further, we need to be nimble so as to have improved control over risks and challenges in the environment while harnessing opportunities critical to our success.

Closing remarks

I am excited about the future prospects of the Group. We are in a place of growth, and the region is experiencing important economic dynamics that offer opportunities for us. I am encouraged by my interactions, with the Board and the executive team, whose support and commitment are a source of great inspiration and our employees, who continue to show up diligently for our clients and representing the Group with confidence and professionalism.

Message from Chief Financial & Value Officer

Growth in customer loans
27%

Growth in customer deposits
12%

Dennis Musau
Chief Financial and Value Officer

We continue to deliver our purpose; "Kenya and South Sudan is our home, we drive her growth". This was achieved through focus on execution of our strategy and the ongoing investment in people and technology. Our purpose is further maximised through the implementation of our future ready transformation structure, and the enhancement of our control environment.

This has translated into business growth, and building resilience despite a challenging year, denoted by rising interest rates, high inflation and an electioneering period. Despite these obstacles we have seen double digit growth in our profit, improved return on equity and impactful Social, Economic and Environmental engagements in both Kenya and South Sudan.

Strong consistent growth in our performance

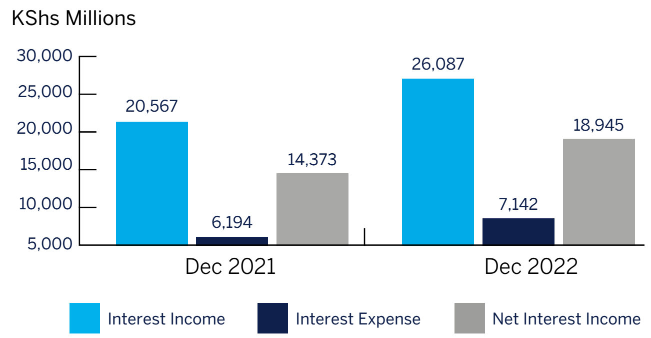
The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Bancassurance Intermediary Ltd) reported a profit after tax of KShs 9.1 billion.

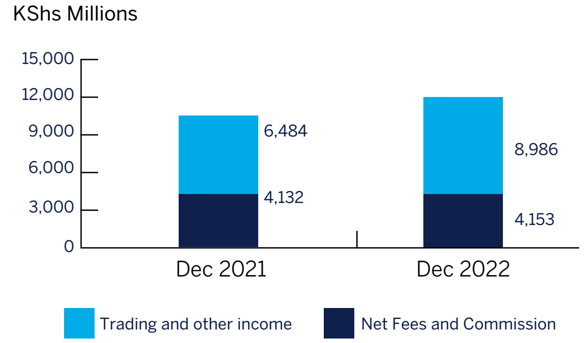
- Improvement in net interest income on the back of growth in the lending book and improved margins.
- Growth in non-interest income mainly driven by higher trading revenue supported by increased volatility in the foreign exchange market.
- Closure of key Investment Banking deals.
- Rebound of trade finance activity.
- Increase in credit impairment charges mirroring tough operating environment.
- Costs grew reflecting the high inflationary pressure coupled with investment in better technology to enhance client experience, tighten cyber defence and key investments to support our strategy.

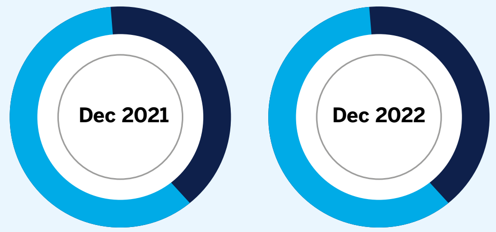
	Dec 2022 KShs m	Dec 2021 KShs m	Change %
Net-interest income	18,945	14,373	32%
Non-interest income	13,139	10,616	24%
Total income	**32,084**	**24,989**	**28%**
Operating Expenses	(14,968)	(12,709)	(18%)
Pre-provisional profit	**17,116**	**12,280**	**39%**
Credit Impairment charges	(4,944)	(2,524)	96%
Profit before tax	12,172	9,756	25%
Tax	(3,112)	(2,548)	(22%)
Profit after tax	**9,060**	**7,208**	**26%**

Steady growth in all income lines

Net interest income increased year on year by 32% mainly explained by growth in the lending book and improved margins. Growth in trading and other income was due to higher margins and an increase in client flows.



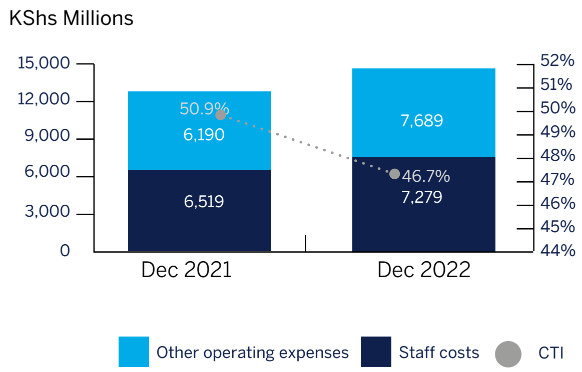


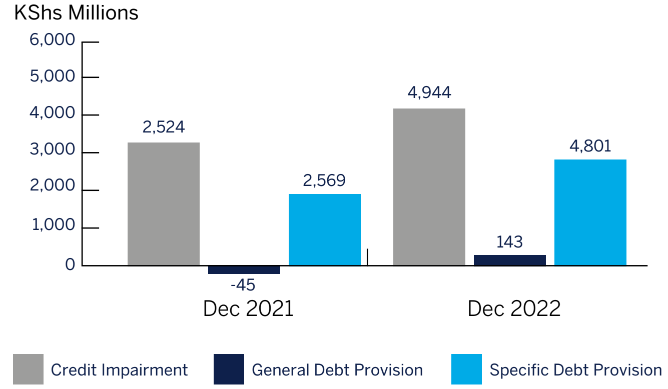


	2021	2022
Net Interest Income	58%	59%
Non Interest Revenue	42%	41%

Operating expenses and credit impairment

Operating costs were driven by investment in people, technology and business growth. A decline in the cost to income ratio was due to revenue growing faster than costs. Growth in impairment charges was driven mainly from within the Corporate and Investment Banking (CIB) and Consumer and High Net worth (CHNW) segments.





Balance sheet highlights

Total assets grew by 22% year on year strongly correlated to an increase in customer loans by 27%. Customer deposits increased by 12% and Non-Performing Loans (NPLs) dropped by 18 bps all showing signs of recovery in the market. Liquidity and total capital ratios remain well above statutory limits at 45.2% and 16.8% respectively.

KShs 400b
Total Assets
2021: KShs 329b
↑ 22%

KShs 236b
Customer Loans
2021: KShs 185b
↑ 27%

KShs 272b
Customer Deposits
2021: KShs 242b
↑ 12%

9.07%
NPL Ratio
2021: 9.25%
↓ 18bps

45.2%
Liquidity Ratio
Statutory min: 20%

16.8%
Total Capital Ratio
Statutory min: 14.5%

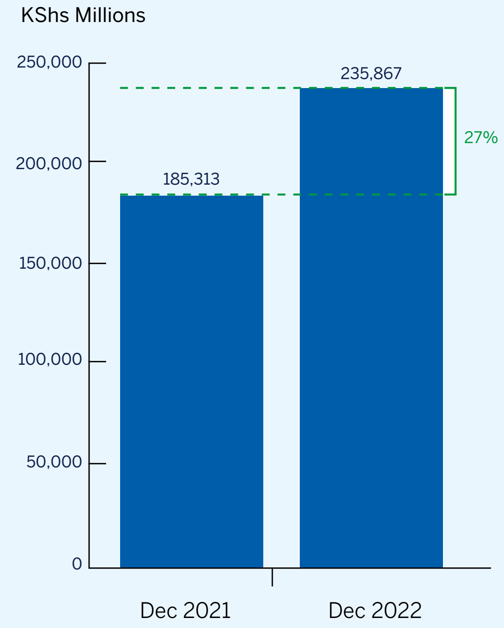
Growth in key performance drivers

Strong growth in customer loans was underpinned by demand in the oil and gas and power and infrastructure sectors, with growth in customer deposits demonstrating the trust clients have in us, as well as the success of various liability drive campaigns executed by the Group.

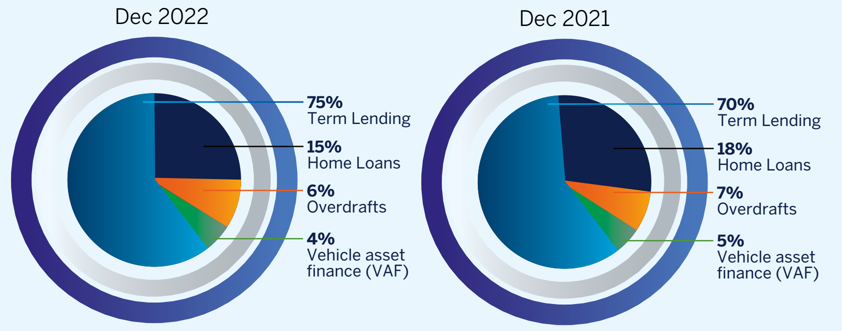
Double digit loan book growth

Loan growth across all business segments.

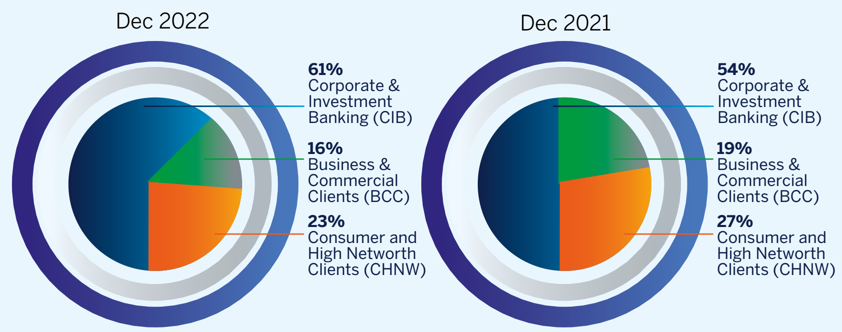
Net loans and advances to customers



Loans and advances by products



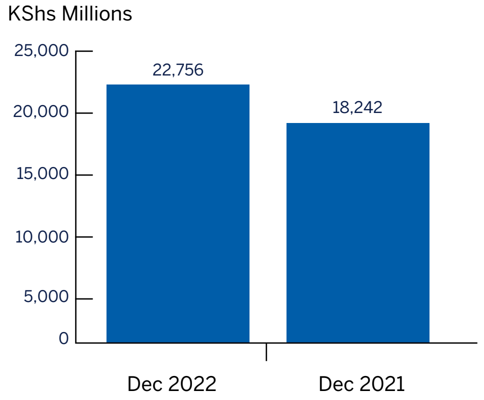
Loans and advances by business unit



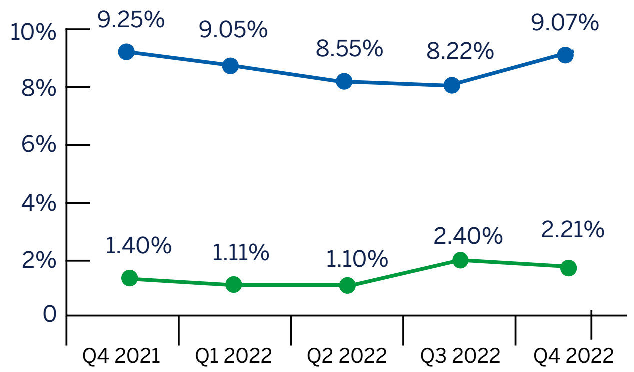
Asset quality

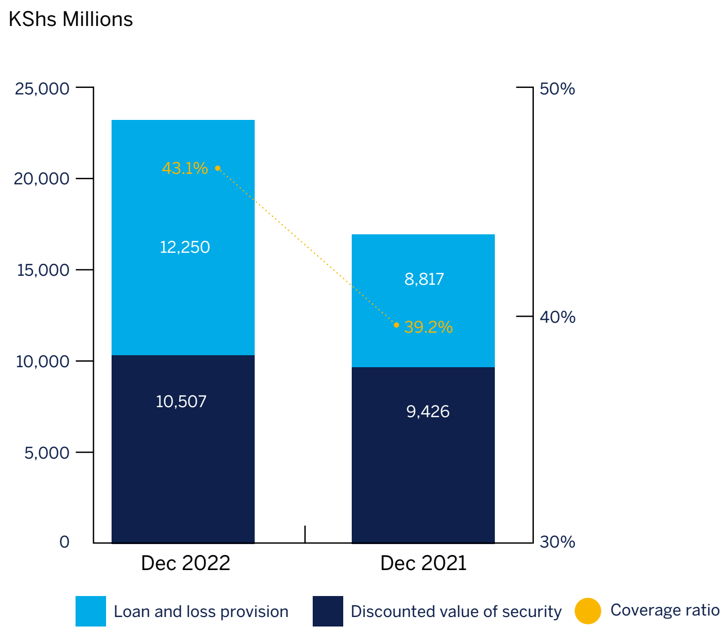
Although NPLs showed an increase year on year by value they remain below industry levels. To manage the increased risks the Group has made provisions to cover potential losses. The discounted value of security and loan loss provisions held are assessed to be adequate to cover for these NPLs.

NPLs



NPLs and CLR

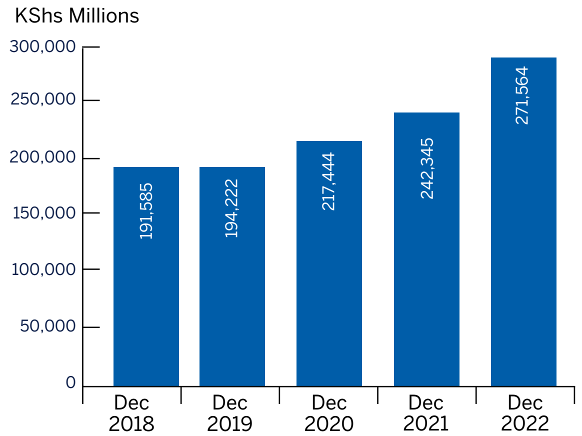


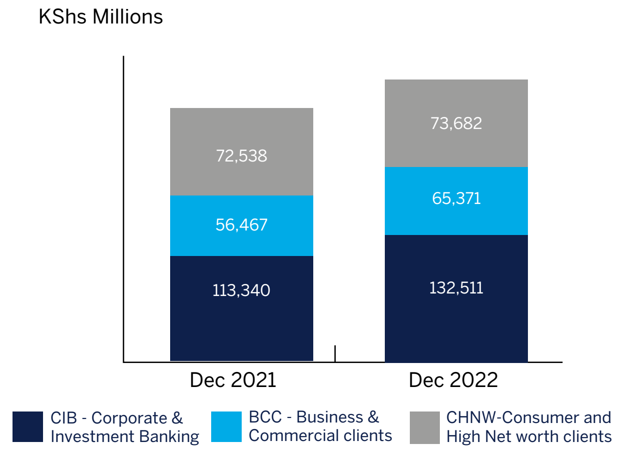


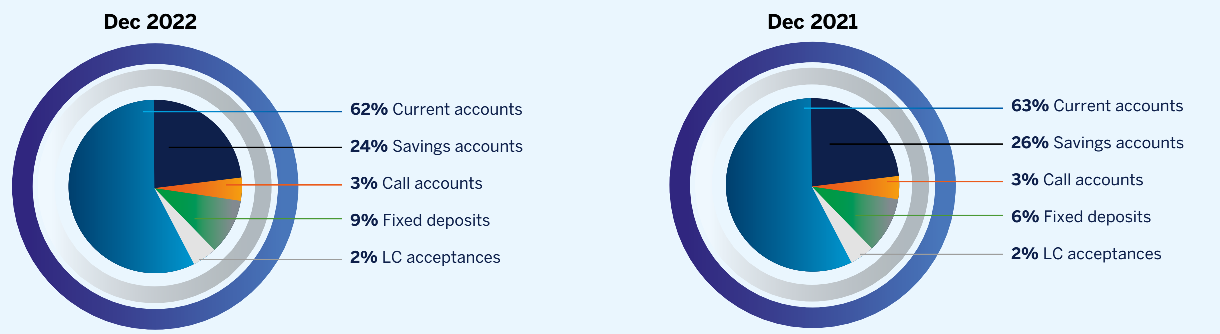
Deposits

Client deposits grew year on year by 12% with core accounts contributing 86% to total deposits. The biggest growth by value was noted in the CIB segment at 17% followed by BCC at 16%. Deposits by CHNW individuals grew by 2%.

Customer Deposits



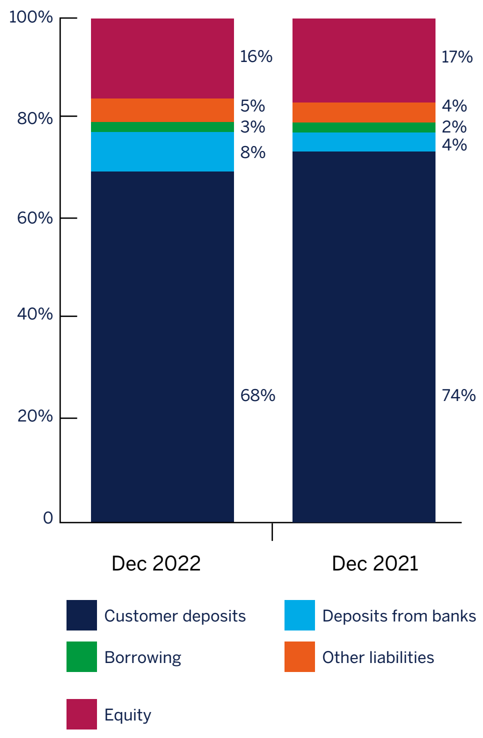




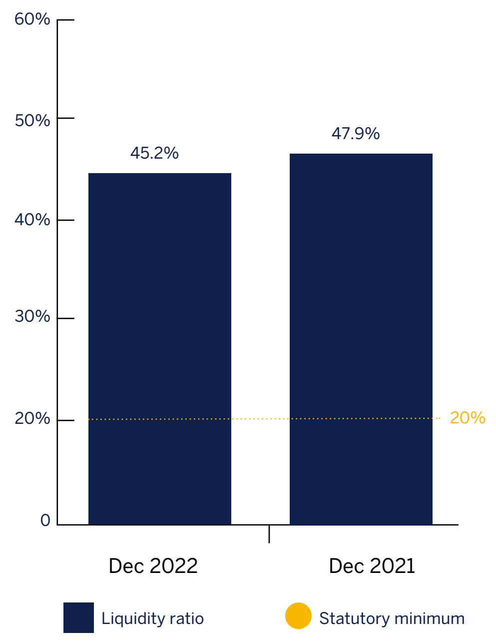
Funding, liquidity and capital remains solid to support growth

Our funding mix remains stable, with liquidity and capital adequacy ratios within statutory limits.

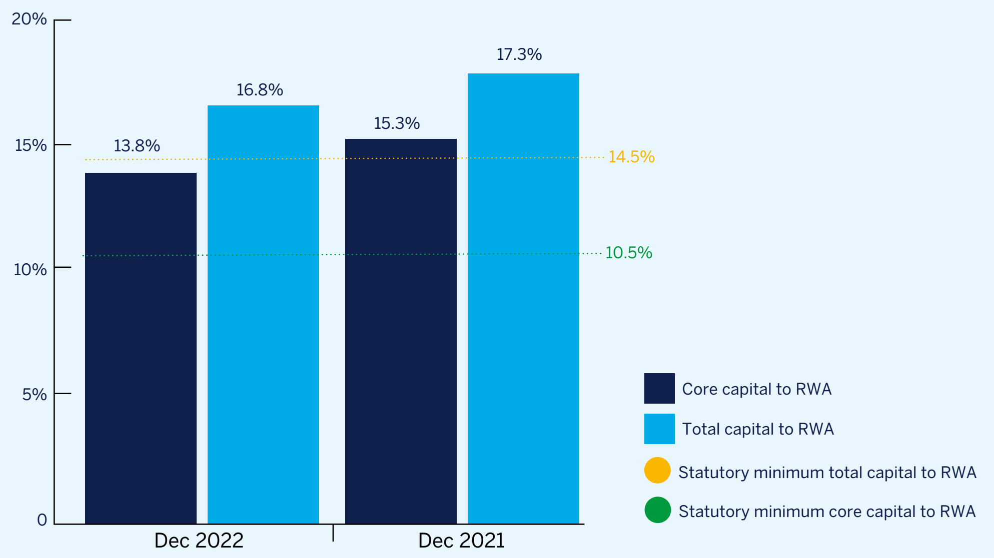
Funding



Liquid ratio (Bank only)



Capital adequency ratio (Bank only)



RWA-Risk Weighted Assets

Measuring up against our 2022 outlook

Growth in loans and deposits were above industry benchmarks, with RoE, non-funded income and cost to income ratio not meeting targets set for the year. NPLs remained within the target band set.

	2022 full year actual	2022 full year target
Customer loan growth	27%	Above industry
Customer deposit growth	12%	Above industry
Return of equity	15.3%	18.1%
Non refunded income	41%	50%
Cost to income ratio	46.7%	45.5%
NPL ratio	9.07%	9.36%

Five-year trend

	2022 KShs million	2021 KShs million	2020 KShs million	2019 KShs million	2018 KShs million	CAGR
Income statement						
Profit before tax	12 172	9 756	6 227	7 710	8 948	8%
Profit after tax	9 060	7 208	5 192	6 381	6 277	10%
Statement of financial position						
Shareholders' equity	62 198	56 452	51 730	49 034	44 623	9%
Total assets	399 830	328 872	328 593	303 625	290 570	8%
Loans and advances to clients	235 867	185 313	158 181	152 817	146 604	13%
Property and equipment	2 861	2 991	2 242	2 302	2 186	7%
Customer deposits	271 564	242 345	217 444	194 222	191 585	9%
Returns and ratios						
Return on average equity	15.3%	13.3%	10.4%	13.6%	14.3%	
Return on total assets	2.5%	2.2%	1.6%	2.1%	2.3%	
Costs to income	46.7%	50.9%	52.2%	56.2%	50.2%	

OUR APPROACH TO CREATING VALUE

Our strategic approach

Our Strategic approach aims to deliver sustainable growth and value for all our stakeholders. It is underpinned by integrated thinking enabling us to address emerging trends that affect our business and issues that impact on the execution of our strategy while pursuing the achievement of value creation.

Consideration we make	As we execute	and organize our business	to create sustainable value	and impact
Operating context ▪ Emerging trends ▪ Issues that impact our strategy ▪ Material risks ▪ Availability, quality and affordability of capitals we deploy	**Our strategy** Our strategy is a definitive guide on where we want to go, and importantly, how we intend to get there. Our strategic value drivers and focus areas align our allocation of resources to our strategy. Furthermore, they help us measure our progress towards achieving our strategy	**Our six capitals** The key inputs that enable value creation and preservation: ▪ Financial capital ▪ Social and relationship capital ▪ Human capital ▪ Intellectual capital ▪ Manufactured capital ▪ Natural capital	**Our stakeholders** ▪ Our clients. ▪ Our people. ▪ Regulators and Government Bodies. ▪ Shareholders and ▪ investment analysts. ▪ Our communities.	**Our SDGs** 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONS CONSUM AND PRODUC 13 CLIMATE ACTION 14 LIFE BELOW WATER 17 PARTNERSHIPS FOR THE GOALS
Material matters Our material issues are those that have an impact on our ability to create value in the short, medium and long term.	**Our Strategic Priorities** ▪ Transform client experience ▪ Execute with excellence ▪ Drive sustainable growth and value **Our strategic value drivers** ▪ Client focus ▪ Employee engagement ▪ Risk and conduct ▪ Operational excellence ▪ Financial Outcome ▪ SEE impact	**Our delivery model** We secure the inputs required to transform, grow, innovate and compete effectively. We use these to deliver our target outcomes through our business activities for the benefit of all our stakeholders.	**Value creation outcomes** ▪ Value for our clients ▪ Value for our people ▪ Value for our stakeholders ▪ Value for the group ▪ Value for our shareholders ▪ Value for society	

Our strategic approach is supported by three aspects that facilitate how we create value

Our people, shareholders, and other stakeholders

By understanding and integrating the needs, concerns and expectations of our stakeholders, we are able to appropriately respond to opportunities and challenges, which informs our strategic decisions.

Our strategy

Our Group strategy provides us with the compass that outlines what we want to achieve and the approach to attaining our goals. It guides our allocation of resources through our strategic value drivers and how we measure our progress.

Our risk appetite

Our risk appetite defines the parameters of our strategy. We align our risk appetite to changes in our operating context, instil a risk-aware culture throughout the Group and continually enhance our risk management capabilities.

Our Capitals

Financial capital	Our reserve of funds.
Intellectual capital	Our intellectual property (IP) knowledge, systems, procedures and policies, our purpose and the value of our brand and reputation associated with it, grow our business and support our clients.
Human capital	Our people, together with their competencies, abilities, experience and expertise.
Manufactured capital	Our buildings, properties, and physical equipment enabling us to operate.
Social and relationship capital	The networks and associations we build with our communities and stakeholders, and the mutual interests that we share.
Natural capital	The intent, commitment, and actions we display to sustain the environment in which we work to grow our business and support our clients.

Our Support of the United Nations Sustainable Development Goals (SDG)

OUR IMPACT AREA	Financial inclusion	Job creation and enterprise development	Sustainable finance and climate change	Infrastructure	Trade and investment	Education	Health
OUR IMPACT	We enable individuals, entrepreneurs and small enterprises to access relevant and affordable financial products and services, including payments, savings, credit and insurance, enabling them to transact conveniently and cost effectively, save and plan for the future, and deal with unexpected emergencies. These benefits, in turn, support economic development and reduce inequality.	We work with our clients, from micro-enterprises to large corporations, to support their growth and sustainability. We take the time to understand their challenges, priorities and aspirations, and design solutions to support their unique needs. This includes targeted support for small enterprises. We continue to partner with our clients to help them manage the economic impacts of the pandemic.	We are working to support Kenya and South Sudan transition to a lower carbon economy. We are also working with our clients to enable mitigation of climate change impacts, and to improve access to reliable and sustainable energy sources, a critical factor in Kenya and South Sudan's economic growth and poverty alleviation.	We facilitate the development of quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, and support infrastructure upgrades to improve sustainability and support economic development and human wellbeing. In all infrastructure development projects, we partner with our clients to ensure environmental and social risks are appropriately managed and minimised.	We facilitate trade and investment flows between countries, and with key global markets including China. Our clients benefit from our international payments expertise, and our trade loan, FX hedging and performance, and payment risk mitigation products.	We support access to inclusive quality education and to opportunities for life-long education and training, enabling Kenya and South Sudan's people to acquire the knowledge and skills needed to thrive in an increasingly digitised world. This includes providing innovative finance solutions for students and educational institutions and investing in the development of our employees.	We contribute to better health outcomes for Kenya and South Sudan's people by investing in our employees' health, safety and wellbeing, financing healthcare providers and the development of health-related infrastructure, and investing in health-focused corporate social investment (CSI) programmes to improve access to quality essential health-care services.
SUSTAINABLE DEVELOPMENT GOALS	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONS CONSUM AND PRODUC 13 CLIMATE ACTION	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 14 LIFE BELOW WATER	8 DECENT WORK AND ECONOMIC GROWTH	4 QUALITY EDUCATION	3 GOOD HEALTH AND WELL-BEING

Operating context

Kenya

KENYA

Review of 2022

The lifting of the final set of public health restrictions in March bumped up economic growth. However, rising inflationary pressures, the onset of the Russia - Ukraine war in February and the renewed lockdowns in China softened consumer demand and company outputs. Furthermore, Kenya held general elections in August 2022, which saw the economy clouded by some level of uncertainty that dampened economic activity in the second half of the year.

After a strong rebound of 7.5% year on year in 2021, GDP growth moderated in 2022. GDP growth eased to 4.7% in Q3 2022, from an average of 6.0% in H1 2022, mainly due to greater political risks ahead of the August 2022 elections.

The Central Bank's Monetary Policy Committee (MPC) held the policy rate stable at 7.0% for the first 4 months to support recovery in private sector credit growth, which in turn supported a recovery in aggregate demand. However, as the year progressed, inflation breached the central bank (CBK) upper target band and monetary policy was tightened by a cumulative 175 basis points in 2022.

Inflation averaged 7.6% in 2022 from 6.1% in 2021, as the impact of the severe drought notably bumped up food inflation, exacerbated by increased geopolitical tensions. The higher inflation was also on account of higher energy prices driven by rising global oil prices, worsened by the removal of a fuel subsidy in September when the new administration assumed office. In addition, electricity costs rose in September, by around 15%.

During the first few months of FY2022/23, the government's domestic borrowing moved toward the short end of the yield curve, which has subsequently flattened, reflecting near-term inflationary and financing pressures. Despite policy rate hikes from the month of May, yields remained largely range-bound. Plans to tap the Eurobond market were shelved owing to significantly higher Eurobond yields.

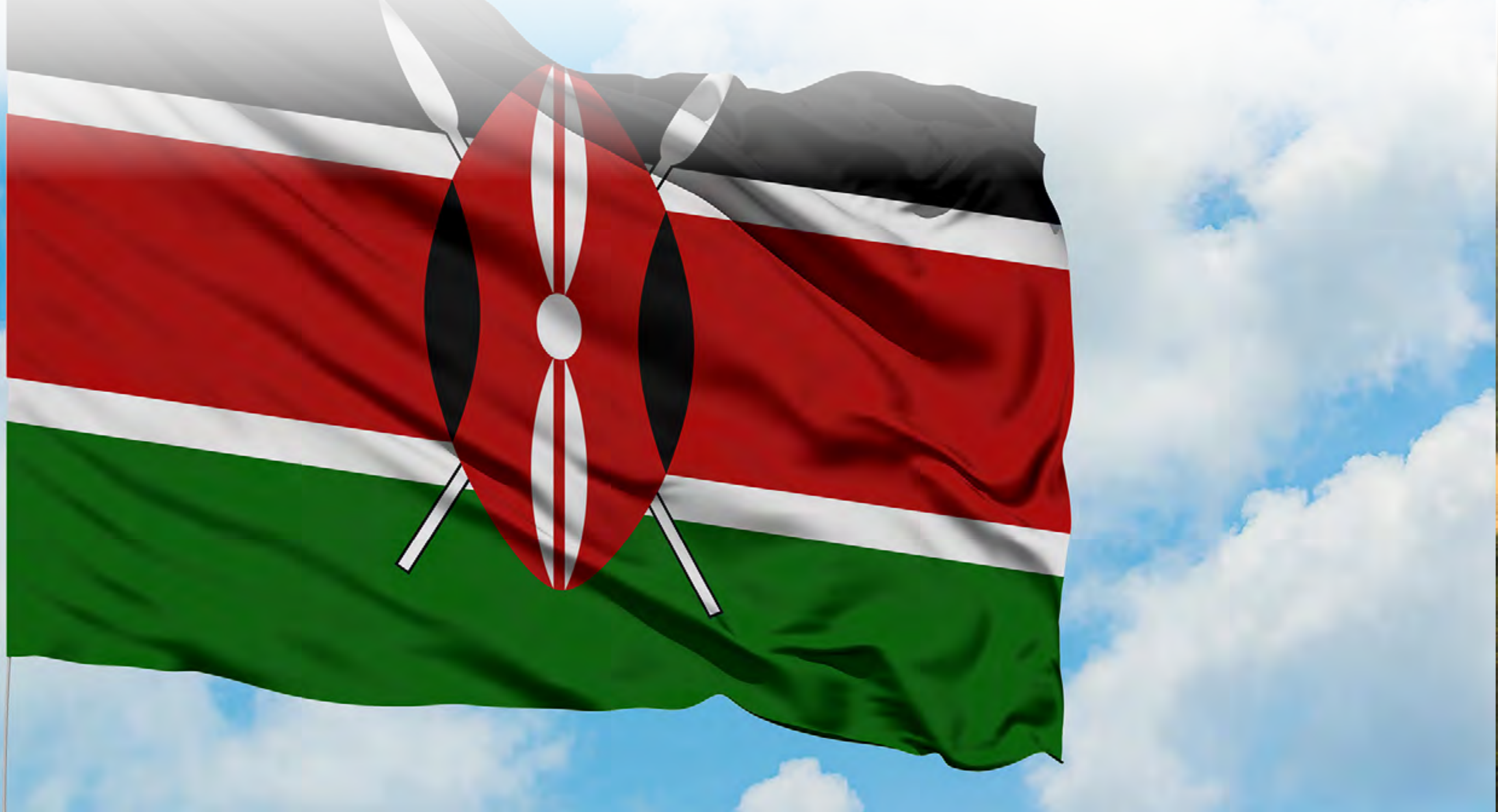
The Kenyan Shilling depreciated against the USD due to monetary policy tightening in advanced economies, a deeper trade deficit, higher dividend repatriations by corporates, and increased external debt repayments by the government.

Outlook for 2023

We expect the agriculture sector to rebound and support growth. The severe drought in 2022 reduced agricultural productivity in the first half of the year, however, the short rainy season in Q4 2022 despite delays, slightly exceeded expectations, and the upcoming long rainy season (Mar-May) is expected to stage a good showing. The sub-par quarter on quarter GDP growth of Q2 2022, in contrast to the Q2 2012 and Q2 2017 drought periods, also makes for favourable base effects from Q2 to Q4 of 2023.

Notable risks to the growth outlook include USD liquidity shortages which may restrain industrial sector outputs. In addition, the government is focusing on restoring debt sustainability over the next few years, with postponing non-priority infrastructure projects a likely key strategy. Hence, lower infrastructure spend may weigh down growth over the next 2 years. Also, the large stock of arrears and impending bills owed to the private sector may constrain underlying economic activity if they are not cleared over the next 2 years.

Inflation is likely to remain elevated in the first half of the year then soften as the year progresses.



South Sudan

SOUTH SUDAN

Review of 2022

On the political front, South Sudan has achieved significant progress on the peace agreement, although the election timelines remain unclear. The authorities have continued to make progress in the implementation of the Revitalized Peace Agreement signed in September 2018. While capacity constraints have slowed some measures, the authorities are now working towards the population census and draft constitution that are needed ahead of 2023 elections. They intend to hold elections by end of 2023 after conducting the census. Meanwhile, authorities continue to ensure that any risks to the peace agreement are addressed, and measures are taken to reduce uncertainty and create a conducive environment for investment and growth.

The South Sudan economy remains exceptionally reliant on oil, with oil exports accounting for nearly all exports and over 90% of government revenue. The government had previously also highlighted that some of the country's oil fields were reaching maturity as production had fallen to less than a half of the pre-war levels. Over the medium term, diversification away from dependence on oil will be key for external stability and achieving sustainable economic growth. Given its geographical and geological advantages, South Sudan has economic potential in non-oil sectors such as agriculture, fisheries, and mining and these sectors could benefit from increased investment to facilitate productivity gains.

After seven months of deflation, inflation returned to positive territory, 3.2% in Jun-2022, and accelerated to 6.4% in July as higher global commodity prices from recent geopolitical developments coupled with clearance of several months of salary arrears put pressure on prices. However, inflation reverted to negative territory again from August on base effects. Overall inflation averaged -6.5% in 2022. Following the FX reforms initiated under the IMF Staff Monitored Program (SMP) that started in Mar-2021, authorities abolished the multiple exchange rate system, allowed banks to set buying and selling rates freely. This removal of FX restrictions and the authorities' tight control of the money supply enabled individuals and firms to buy and sell FX at predictable and competitive rates which then led to a reduction in inflation.

The introduction of regular FX auctions using funds received from the IMF has helped alleviate FX liquidity issues and stabilized the SSP in 2022. Notwithstanding, the SSP depreciated against the USD in 2022, given the stronger dollar, with a more pronounced pressure in H2 2022.

Outlook for 2023

South Sudan's economy is recovering more slowly than expected from the downturn of 2020. While the rise in global oil prices has acted as a tailwind for economic growth in 2022, a third consecutive year of severe flooding caused output losses in the oil and agricultural sectors and exacerbated the country's humanitarian crisis. Flooding has affected oil production, which declined from 169k bbl/d in 2020/21 to 156k bbl/d in 2021/22. Oil production is expected to drop to around 150k bbl/d in 2022/23 with a continuing positive trend for oil prices in the short period. Subsequently, GDP growth is expected to decrease by 0.3% in 2022/23 and only start growing again in 2023/24 at 4.6%. Additionally, the government plans to continue diversifying away from oil in the near to medium term.

In November 2022, the IMF reached staff-level agreement with South Sudan on the third Review of the Staff-Monitored Program (SMP), a Rapid Credit Facility through the Food Shock Window as well as the Program Monitoring with Board Involvement. The emergency financing under the new Food Shock Window will help South Sudan address food insecurity, support social spending, and boost international reserves while the Program Monitoring with Board Involvement is focused at supporting economic policies aimed at maintaining macroeconomic stability and debt sustainability. All these programmes bode well for South Sudan's growth prospects. Inflation is expected to continue falling in the coming year following the implementation of the reforms and commitment to reserves money. Adverse weather and insecurity along trade routes continues to pose a risk to inflation in the coming years. Recent depreciations of the SSP against the US dollar also presents upside risks to inflation.

While consumer imports are expected to recover as economic activity picks up, oil exports may disappoint given output losses due to flooding. Notwithstanding, the FX auctions will continue to alleviate any FX liquidity issues.

Our strategy

Our strategy provides us with guidance on what we want to achieve and how we will achieve it. To execute our strategy, we utilise the capitals available to us to achieve our strategic objectives and create value for our stakeholders. Our strategy is executed through three strategic priorities which are designed to deliver our 2025 ambition and enable us to better fulfil our purpose and create value in line with our success measures and target outcomes.

Our purpose — Kenya and South Sudan is our home, we drive her growth

Our strategic priorities

Transform client experience	Execute with excellence	Drive sustainable growth and value
Our client segments will: • DEFEND our current client franchise and market positions. • GROW as we capture opportunities, with specific focus on our six prioritised ecosystems.	Our Client Solutions, Engineering and Innovation capabilities will: • DELIVER innovative and cost- effective client solutions. • PARTNER to drive value.	We will be purposeful in: • Diligently ALLOCATING RESOURCES. • Delivering ATTRACTIVE SHAREHOLDER RETURNS. • Having a POSITIVE IMPACT.
We will transform client experience using digital technology, amplified by the human touch. We aim to understand our clients as deeply and empathetically as we can, and then use our human skill and digital capabilities to help meet their needs and enable them to achieve their goals.	We will execute with excellence, delivering innovative and cost-effective solutions in partnership with others. Our values-led culture is underpinned by the principle of doing the right business, the right way.	We will drive long-term, environmental and socially sustainable growth and value. We will responsibly allocate our resources and strive to deliver positive impact.

Our success measures and value drivers

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT + OPERATIONAL EXCELLENCE = FINANCIAL OUTCOME, SEE IMPACT

OUR TARGET OUTCOMES → Growth and scale | Efficiency and resilience | Legitimacy

Our key milestones

Horizon 1 — Short term — Reshaping ourselves

Horizon 2 — Medium term — Accelerate transformation

Horizon 3 — Long term — Delivering on transportation and our purpose

Horizon 1
Reshaping ourselves

The short term

Responding

Our intent:

Evolve our response to the continued threats associated with COVID-19.

Feedback from our leadership

"Our interventions in early 2020 have borne fruit, protecting our clients and staff, as well as value created for our shareholders".

Restoring

Our intent:

Facilitate a return to growth as we emerge.

Feedback from our leadership

"The sprouts of growth are visible, testament to the resilience of our client base, response of our staff and commitment from our shareholders to shared value creation".

Rebounding

Our intent:

Anticipate and adapt to operating conditions and trends with focus and urgency.

- Accelerate digital adoption, keeping our clients at the centre of what we do.
- Reshape our operations, infrastructure, and resources to become more human and more digital.

The capitals that were leveraged:

Financial capital | Intellectual capital | Human capital | Social and relationship capital

In 2022 we exited this short-term horizon which saw us initiate the drive to accelerating the transformation of the business. This includes the deployment of new products to market and leveraging data to better serve the client.

Horizon 2
Accelerating transformation

The medium term

Transform client experience

Deliver optimal solutions that meet client needs, achieved through exceptional client experience.

Our intent

- Sharpen our value proposition for clients using a data-powered understanding of clients' needs, to provide them with personalised and complete solutions.
- Grow in carefully selected client networks by leveraging our capabilities and the value propositions presented by our solutions.
- Provide a wider range of services and solutions that meet the needs of our clients.
- Capacitate our people for a changing world of work with advanced capabilities, supported by a streamlined organisational structure and reimagined culture.

Commentary from our leadership

"Our clients are central to our ability to provide shared value to all stakeholders, ensuring we deliver an exceptional client experience is thus key".

The capitals that were leveraged:

Financial capital | Intellectual capital | Human capital | Social and relationship capital | Manufactured capital

Transform operational efficiency

Build efficient and robust secure technologically driven solutions with modular and agile capabilities. Leverage these solutions through strong data analytics and data monetisation capabilities.

Our intent

- Build a simple and accessible data environment supported by fit-for-purpose data governance.
- Deliver our medium-term ambitions through new growth vectors, optimised planning, resource allocation and cost management.

Commentary from our leadership

"Our delivery model is now fit for purpose allowing us to deliver returns to shareholders as well as tailored solutions to market".

The capitals that were leveraged:

Financial capital | Intellectual capital | Human capital | Natural capital

In transforming the Group, we will become:

Truly Human / Aspirations

Providing services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment.

Truly Digital / Objectives

Serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.

What our defining features will be

- We will serve our clients with the provision of complete financial solutions digitally.
- Using enriched data analytic and insights, we will understand our clients and move closer to them through tailored service provision.
- Our clients' needs will be fulfilled through the ability to scale our client networks.
- We will earn higher revenues and margin premiums, underpinned by integrated and predictive risk management and resource allocation.
- We will have strengthened stakeholder relationships that we leverage in collaborative partnerships.
- We will be intentional in driving sustainable development in the countries we operate.

Horizon 3
Delivering on transformation and our purpose

The long term

Realising our future state

A transformed, truly digital, and truly human Group.

Delivering on our purpose

Kenya/South Sudan is our home, we drive her growth.

Continually guided by our vision

To be a leading financial services organisation in Kenya and South Sudan, delivering exceptional client experiences and superior value.

The capitals that were leveraged:

Financial capital | Intellectual capital | Human capital | Social and relationship capital | Natural capital

Horizon 2 (Accelerating transformation) :
Our delivery model

Our value-creation model enables us to apply our capitals to deliver outcomes for our stakeholders as follows:

Client focus + Employee engagement + Risk and conduct + Operational excellence = Financial outcome, SEE impact

INPUTS

Client focus

Inputs

- Strengthened mutually beneficial strategic partnerships.
- Dedicated innovation capability.
- Digitally focused banking solutions.
- Future value-added services.

Employee engagement

Inputs

- The collective skills, capabilities, and energy of 1,045 employees.
- Strong, experienced, and capable leadership team. High-performance, ethical culture deeply connected to our purpose.
- A leadership identity that defines behaviours we need to shift our culture.
- A compelling client and employee value proposition.
- KShs 43.3 million invested in training our people in 2022.

Risk and conduct

Inputs

- Upholding an ethical and values-driven brand and culture with a strong governance framework and progressive ethical policies.
- Well-developed financial risk and capital management framework.
- Responsiveness to the ongoing measurement of conduct-related indicators.
- Strong and mutually beneficial relationship with government and regulatory bodies.
- Robust credit models and scenario planning supporting capital allocation.

Operational excellence

Inputs

- Using technology and data to better serve and protect our clients, reduce costs and scale our platform businesses

Financial outcome

Outcome

- Customer deposits: KShs 271.6 billion (2021: KShs 242.3 billion).
- Customer loans: KShs 235.9 billion (2021: KShs 185.3 billion).
- Capital: KShs 62.2 billion (2021: KShs 56.5 billion).
- Net asset value per share: KShs 157.3 (2021: KShs 142.8)
- Profit after tax : KShs 9.1 billion (2021: KShs 7.2 billion).
- ROE: 15.3% (2021: 13.3%).
- CTI : 46.7% (2021: 50.9%).

SEE impact

Outcome

- Contribution to the Big 4 Agenda including the provision of loans to the manufacturing and agricultural sector to the value of KShs 34.5 billion and KShs 20 billion respectively.
- KShs 7.7 billion in loans disbursed through the D.A.D.A platform. SME loans issued to the value of KShs 33 billion.
- 50,807 SMEs and individuals trained on ICT and entrepreneurship skills.
- 1,300 people trained via the financial fitness academy.
- Value of loans issued under infrastructure KShs 15 billion.
- Accelerated access to trade finance solutions KShs 76.4 billion.
- Group is holding KSHs 12.5 billion in green assets.

KEY CONSTRAINTS

Client focus – Key constraints

- Macroeconomic and socioeconomic conditions affecting our clients.
- Continually changing operational context and the need to remain abreast and relevant to current trends.
- Increased regulation.
- Remaining competitive, reinforcing our value proposition and staying stable, secure, and reliable.

Employee engagement – Key constraints

- The availability of the right skills for our digital transformation.
- Managing change fatigue and entrenching a sense of resilience to support our continued transformation.

Risk and conduct – Key constraints

- Managing risk and compliance in non-traditional services and business models.
- Managing conduct risk across a large and complex Group.
- Understanding the risks associated with dependency on third parties, including monitoring and management of contracts.
- Ability to leverage technology and Artificial Intelligence (AI) to manage non-financial risks effectively.
- Ensuring stakeholder expectations are met while pursuing higher growth within risk appetite.

Operational excellence – Key constraints

- Managing risk and compliance in non-traditional services and business models.
- Stability of systems.

Financial outcome – Key constraints

- Scarcity of resources requires focused and balanced allocation of capital to grow, change and enhance efficiency.
- Managing regulatory requirements while scaling the business.
- Retaining the support of our providers of capital by balancing short-term returns against retention of capital for longer-term growth.
- Balancing the need for investment for both the execution of our strategy and the necessity to change with urgency.

SEE impact – Key constraints

- Implementing measurement and reporting systems to assess and mitigate the financial impact of complex and interconnected sustainability risks.
- Mitigating the direct environmental impact of IT and data assets

OUTPUTS

How we organise ourselves

Implementing our strategy

Our capacity model defines how we execute our strategy.

Managing our risks and opportunities

We proactively manage risk in relation to our operating environment.

Embedding good governance

Our approach supports the achievement of good governance outcomes.

Our operating model

Banking
Deposit, pay, transfer, and borrow

Investment
Earn and grow

Insurance
Protect and safeguard

Beyond Financial services
Ancillary services provided by the Group and our partners

Our client value proposition

A fully end-to-end suite of digital solutions designed for clients to achieve their financial ambitions both in the present and the future.

What we continuously keep in mind:

- The diligent use and stewardship of our six capitals.
- Creating a transformed Group.
- Applying integrated thinking.

Our shared value model

	BUSINESS ACTIVITIES	FINANCIAL IMPACT AND ASSOCIATED RISK	
INFLOWS	**Lend money to our clients**	**Net interest income** Interest income and credit impairments.	• Interest earned on loans granted to clients less loans not repaid. • Costs incurred on funds raised from depositors and other funders, used to lend to clients who need finance. • Fee and commission revenue earned from services provided. • Fees earned from clients who use our platforms to access and trade foreign exchange, commodity, credit, interest rate and equity instruments. • Revenue earned from other sources. • Brokerage fees and underwriting profits generated from wealth offerings provided to clients and commission earned from SBIL and investment products held by clients.
	Source funding from client deposits and other funders	**Interest expense**	
	Provide transactional banking facilities, long and short-term insurance and knowledge-based services to clients.	**Net fee and commission revenue, income from investment management and insurance activities.**	
	Provide market access and risk mitigation solutions to businesses.	**Trading revenue**	
	Revenue from other sources linked to core businesses and strategic investments	**Other revenue**	
OUTFLOWS	**Invest in our people and operations**	**Staff costs and other operating expenses**	• Cost of reskilling and upskilling our people to realise our strategy.
	Direct and indirect taxes to governments and regulators	**Direct and indirect taxes**	• Cost of our day-to-day operations, both internal and partnerships in our supply chain.
	Returns to shareholders	**Dividends**	• Payments to shareholders for their investment in the Group.
REINVEST	**Reinvested to sustain and grow our business**	**Retained equity**	• Capital reinvested to support our strategy and business growth.

	Financial Value Created	Socio-Economic Value Created	Environmental Value Created
Serving our clients digitally	▪ 46.7% Cost to income ratio down 420 bps	▪ 11 digital projects executed ▪ 99.87% system uptime achieved ▪ Growth in client base 19% ▪ Service providers assisted to become certified	▪ 27,031 tons CO2e emissions generated ▪ 50 tons of waste recycled ▪ 404 kilolitres water consumed
Understanding and moving closer to our clients	▪ 2.21% Credit loss ratio up 81 bps ▪ 9.07% NPL Ratio down 18 bps	▪ NPS 38 up 2 points ▪ 48% to 52% female to male gender parity in the workforce ▪ 40% to 60% female to male gender parity on the board	▪ Provision of funding of green solutions ▪ Provision of green bonds
Scaling our client network	▪ KShs 400 billion Total Assets up 22% ▪ 45.2% Liquidity ratio within statutory minimum of 20% ▪ 16.8% Total Capital Ratio	▪ SME loans KShs 65.4 billion up 26% ▪ Lending to women 7.7 billion up 53% ▪ Affordable housing loans KShs 267 million	▪ ESG Screening of clients ▪ Climate risks screening of clients ▪ Training and development of employees and clients on ESG and climate risk
Earning higher revenue and margin	▪ KShs 32.1 billion in Revenue up 28% ▪ 5.4% Net Interest margin up 100 bps ▪ 9.1 billion Profit after tax up 26%	▪ KShs 3.1 billion taxes paid up 22% ▪ KShs 271.6 billion in client deposits up 12% ▪ KShs 235.9 billion in client loans up 27%	▪ Holding up to KShs 943 million in green assets
Strengthening stakeholder relationships	▪ 15.3% Return on Equity up 200 bps ▪ 22.92 Earnings per share up 26% ▪ 12.6 Dividends per share up 40%	▪ Strategic partnerships established to delivery to market	▪ Strategic partnerships being developed to assist with product design, as well as the optimisation of operational efficiencies.

Our Value Added Statement

Our Value Added Statement relates to our strategic value driver of financial outcome, and depicts the value that has been created by the Group through the effective acquisition, deployment and management of our financial, human, intellectual, social and relationship, manufactured and natural capitals. It reflects the resultant distribution of value to our stakeholders, and this statement outlines our commitment to creating stakeholder value through our business model and sound business practices.

Value Addition	2022	2021	2020	2019	2018
Interest income, fees and commission and other income	40,173	31,923	31,326	32,939	29,655
Interest paid to depositors and other costs	(19,161)	(13,496)	(17,311)	(16,673)	(14,020)
Interest paid on borrowings	(391)	(243)	(547)	(849)	(96)
Wealth created	**20,621**	**18,184**	**13,468**	**15,417**	**15,539**
Employee benefits	(7,279)	(6,519)	(5,929)	(6,632)	(5,894)
Government - Tax	(3,112)	(2,548)	(1,035)	(1,329)	(2,671)
Shareholders dividends paid	(4,981)	(3,558)	(1,502)	(2,787)	(2,293)
Retained earnings	(4,079)	(4,322)	(3,690)	(3,594)	(3,984)
Depreciations and amortisation	(1,079)	(1,165)	(1,262)	(1,062)	(668)
Social Capital - CSI	(91)	(72)	(50)	(13)	(29)
Distribution of Wealth	**(20,621)**	**(18,184)**	**(13,468)**	**(15,417)**	**(15,539)**

Our material matters

A matter is considered material if it has an impact – positive or negative – on our ability to create value in the short, medium, and long-term. We take a dynamic and proactive approach to the determination of material matters and use this information to manage risks and maximise opportunities.

Our materiality determination process

We view the materiality determination process as a business tool that facilitates integrated thinking.

Identify

We identify issues based on ongoing engagement with internal and external stakeholders. These insights are supplemented by internal research and risk reports, media coverage, and national and regional developments.

Prioritise

We review our material issues annually. A list of issues is shared with executives to identify priorities based on their likelihood and potential impact on the Group.

Approve

We discuss the refinements and adjustments at the Group executive and senior management level. The issues are then shared with the Group board for discussion and approval.

Engaging our stakeholders

We are committed to building constructive partnerships with all our stakeholders.

We engage with our stakeholders on a range of diverse issues. We strive to respond to stakeholder concerns appropriately and in a timely manner. Proactive engagement provides us with insights that help to inform our material issues, shape our business strategy and operations and minimise reputational risk.

The identification of material issues involves two main steps.

1. Consider issues that are important to stakeholders. These are distilled through a review of the legitimate concerns and expectations of stakeholders, the operating context in which we do business and the risks and opportunities facing the organisation.

2. Consider issues that are material to our strategy which could impact value creation and preservation and guard against value erosion.

Legitimate concerns raised by our stakeholders in 2022 and alignment to our strategy:

Stakeholders

Stakeholders	Client focus	Employee engagement	Risk and conduct	Operational excellence	Financial outcome	SEE impact
CLIENTS	▪ Provide value for money solutions ▪ Provide personalised services ▪ Ensure clients are heard ▪ Be responsive to queries and concerns ▪ Ensure partners treat clients the same way the bank does	▪ Educate employees and clients on the new screening processes in use and how this will protect them	▪ Protect client data ▪ Allow clients to be screened up front for their credit risk, to facilitate easier access to funding ▪ Educate clients on how to avoid over indebtedness ▪ Educate clients of fraudulent behaviour	▪ Ensure always available digital services ▪ Produce reliable channels ▪ Treat clients fairly ▪ Co-create products with clients ▪ Increase touchpoints in the market ▪ Launch new innovative products which respond to market needs	▪ Balance financial returns with protection of client wealth	▪ Enhance access to financial fitness training and relevant non-financial propositions ▪ Provide socially impactful interventions focused on clients
EMPLOYEES	▪ Enhance client experience ▪ Onboard impactful partnerships to deliver this desired impact in society	▪ Have clearly defined performance targets ▪ Provide training to allow execution of new structures, reporting lines and ways of working ▪ Ensure future readiness of employees ▪ Attract best in class talent ▪ Enhance employee wellbeing ▪ Develop skills ▪ Promote gender equity ▪ Work satisfaction ▪ Provide training on new products launched to market	▪ Ensure protection of information ▪ Adhere to ethical conduct ▪ Reduce loan loss ratio through proactive screening of clients ▪ Achieve strategic objectives ▪ Meet internally set performance criteria ▪ Keep up to date on fraud protection protocols	▪ Deliver relevant solutions ▪ Ensure reliability of channels ▪ Provide always available digital services ▪ Deploy reliable technology tools and platforms ▪ Provide efficient processes to deliver for clients ▪ Reduce resource use	▪ Improve efficiency which leads to lower client costs ▪ Enhance client recovery	▪ Enhance financial fitness ▪ Promote employee wellbeing ▪ Deliver impactful projects for society
SHAREHOLDERS AND INVESTMENT ANALYSTS	▪ Leverage synergies with strategic intermediaries	▪ Invest in employee wellbeing ▪ Ensure diversity and inclusion targets are met ▪ Invest in skills development ▪ Regularly undertake performance reviews	▪ Implement structures to manage risks and enhance competitive advantage ▪ Enhance levels of cybersecurity ▪ Reduce incidences of fraud ▪ Continue to upgrade existing robust risk management protocols ▪ Implement sound governance protocols ▪ Ensure ethical conduct ▪ Improve client credit risk screening	▪ Launch new innovative products responding to market needs ▪ Keep ahead of the competition ▪ Ensure future readiness of the business ▪ Reduce time to get approval of facilities ▪ Reduce use of resources through implementation of energy, water and waste reduction initiatives ▪ Reduce the businesses carbon footprint	▪ Improve client numbers ▪ Improved cost structures ▪ Enhance levels of profitability ▪ Maximise earnings and return on equity (ROE) ▪ Ensure cost efficient operations	▪ Gather insight into innovative solutions which can be developed with societal impact ▪ Deliver value for society

Legitimate concerns raised and alignment to our strategy:

Stakeholders

REGULATORS AND GOVERNMENT

Client focus
- Enhance access to finance
- Design solutions for the public good

Employee engagement
- Invest in employee wellbeing

Risk and conduct
- Treating clients fairly
- Be responsive to client complaints
- Put measures in place to reduce cybercrime
- Assess and ensure ongoing evaluation of third party risk
- Put measures in place to educate clients on social engineering initiatives and respond proactively to reduce these risks

Operational excellence
- Increase touchpoints in the market
- Report on concerns raised by clients
- Ensure new products launched have regulatory approval before deployment
- Design solutions which comply with regulatory requirements
- Reduce the company's carbon footprint
- Reduce the businesses environmental footprint

Financial outcome
- Remain profitable and continue to contribute to the National fiscus through tax payments

SEE impact
- Help to deliver on national development priorities

COMMUNITIES

Client focus
- Prevent over indebtedness

Employee engagement
- Educate employees and clients on the new screening processes in use and how this will protect them

Risk and conduct
- Treat clients fairly
- Responsiveness to client complaints
- Educate society on social engineering trends
- Protect client wealth

Operational excellence
- Increase touchpoints in the market
- Design solutions for the public good

Financial outcome
- Building client wealth

SEE impact
- Enhanced access to financial and non-financial solutions and products

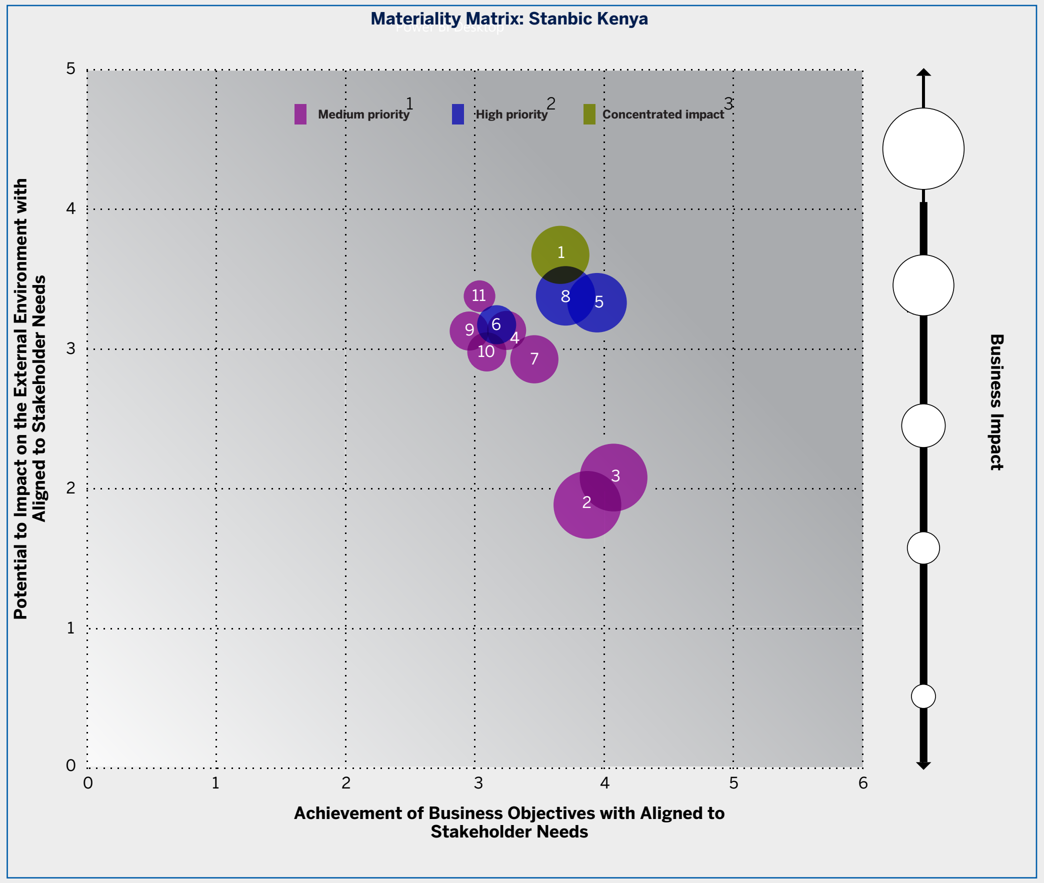
Our Material Risks for 2022

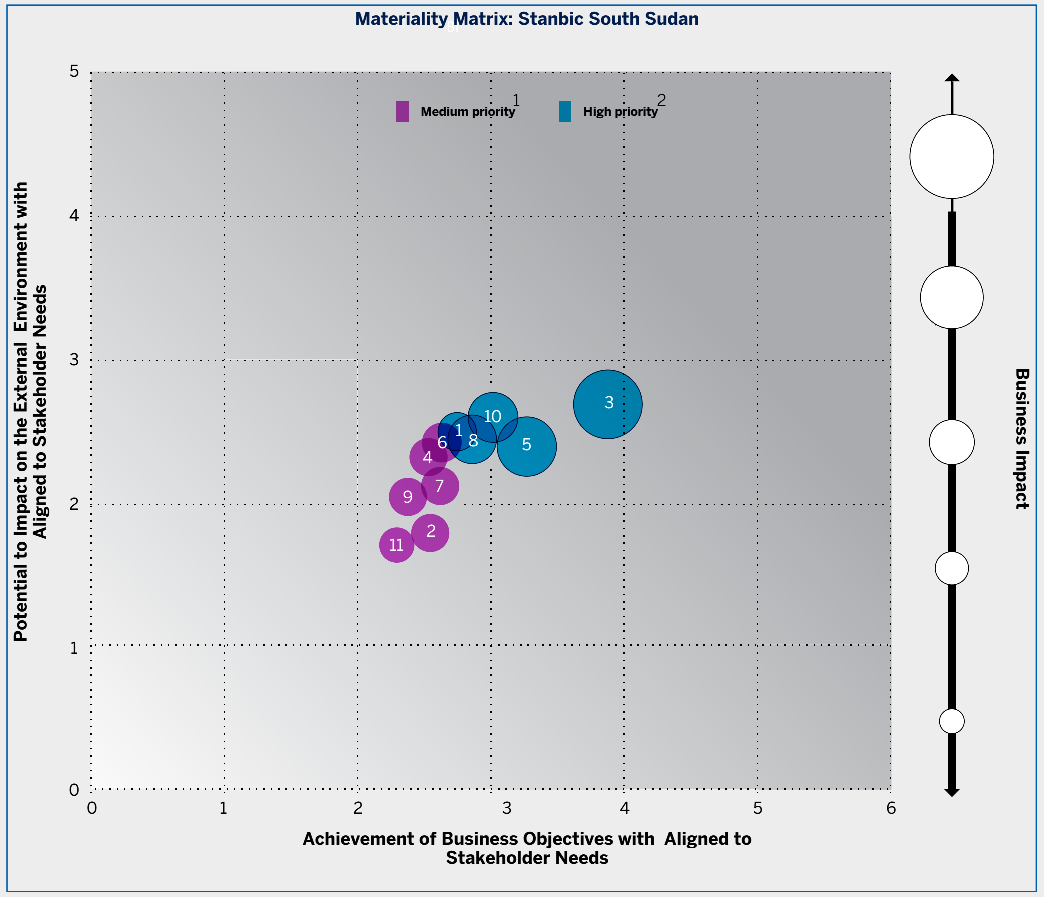
2022 material issues	Description and context of issue	Impact	Treatment	Strategic priority impacted
1 **Partnerships** CONCENTRATED IMPACT HIGH PRIORITY	Strategic partnerships are required to execute our strategy and leverage the required value to stakeholders	▪ Inability to innovate products. ▪ Unable to respond to the needs of our clients. ▪ Poor levels of process efficiencies. ▪ Reduced levels of client experience. ▪ Hindering staff to execute seamlessly. ▪ Not being able to build the right culture.	▪ By engaging partners, we are enabled to deliver on mutually beneficial opportunities. ▪ We are deliberate in our choice of partners and the projects we engage in ensuring we deliver sustainable value.	▪ Client focus ▪ Employee engagement ▪ Risk and conduct ▪ Operational excellence ▪ Financial outcomes ▪ SEE impact
2 **Talent attraction** MEDIUM PRIORITY MEDIUM PRIORITY	Our employee compliment needs to evolve as we are required to respond to changing needs of clients, regulators, suppliers, and staff and to deliver on our strategy.	▪ Having the incorrect skills set to deliver on the strategy and meet stakeholder needs.	▪ Attracting and retaining the right talent. ▪ Acquiring talent in line with current and future trends in the industry. ▪ Developing in house training programmes to upskill existing talent. ▪ Leveraging strategic partnerships to transfer skills.	▪ Client focus ▪ Risk and conduct ▪ Operational excellence ▪ Financial outcomes
3 **Employee wellbeing** MEDIUM PRIORITY HIGH PRIORITY	Enabling employee wellbeing is necessary to protect and enhance their ability to abound in life and work.	▪ Inability of employees to reach their full potential. ▪ Impact on client experience. ▪ Impact on the successful deployment of our strategy. ▪ Damage to our brand. ▪ Inability to attract the right talent. ▪ Loss of needed skills in the organisation to execute the strategy.	▪ Mental, emotional, and physical wellness has taken centre stage following the pandemic. ▪ Empowering staff to approach wellbeing holistically as this is vital for the achievement of personal and work-related performance goals.	▪ Employee engagement ▪ Risk and conduct ▪ Operational excellence ▪ Financial outcomes
4 **Economic stimulus** MEDIUM PRIORITY MEDIUM PRIORITY	Driving innovation and financial inclusion including wealth protection stimulates economic activity. This is a vital component to growing our footprint and driving our underlying performance as a brand.	▪ Reduction in revenue and profit to shareholders. ▪ Loss of license to operate due to inability to support government initiatives aimed at stimulating economic activities and GDP growth.	▪ Implementing systems that allow us to facilitate foreign direct investment and support the export and import of products. ▪ Tracking through our SEE pillars contribution to economic growth and beneficial contributions to the livelihoods of Kenyan and South Sudan citizens.	▪ Client focus ▪ Risk and conduct ▪ Financial outcomes ▪ SEE impact
5 **Client experience** HIGH PRIORITY HIGH PRIORITY	Client experience is a fundamental pillar which drives performance. This includes financial, employee, supplier and partnership performance.	▪ Reduction in revenue and profit to shareholders ▪ Reduction in client numbers. ▪ Reduction in market share. ▪ Inability to source strategic partnerships. ▪ Poor staff retention rates.	▪ Supporting clients, beyond the traditional banking propositions. ▪ Identifying a client's pain points and delivering appropriate solutions to respond to these. ▪ Ensuring optimal client experience when banking with Stanbic. ▪ Tracking performance closely to adjust approach to maximise outcomes.	▪ Client focus ▪ Risk and conduct ▪ Operational excellence ▪ Financial outcomes

2022 material issues	Description and context of issue	Impact	Treatment	Strategic priority impacted
6 **Shareholder returns** HIGH PRIORITY MEDIUM PRIORITY	This ensures we can continue to support an ever-increasing client base, sustained earnings to enhance share value over time.	▪ Not able to access funds for on lending to clients. ▪ Not being able to access funds to drive development of innovative solutions. ▪ Inability to entice new investors to the business. ▪ Not investing in our employees and system improvements.	▪ Robust governance processes in place to manage risks and liabilities across our value chain. ▪ Implementation and upgrades undertaken to our enterprise risk management system as required to reduce risks to the business. ▪ Providing training to staff and suppliers. ▪ Onboarding partners who are aligned to achieving the same levels of returns.	▪ Client focus ▪ Employee engagement ▪ Operational excellence ▪ Financial outcomes
7 **Business resilience** MEDIUM PRIORITY MEDIUM PRIORITY	Ability to withstand and recover from external and internal shocks including unanticipated changes enabling us to continue delivering results in an everchanging and complex global and regional environment.	▪ Not being able to respond timeously and adequately to shocks. ▪ Not having the skills required to respond to these changing needs. ▪ Our business model not being nimble enough to pivot to address new external shocks to the business. ▪ Loss of shareholder value. ▪ Loss of brand value. ▪ Loss of client experience. ▪ Erosion of trust in the business by employees, client and partners.	▪ Undertaking ongoing market research to track shifting trends. ▪ Active ongoing stakeholder engagement to ensure risk factors are understood and can be responded to timeously. ▪ Developing the right skills. ▪ Building resilient systems. ▪ Onboarding the right employees, suppliers, clients and partnerships to de-risk the business.	▪ Risk and conduct ▪ Operational excellence ▪ Financial outcomes
8 **Operational excellence** HIGH PRIORITY HIGH PRIORITY	Having the tools and skills in place to deliver on the strategy and enhance ongoing drives to improve efficiencies, client retention rates, and grow market share.	▪ Dependency on 3rd party partners and vendors for key deliverables and impact to Business. ▪ Cyber risk – every emerging threats from the geopolitical environment. ▪ Data management – compliance to data protection regulations in place, data capture gaps identified. ▪ Regulation/compliance – dynamic environment with changing requirements. ▪ Technology – Technical debt and system reliability and availability. ▪ Process gaps impacting service delivery and operational inefficiency.	▪ Increasing internal capacity and localization. ▪ Enhanced cyber monitoring and tooling. ▪ Data Governance, regular data clean up exercises. ▪ Improved system monitoring, end of life remediation. ▪ End to end process reviews and improvement for key Bank processes.	▪ Risk and conduct ▪ Operational excellence ▪ Financial outcomes
9 **Strengthening the brand** MEDIUM PRIORITY MEDIUM PRIORITY	Our Brand is one of the strongest assets of the Group as it espouses key attributes of excellence, stability, vitality and increasingly relevance.	▪ Loss of market share. ▪ Loss of trust. ▪ Difficulty in attracting skilled employees. ▪ Difficulty in attracting strategic partnerships. ▪ Inability to successfully roll out new products in the market.	▪ Tracking the brand strength in the market. ▪ Active stakeholder engagement to track brand health. ▪ Understanding the needs of our stakeholders. ▪ Building the right culture. ▪ Focusing on enhancing client and community experience in everything we do.	▪ Client focus ▪ Employee engagement ▪ Risk and conduct ▪ Financial outcomes ▪ SEE impact

2022 material issues	Description and context of issue	Impact	Treatment	Strategic priority impacted
10 **Governance** MEDIUM PRIORITY HIGH PRIORITY	Strong governance allows us to manage risks across our footprint and value chain and facilitates the predictability of returns to stakeholders.	▪ Erosion of value. ▪ Erosion of trust. ▪ Difficulty in attracting skilled employees. ▪ Difficulty in attracting strategic partnerships. ▪ Inability to entice investment. ▪ Regulatory sanctions impacting on brand and license to operate. ▪ Enhanced risks to clients through lack of data protection, and exposure to financial crimes.	▪ Observing best practice governance approaches and performance, above regulatory requirements and in line with multiple jurisdictions. ▪ Ensuring that the Group is ethical, transparent and accountable. ▪ Putting the client first, ensuring their interests are protected.	▪ Client focus ▪ Employee engagement ▪ Risk and conduct ▪ Financial outcomes
11 **External shocks Impacting the business** MEDIUM PRIORITY MEDIUM PRIORITY	Challenges emanating from both our global and regional context that impact on the Group and its ability to create value.	▪ Erosion of shareholder value. ▪ Loss of market share. ▪ Reduction in client experience. ▪ Inability to respond to stakeholder needs. ▪ Reduced momentum to grow. ▪ Reduction in revenue and profitability.	▪ Delivering on robust interventions if required to deliver on our strategy.	▪ Risk and conduct ▪ Financial outcomes ▪ SEE outcomes

Materiality heatmap





[1] Medium priority is defined through engagement with stakeholders and the business as falling within the 66th percentile with respect to the probability of impacting the realization of the business strategy if not managed correctly.
[2] High priority is defined through engagement with stakeholders and the business as falling within the 99th percentile with respect to the probability of impacting the realization of the business strategy if not managed correctly.
[3] Concentrated Impact is defined through engagement with stakeholders and the business as definitely impacting the realization of the business strategy if not managed correctly.

Our strategic outcomes

Client focus

Measure	Metric	2022	2021	2020	Benchmarks and targets
Our Strategic Outcomes	Overall NPS	38	36	31	Continually improve
	CIB CSI	8.4	8.2	8.2	Continually improve
	CHNW NPS	40	37	37	Continually improve
	BCC NPS	27	31	22	Continually improve

Employee engagement

Measure	Metric	2022	2021	2020	Benchmarks and targets
Employee engagement	eNPS Kenya	+35	+42	+41	Continually improve
	eNPS South Sudan	+54	+51	+37	Continually improve

Risk and conduct

Measure	Metric	2022	2021	2020	Benchmarks and targets
Responsible risk-taking	Core capital ratio	13.8%	15.3%	16.0%	Above minimum statutory ratio of 10.5%
	Total capital adequacy ratio	16.8%	17.3%	18.1%	Above minimum statutory ratio of 14.5%
	Liquidity ratio	45.2%	47.9%	56.4%	Above minimum statutory ratio of 20%
	Credit Loss ratio (CLR)	2.21%	1.4%	3%	<2.5%
	LCY NSFR – Net Stable Funding Ratio	173%	135%	131%	>102.5%
	FCY NSFR – Net Stable Funding Ratio	243%	201%	154%	>102.5%
Conduct index	Compliance training completion rate	98%	97%	97%	>98%

Our strategic outcomes (continued)

Operational excellence

Measure	Metric	2022	2021	2020	Benchmarks and targets
System security and stability	Overall system uptime	99.87%	99.53%	99.36%	Improved system stability, target 99.9%
	Core applications on cloud (%)	33	12	N/A	Improved system stability, target 99.9%
Lower cost to serve	Increase automation and digitization	16 legacy servers decommissioned	8 legacy servers decommissioned	N/A	90%

Financial outcome

Measure	Metric	2022	2021	2020
Tracking levels of profitability	Return on equity	15.3%	13.3%	10.3%
	Dividend per share	KShs 12.6	KShs 9.00	KShs 3.80
	Profit after tax	KShs 9.1bn	KShs 7.2bn	KShs 5.2bn
	Cost-to-income ratio	46.7%	50.9%	52.2%

SEE Impact

Measure	Metric	2022	2021
Socio-Economic	Funding for Infrastructure projects	KShs 15bn	KShs 3.8 bn
	Trade finance	76.4 bn	KShs 78.7 bn
	Funding for Sustainable Green projects	KShs 12.5 bn	KShs 6.5 bn
	Funding to SME	KShs 33bn	KShs 9.7 bn
	Funding provided to women run businesses	KShs 7.7 bn	KShs 3.4 bn
	Spend on health care initiatives (Cancer Sreening)	KShs 5.98 mn	KShs 7.8 mn
	Education sponsorships	KShs 2.5 mn	KShs 3 mn
Environmental	Waste recycled	50,041 kgs	48.56 kgs
	Carbon footprint	30,150 tons CO_2 Equ.	Not determined
	Energy consumption	1.5 million KWh	1.3 million KWh
	Water consumption	404 Kiloliters	Not determined

Our impacts

Economic

SEE Pillar	SDG	Targeted financial value to be created	Activities resulting in impact within the business and society
Financial Inclusion	SDG 8 Decent work and economic growth	▪ Higher levels of economic productivity through diversification, technological upgrades, and innovation.	▪ Ongoing digitisation of solutions, and implementation of innovative solutions to increase access to financial services. Includes extension of the agency banking network and introduction of shared spaces to enhance levels of financial inclusion.
Job Creation and enterprise development	SDG 5 Gender equality	▪ Effective participation of women.	▪ D.A.D.A proposition specifically tailored to women is now in its third year. It comprises financial and non-financial support and continues to empower women run business, enhancing job creation opportunities and economic stimulus.
	SDG 8 Decent work and economic growth	▪ Higher levels of economic productivity through diversification, technological upgrades, and innovation. ▪ Achieve pay parity.	▪ Empowering SMEs to transact digitally reducing their cost of operations and enhancing efficiencies. ▪ Maximising integration across value chains to fast-track purchase of goods, payments, and deployment of investments. ▪ Undertake salary benchmarking across the organisation and developing a strategy to ensure equal pay for equal work.
	SDG 16 Peace, justice and strong institutions	▪ Reduce illicit financial flows. ▪ Strengthen the recovery and return of stolen assets. ▪ Reduce corruption and bribery. ▪ Uphold effective, accountable and transparent institutions.	▪ Maintaining robust vetting of transactions, ensuring adherence to internal money laundering and anti-bribery policies. ▪ Active screening of clients against sanctions lists. ▪ Enforce regular audits and implement corrective measures identified by both internal and external audit teams.
Sustainable finance and climate change	SDG 10 Reduced inequalities	▪ Encourage official development assistance and financial flows, including foreign direct investment.	▪ Establish strategic partnerships to facilitate access to grant funding through Foundation activities. ▪ Provide network across the Standard Bank Group to allow for the easy transfer of funds between countries in the region and beyond.
	SDG 12 Responsible consumption and production	▪ Adopt sustainable practices. ▪ Integrated sustainability information into reporting cycles.	▪ Establishment of a standalone sustainability team to drive implementation of sustainable practices. ▪ Extending our reporting suite to include GRI aligned sustainability reporting and providing TCFD aligned content.
	SDG 13 Climate action	▪ Integrate climate change measures into policies, strategies, and planning.	▪ Implementation of a climate risk strategy, including risk rating of clients, alignment of governance and risk processes, setting metrics and targets to track implementation of the strategy.
	SDG 17 Partnerships for the goals	▪ Strengthen domestic resource mobilisation through improved domestic collection of tax and other revenue collection. ▪ Mobilise financial resources from multiple sources. ▪ Adopt and implement investment promotion regimes.	▪ Provide ongoing support to government in the collection and remittance of taxes from clients. ▪ Continue to leverage our brand and credentials to raise capital from multiple sources allowing continued on-lending to clients and the investment of additional enabling infrastructure. ▪ Promote Kenya and South Sudan, our home, to responsible direct capital flows.
Trade and investment	SDG 17 Partnerships for the goals	▪ Support the increase in exports.	▪ Maximising access to markets through leveraging the Standard Bank Group network and promoting trade through use of economic data shared with clients, and provision of services that facilitate FX trade and investment.
Health	SDG 3 Good health and well-being	▪ Achieve financial risk protection. ▪ Increase health financing.	▪ Diversification of insurance products to include health insurance, income protection and life cover.

Social

SEE Pillar	SDG	Socio-economic value created	Impacts Achieved
Financial Inclusion	SDG 5 Gender equality	▪ Increased access to financial services by women. ▪ Promote equal opportunity for leadership.	▪ Enable client appreciation of the Wealth Journey, through education and training programmes tailored to women.
	SDG 8 Decent work and economic growth	▪ Promotion of development-oriented policies to support productive activities of MSMEs. ▪ Expanding access to banking, insurance and financial services.	▪ SME growth due to interventions – grants, training, access to commercial loans. ▪ MSE growth due to interventions – revolving credit, training, access to commercial loans
	SDG 10 Reduced inequalities	▪ Promotion of diversity, equity and inclusion across our value chain. ▪ Promote equal access to economic resources.	▪ Products designed for the public good, aligned to needs observed in the market. ▪ Includes focus on women, SMEs, and clients in underrepresented and significant economic sectors such as agriculture, oil and gas.
Job Creation and enterprise development	SDG 8 Decent work and economic growth	▪ Promotion of development-oriented policies to support productive activities of MSMEs. ▪ Empower youth through employment, education and training. ▪ Protect labour rights.	▪ Targets set to providing lending to MSMEs, supported through Foundation activities allowing for additional training and development of MSMEs (including youth and women run businesses) promoting business growth. ▪ Screen clients prior to lending to ensure labour practices deployed are aligned to international best practice principles. ▪ Ensure the Group upholds labour rights across its footprint.
	SDG 10 Reduced inequalities	▪ Promotion of diversity, equity and inclusion across our value chain.	▪ Targets set in the business to empower women, with specific leadership training provided to empower women. ▪ Looking at diversity within the supply chain, and across the client base to ensure equitable access and inclusion through launch of tailored programmes.

Social

SEE Pillar	SDG	Socio-economic value created	Impacts Achieved
Sustainable finance and climate change	SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	▪ Promote procurement practices that are sustainable.	▪ Regularly assessing supplies to the Group to ensure they are sustainable. Providing support where needed to improve on levels of productivity and adherence to the Stanbic Code of Conduct. ▪ Screen management protocols of clients in regard to their suppliers during lending to ensure there are no unforeseen supplier-related risks which could affect the client and change its risk profile over time.
	SDG 13 CLIMATE ACTION	▪ Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.	▪ Develop green products tailored specifically to promote the strengthening of resilience and adaptive capacity to climate-related hazards and natural disasters. ▪ Screen clients prior to lending to ensure they have considered climate risk factors in their risk management processes and have responded appropriately to mitigate these risks.
	SDG 17 PARTNERSHIPS FOR THE GOALS	▪ Foster debt financing, debt relief and debt restructuring, and reduce debt distress. ▪ Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the Sustainable Development Goals.	▪ The Group implements strict screening protocols for clients to avoid over indebtedness. However, in the event that a client is in financial distress, Stanbic provides debt restructuring, offering terms that ease repayment and reduce level of default. ▪ The Group will continue to develop strategic partners either to raise capital that is deployed through lending products, or to facilitate implementation of programmes through the Foundation aimed at aligning outcomes targeted under the Kenyan Governments Big 4 Agenda, as well as the Group's commitment to contributing to the Sustainable Development Goals (SDGs).
Education	SDG 4 QUALITY EDUCATION	▪ Facilitate equal access to affordable and quality high school education. ▪ Increase the number of youth who have skills for employment and entrepreneurship. ▪ Build and upgrade educational facilities that provide safe, nonviolent, and effective learning environments. ▪ Expand scholarships available for enrolment in education.	▪ Enhanced retention rates of students at school through scholarships and feeding schemes deployed. KShs 2.5 million spent on education to support needy children. ▪ Enhanced levels of computer literacy in marginalised communities, creating online job opportunities. Facilitated through partnerships with government agencies.
Health	SDG 3 GOOD HEALTH AND WELL-BEING	▪ Reduce premature mortality from non-communicable diseases through prevention and treatment.	▪ Facilitating early detection of cancer through cancer screening across seven Counties in Kenya free of charge. ▪ Sharing of awareness information on early detection through cancer screening.

Environmental

SEE Pillar	SDG	Environmental value created	Impacts Achieved
Sustainable finance and climate change	SDG 7 AFFORDABLE AND CLEAN ENERGY	▪ Promote investment in energy infrastructure and clean energy technology.	▪ Develop green products tailored specifically to promote the use of energy efficient infrastructure and clean energy technology.
	SDG 8 DECENT WORK AND ECONOMIC GROWTH	▪ Improve resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.	▪ Screen clients against their energy efficiency in consumption and production and educate them as to how implementation of these measures can drive cost reductions, operational efficiencies and de-risking the business.
	SDG 11 SUSTAINABLE CITIES AND COMMUNITIES	▪ Through financial assistance build sustainable and resilient buildings utilizing local materials.	▪ Rolling out IFC edge certification for the Group's' premises and branches where possible and educating clients to promote sustainable and resilient buildings. ▪ To provide funding to clients looking to implement these initiatives.
	SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	▪ Achieve the sustainable management and efficient use of natural resources. ▪ Reduce waste production. ▪ Encourage companies to reduce waste generated. ▪ Encourage companies to adopt sustainable practices. ▪ Encourage companies to integrated sustainable information into their reporting cycle.	▪ Develop green products tailored specifically to promote the sustainable management of natural resources and reduction of waste. ▪ Encourage the collection and tracking of information which promotes the reduction of energy, water, and waste. ▪ Educate employees on sustainable practices and strive to achieve IFC Edge certification of premises to allow for the monitoring and external verification of our performance in reducing our footprint. ▪ Disclose our performance in this area annually through our sustainability report.
	SDG 14 LIFE BELOW WATER	▪ Reduce marine pollution. ▪ Screen against and prohibit lending and support to clients who implement certain forms of fishing which contributes to overfishing.	▪ Through grant funding and leveraging strategic partnerships we have launched a blue economy agenda to facilitate the reduction in adverse impacts on marine habitats. ▪ We will provide education to clients as well as funding to activities aligned to achieving our objectives under this initiative. ▪ Clients are to be screened using our exclusion list to ensure they are not participating in activities that promote fishing using techniques which promote overfishing.
Infrastructure	SDG 7 AFFORDABLE AND CLEAN ENERGY	▪ Improve energy efficiency. ▪ Expand infrastructure and upgrade technology for supplying modern and sustainable energy services.	▪ Develop green products tailored specifically to promote the use of energy efficient infrastructure. ▪ Lend funds to businesses in the energy sector to facilitate the upgrade of technology to supply modern and sustainable energy services.
	SDG 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	▪ Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes. ▪ Facilitate sustainable and resilient infrastructure development through enhanced financial, technological and technical support.	▪ Provide funds to businesses to upgrade infrastructure and retrofit industries to make them sustainable. ▪ Assist clients through lending and technical support to develop sustainable and resilient infrastructure.
Education	SDG 4 QUALITY EDUCATION	▪ Ensure learners acquire the knowledge and skills to promote sustainable development.	▪ Proactive screening and upskilling of clients to educate them around sustainable business practices.
Health	SDG 3 GOOD HEALTH AND WELL-BEING	▪ Reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	▪ Proactive screening and upskilling of clients to educate them around the impact of pollution associated with their activities. ▪ Enforcing best practice to access borrowing facilities enabling the changing of behaviour across high-risk sectors.

DELIVERING OUR STRATEGY

KENYA/SOUTH SUDAN
IS OUR HOME,
WE DRIVE HER GROWTH

Client focus

Being client focused underpins everything we do. Our culture, systems and products are aligned to ensure delivery of optimal value to clients. Being client focus drives employee wellbeing by contributing to working for a purpose, operational excellence as we keep the client in mind when designing products and systems, risk and conduct as we ensure our clients are protected. The approach to value creation within the Group holds us accountable to doing so based on best practice approaches, balancing shareholder returns with being able to benefit society.

Capitals Deployed	How the Capital is leveraged	Benefits or Trade-offs required	Societal benefit
Human Capital	▪ Our employees are the main face to face interface the Group has with clients. ▪ Employees through engagement with clients have the ability to identify opportunities to on sell with a focus on opportunities to grow our client's wealth, de-risk their businesses, and generate additional value for the group.	▪ Being client focused allows us to grow our brand recognition and social license to operate across our markets. ▪ Growth in our client base, loans disbursed and deposits enhances our levels of financial capital available to redeploy into the business to generate additional value.	▪ Client wealth creation and protection. ▪ De-risking our clients for future economic shocks.
Manufactured Capital	▪ Our physical infrastructure such as branches, banking applications, ATMs and POS machines are leveraged to deliver our products and services to clients. ▪ Our internal systems including data centres, ICT infrastructure is leveraged to ensure optimal levels of uptime and access to our solutions by clients.	▪ Our employees are required to maximise the outputs of our physical infrastructure and internal systems. ▪ They require training to utilise this infrastructure and systems to generate optimal outputs.	▪ Enhanced access to financial services by our clients.
Social Capital	▪ We leverage our brand to promote financial fitness amongst our client base.	▪ We build our brand recognition in the market, resulting in client referrals, which grows our loans and deposits, positively impacting our financial performance as a Group.	▪ Enhanced level of community engagement and financial fitness

What success looks like

Building on the drive to deliver increased levels of efficiency and seamless integration of existing solutions, in 2022 the Group consolidated efforts to deliver a pan bank approach to servicing our clients thereby solutioning for clients holistically.

How we measure progress

To aid us in understanding how satisfied our clients are with our service and to improve on areas of specific concern, internally facilitated client surveys, appropriate for each business line, are conducted throughout the year. Key metrics used to measure our performance include:

Net promoter score (NPS)

NPS indicates the likelihood of a client recommending Stanbic to their friends, family and others. It is calculated by subtracting "detractors" from "promoters". This value can range from -100 (if every employee is a detractor) to +100 (if every employee is a promoter).

Although the NPS score measures the distribution of promoters, insights gained from the responses of detractors and passives and clients who are satisfied but not necessarily enthusiastic, are also assessed for further action.

Client satisfaction index (CSI)

CSI measures the extent to which our clients are satisfied with the service we provide. This is calculated using a ten-point rating scale.

Active client numbers

Growth in client numbers is important to demonstrate our ability to attract new clients to the Group. This is also a measure of the success of our products on offer and how well they are suited to meeting the needs of our clients.

Ability to on sell

Ensuring our clients are leveraging all the Group has to offer requires a concerted effort by Stanbic to remain client focused, introducing clients to all facets of the business.

Uptake of products in the market

We have launched tailored products into the market aimed at servicing groups who traditionally have struggled to access financial services. Tracking the uptake of these products informs our approach to further support these segments, and how best to approach the launch of new tailored products to market in the future. Growth in loans indicates we are attracting the right clients who meet our credit risk profile, and by increasing our deposits we have instilled trust in our client base.

Summary of our key metrics

The value created across business lines through this approach to the market facilitated strong ties being forged between these units, enabling growth in levels of client engagement, opportunity identification and on selling. This further grew our revenue line and enhanced levels of client retention.

Metric	2022	2021
NPS	38	36
CSI	8.4	8.2
Number of total customer base (YoY growth)	19%	20%

In Kenya, ongoing product innovation in insurance, vehicle asset finance, everyday banking, home loans and cards, have extended our reach in the market. We have ensured all products are universal, focused on the optimisation of client experience, allowing us to win back market share. In Kenya our clients are becoming more sophisticated, wanting higher yields which has led to a focus on building portfolios which tap into the equity markets, promoting returns through primary and secondary bond yields. This product offering was specifically targeted at international and business clients. Overall, the approach to the market was to drive growth and scale, this meant ensuring solutions were competitive and easy to consume by our clients and added value along the client's journey towards wealth creation.

In South Sudan, the focus in the year was the roll out of digital banking solutions to corporate clients, which saw more than 80% of clients transition to online banking platforms. Although banking is new across South Sudan, and clients are used to coming into the bank to carry out transactions, this transition has seen an improvement in the levels of service we have been able to offer to clients. This has come through in the marked improvement of our CSI survey in 2022.

Ongoing focus to better support our Corporate clients is to facilitate banking of their suppliers through our Integrated Financial Services Organisation (IFSO) solution. The Group is actively developing solutions for the broader Corporate client ecosystem. This includes the development of tools to support corporate clients through the deployment of an ecosystem model. The focus is also on the provision of lending, insurance and other similar facilities aimed at optimizing our client's ability to service their full value chain.

Performance of our client facing units and on selling

Our interface with our clients is promoted through three separate client facing units. Key performance outcomes for each unit are summarised as follows:

Metric	2022	2021
CIB		
Loans and Advances	KShs 144.4 billion	KShs 99.5 billion
Deposits	KShs 132.5 billion	KShs 113.3 billion
Letters of Credit	2,747	2,707
Guarantees	69,513	71,589
BCC		
Loans and Advances	KShs 38.7 billion	KShs 35.7 billion
Deposits	KShs 65.4 billion	KShs 56.5 billion
Letters of Credit	286	1,197
Guarantees	3,303	2,860
CHNW		
Loans and Advances	KShs 52.8 billion	KShs 50.1 billion
Deposits	KShs 73.7 billion	KShs 72.5 billion
Letters of Credit	0	16
Guarantees	585	344

Corporate and Investment Banking (CIB)

CIB's client focused strategy enabled the Group to achieve growth in balance sheet. CIB loans grew by 45% and deposits by 17%. CIB's strong relationship with clients is demonstrated through ongoing engagement during the year at forums and through organic outreach, where clients including state owned enterprises reached out to get advice on macro-economic trends in the market. Leveraging the Group's in-house economists allowed us to assist in de-risking our clients, providing insight into where they should invest and how to protect their wealth in an inflationary economic climate.

Through this relational approach we are also involved in green financing including climate related transactions in line with our strategic imperatives to support businesses with strong ESG credentials.

Our commitment is to be at the forefront in solving challenges, solutioning opportunities and driving the future for Kenya and South Sudan. The nature of our segment positions us to deliver on societal impact. We will continue to be innovative and pioneering in products and structures like the roads program, our partnership with the Moja Expressway, and our landmark transactions with Kenya Ports Authority.

In South Sudan, we introduced mobile banking to our clients. Uptake in the market was slow, with only 1,800 clients being onboarded as preference is still heavy on brick-and-mortar banking. The focus in 2023 will be to roll out additional financial literacy training to try and address this limitation. To respond to the need for a physical touch point an additional ATM was installed for use by clients in South Sudan, this brings the total ATMs to 5 in country with a 6th proposed for 2023.

Business and Commercial Clients (BCC)

BCC is capacitated to support critical economic growth in Kenya and South Sudan supporting various sectors of the economy. Although no new solutions were rolled out in 2022, existing solutions showed significant growth in client numbers and activities, specifically in the Kenyan market.

Loans and advances increased to KShs 38.7 billion up from 35.7 billion in 2021. A large part of our support goes to the agriculture sector. Improved engagement with the SME sector and women-led businesses saw an increase in uptake of propositions tailored for these client segments, with strong growth in the M-Jeki proposition.

Consumer and High Net Worth (CHNW)

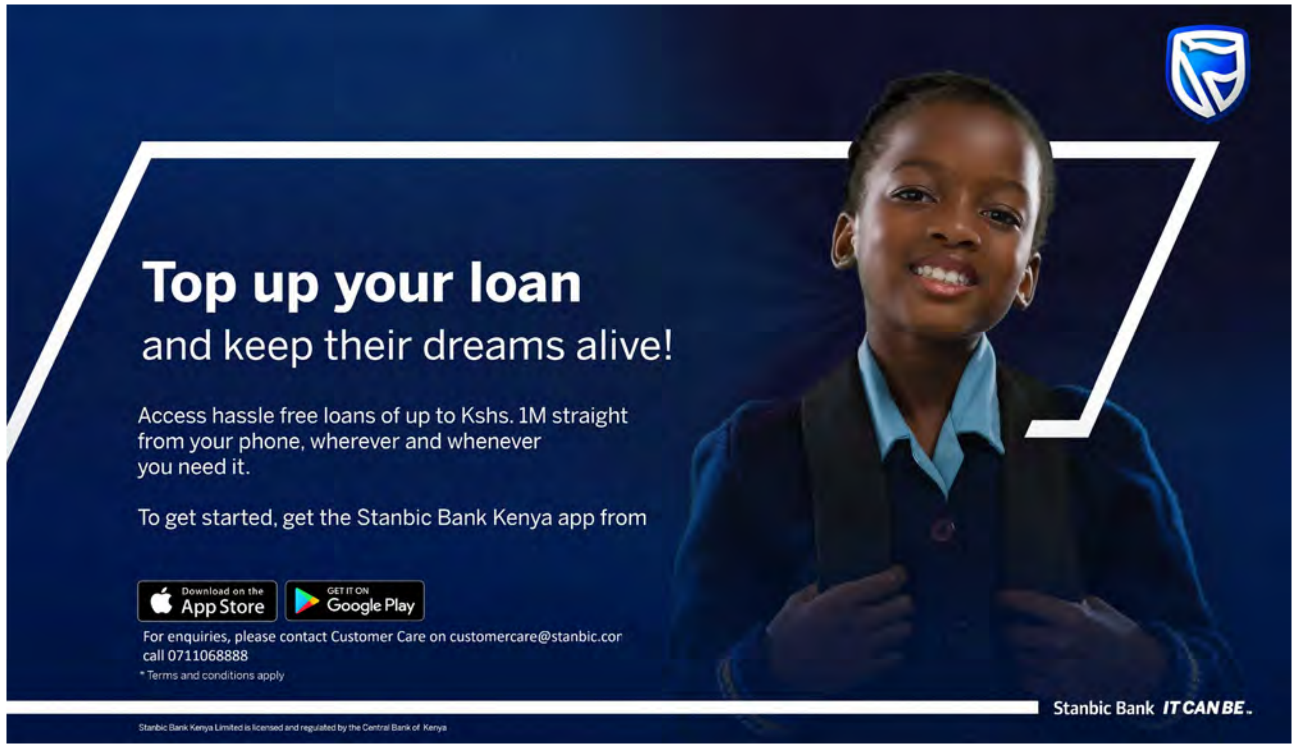
As a business line CHNW has built trusted relationships with clients. By combining a human touch with digital enablement, our client facing teams offer both a personalised service and improved efficiencies. On many fronts, the year has seen advancement. The first is the 13% increase in active CHNW client numbers and a 30% increase in client value addition achieved through cross-selling. Working through partnerships we continue to enjoy deposit and credit growth. Agency Banking noted a fivefold growth in client numbers as we closed on our partnership with Post Bank.

We continued to drive digitisation with over 95% of clients now onboarded digitally. The re-activation of dormant account has also now been made possible by linking the clients account to their Mpesa account.

Creating wealth and protecting wealth are key to clients in this segment. The provision of insurance cover helps our clients to protect their wealth created. Extending support to investment instruments and creating the means to acquire new assets to build wealth has been key.

We note increased competition through the introduction of MNOs and other digital lenders, this did slow down in 2022 with the promulgation of new regulations to try and manage the activities in this space, however after an adjustment period activity has picked up again.

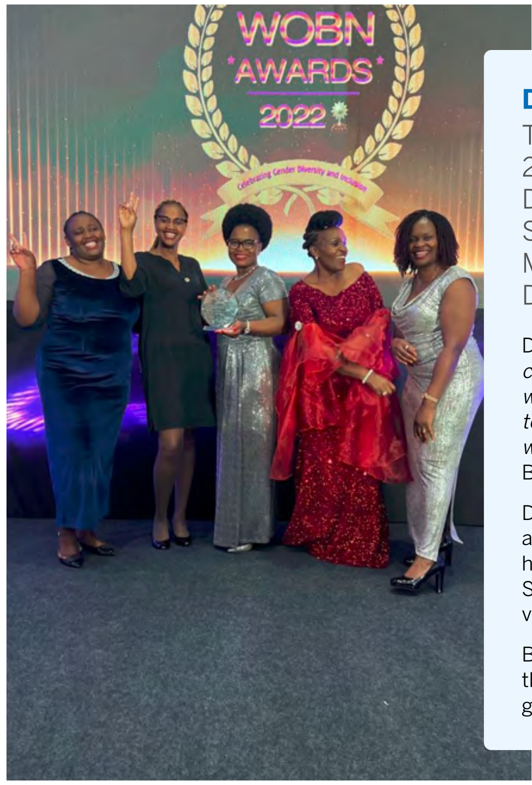
Metric	Focused client demographic	2022	2021
Mjeki Digital distributor financing loans	SMEs	**KShs 28.7 billion**	KShs 20.6 billion
D.A.D.A Proposition	Women	**KShs 7.7 billion**	KShs 3.6 billion



"As the board we have developed a policy which outlines our approach to supporting women. This is reflected by our D.A.D.A proposition which well known in the market. We are proud of the impact we are having in the lives of women in our communities."

Rose Osoro
Non-Executive Director

Overview of flagship products on offer in the market



D.A.D.A Proposition

TO DATE, STANBIC BANK KENYA HAS COMMITTED KSHS 20 BILLION (APPROXIMATELY US$ 185 MILLION) TO D.A.D.A TO FINANCE WOMEN. AS OF JANUARY 2023, AND SINCE THE D.A.D.A PROPOSITION WAS LAUNCHED 41 MONTHS AGO THE TOTAL NUMBER OF NEW BANK D.A.D.AS WAS 53,000.

Dare to Aspire, Dare to Achieve (D.A.D.A) is more than banking. *"We have created purposefully designed platforms and policies that provide women and women-owned enterprises with access to products and services, enabling them to better participate in economic opportunities. We believe that these initiatives will promote the overall well-being of society," said Silpah Owich*, Head of women Banking at Stanbic Bank Kenya.

During the 2022 National Diversity and Inclusion Awards & Recognition (DIAR) annual Awards that recognize organizations, institutions, and individuals who have excelled in mainstreaming and championing Diversity and Inclusivity, Stanbic Kenya won in the Best Impact Investing Initiative category for its D.A.D.A value proposition.

By giving women increased access to capital, as well as capacity building through education and business mentorship, this solution specifically addresses gender inequality.

SEE focus area supported

SDGs supported

3 Good health and well-being · 4 Quality education · 5 Gender equality · 6 Clean water and sanitation · 8 Decent work and economic growth · 9 Industry, innovation and infrastructure · 10 Reduced inequalities

Insurance

Bundled solutions & Education

Bundled solutions allow women to get various forms of cover under one policy. From as little as KShs 1300 per month an individual can get personal accident cover, life cover, domestic/home insurance and funeral cover. As a D.A.D.A you can access business insurance, medical and motor insurance as well as education protector cover based on a child's annual school fees in the case of death or disability.

Borrowing

Private and Business Borrowing

A KShs.20 billion loan kitty is available for women with viable business plans in enterprises of all sizes in the formal and informal sectors in Kenya.

Personal unsecured loans issued under D.A.D.A allow women to choose the product that suits their needs.

Asset Finance

Vehicle and Mortgage Finance

100% short and medium term finance is provided to purchase movable assets such as motor vehicles for personal use.

105% Mortgage finance provided to women, with loan tenure of up to 25 years with a minimum loan value of KShs 1 Million.

Save and Invest

Wealth Management

There are three savings account options, Fixed Deposits, Call Deposits and a PureSave Account. A D.A.D.A account give up to 6% per annum on every shilling saved.

As a D.A.D.A you can invest locally or internationally. Stanbic provides guidance to D.A.D.A members on where and how to invest. Personalised advice is provided on where to invest and how to track how an individuals money is growing.

Group Lending

Chama

Track record of chama's are deduced through provision of statements, this allows lending facilities to be advanced to these groups to further their development activities.

Capacitation

Financial Fitness Academy

Education and information on financial products and processes is provided through participation in programs and forums that provide women with the tools needed to grow and succeed in business.

Networking, is provided to women in business through forums. These sessions provides opportunities for mentorship and much needed access to markets.

Wellness is promoted through providing access to wellness sessions conducted by healthcare professionals. These sessions take the form of talks, forums or health screening events.

M-Jeki

M-JEKI IS A DIGITAL DISTRIBUTOR FINANCE SOLUTION FOR SMES CUTTING ACROSS TELECOMMUNICATIONS, OIL AND GAS AND MANUFACTURING TO BOOST WORKING CAPITAL NEEDS.

M-JEKI provides working capital to SMEs

Key Outcomes for 2022

- Loans issued: KShs 28.7 billion (2021 KShs 20.6 billion)

SEE focus area supported

SDGs supported

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES

Chama app

THE CHAMA APP ALLOWS FRIENDS AND FAMILIES TO SAVE TOGETHER

The App allows ease of transfers using Mpesa. Money can be transferred from an individual's personal wallet to Mpesa and the client can also withdraw from Mpesa.

Key Outcomes for 2022

- After launch late last year we have 3,650 users of the application by the end of the year.

SEE Focus area supported

SDGS supported

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES

KMRC
KENYA MORTGAGE REFINANCE COMPANY

SEE focus area supported

SDGs supported

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 17 PARTNERSHIPS FOR THE GOALS

Building Wealth:

Supporting access to affordable housing

A MEMORANDUM OF UNDERSTANDING WAS SIGNED WITH A CONSORTIUM OF PARTNERS, TO EXPAND ACCESS TO AFFORDABLE HOUSING FINANCING SOLUTIONS.

Under the MOU, Affordable housing loans are extended to Primary Mortgage Lenders to re-finance mortgage loans capped at KShs 6 million in the Nairobi metropolitan area (Nairobi, Kiambu, Machakos & Kajiado) and KShs 5 million elsewhere to individual borrowers whose monthly household income is not more than KShs 150,000.

Stanbic is working with Superior Homes Kenya, Avic International Real Estate Ltd and Safaricom Staff Pension Scheme Registered Trustees. This partnership strengthens the Group's ability to provide clients with a wide range of properties to choose from. Mortgages provided are competitive, aimed at first time homeowners, and those looking to purchase affordable homes (capped at KShs 6 million).

Through affordable housing, we issued loans worth KShs 267 million to enable Kenyans acquire homes.

"As a board, we are conscious of safeguarding the business and always track continued growth in market share. This requires us to focus not only on how we operate in the market but also on what our competitors are doing."

The Board

Deepening our brand

IN 2022, WE WERE RECOGNISED FOR OUR EFFORTS IN ENHANCING ACCESS TO FINANCIAL SERVICES, AND OUR ABILITY TO DELIVER WORLD CLASS SOLUTIONS WHICH FACILITATED FINANCIAL INCLUSION AND WEALTH CREATION.

We have been recognised for the fourth year in a row by Euromoney as the best investment bank, and by GTR Leaders in Trade as best trade finance bank in Kenya.

Stanbic was awarded the 2022 KEPSA Gender Mainstreaming Award from The Women on Boards Network (WOBN). The WOBN Awards celebrates gender parity, recognizes excellence in boards service and in the development of women's potential at all levels. The Award also honours individuals and companies that have made significant contributions towards gender diversity and inclusion.

During the 2022 DIAR annual awards that recognize organizations, institutions, and individuals who have excelled in mainstreaming and championing Diversity and Inclusivity, Stanbic Kenya won in the Best Impact Investing Initiative category for its D.A.D.A platform.

Stanbic Kenya won the overall award for the Financial Reporting Awards (Fire Awards 2022), as well as awards for being the best in Kenya, best bank, best listed company and best in IFRS reporting categories.

What are we known for?

Best Investment Bank in Kenya 2013 - 2022	**Best Trade Finance Bank in Kenya** 2016 - 2022	**Best Private Bank in Kenya** 2017 - 2019
Best FX provider in Kenya 2014 - 2018	**Best Corporate Bank** 2016 - 2017	**Safest Bank in Kenya** 2017 - 2018

2022
Accolades

KEPSA Gender Mainstreaming Award
The Women on Boards Network, 2022

Kenya's Best Investment Bank
Euromoney 2022
(4th time in a row)

Financial Leadership Award Winner
Women Business Awards 2022

Financial Reporting Awards (FIRE Awards, 2022)
- Overall Winner
- Best in Kenya
- Best listed company
- Best Bank
- Best in IFRS reporting

Best Sub-Custodian Bank in Africa 2022

Best Trade Finance Bank in Kenya
GTR 2022

Employee engagement

Our capacity to provide value to stakeholders and to implement our strategy depends on the quality of our people and their commitment to our strategic objectives. They are central to our human and social capital, and it is through their efforts that we achieve our outcomes, forge relationships, and uphold our reputation.

Capitals Deployed	How the Capital is leveraged	Benefits or Trade-offs required	Societal benefit
Financial Capital	▪ Budget is allocated annually to ensure ongoing development of staff and investment in their overall wellbeing.	▪ Deployment of capital is required to empower our employees, this investment results in growth in loans and deposits, reduction of risks, allowing us to improve the quality of our book.	▪ Well-equipped employees better understand the needs of clients. ▪ Employees can advise clients using tailored solutions that respond to their needs.
Social Capital	▪ We leverage our brand to attract talent. ▪ We leverage our license to operate to drive the required culture change required to execute our strategy. ▪ We leverage our license to operate to acquire market intelligence allowing us to innovate and know what the client needs.	▪ Financial capital allows us to engage with the market through bespoke marketing campaigns and to invest time spent to innovate products. ▪ Intellectual capital is leveraged to position our brand in the market, entice the required talent, and assimilate the information collected through engagement to innovate new products.	▪ Employees who understand our brand promise identify opportunities to innovate in the market. ▪ Growth of the business means more opportunities to employ talented people from our communities.
Human Capital	▪ Employees are leveraged to provide training and capacitation. ▪ Through engagement employees define their own career development objectives. ▪ Our talent is utilised to attract new talent, and to promote the required company culture needed to realise the strategy.	▪ With the lack of talent in the market, training and capacitation of staff can result in talent once upskilled being enticed to work elsewhere in the market. ▪ Well trained and capacitated staff help us grow our loan book and deposits improving our financial outcomes.	▪ Ensuring the holistic wellbeing of our employees translates into enhanced levels of client protection, and client experience.

What success looks like

We are considered a great place to work, and our people feel deeply connected to our purpose, their colleagues and our clients.

Our people:

- Are empowered to and recognised for delivering against our strategic priorities, and being client centric in everything they do.
- Make the most of every opportunity to embrace new ways of working and learn new skills to remain relevant in a changing world of work and achieve their full potential.
- Are encouraged to speak up and feel heard when they voice their views.

How we measure progress

Our anchor measure of employee engagement is our eNPS – an indicator of how likely an employee is to recommend Stanbic as a good place to work. We measure eNPS annually through a survey of our people's perspectives and opinions, using the following indicators:

Employee net promoter score (eNPS)

Calculated by subtracting the percentage of survey detractors from the percentage of promoters. This value can range from -100 (if every employee is a detractor) to +100 (if every employee is a promoter).

Although the eNPS score measures the distribution of promoters, insights gained from the responses of detractors and passives and employees who are satisfied but not necessarily enthusiastic, are also assessed for further action.

Employee turnover

Employee turnover measures the percentage of employees who left our employ during the year.

Diversity and inclusion

Measures the representation of people from under-represented groups and also assesses their qualitative experience of the work environment through an in-depth analysis of the employee survey results.

Gender equity

Measures the representation of women in senior management and executive positions across the Group.

Metric	2022	2021
eNPS (Kenya)	+35	+42
eNPS (South Sudan)	+54	+51

Kenya eNPS declined year on year although it remains positive. The Group is working on understanding the key areas of concern and design interventions to improve the issues raised.

People strategy

Our people strategy is centred on four collective priorities:

Our four collective priorities

1. Fostering truly client and partner centric mindset and behaviours amongst all our people
2. Accelerating leadership effictiveness to create the ideal conditions to transform the business and deliver on the promises we make to our people and our clients
3. Enabling the workforce of the future that will ensure that we find and keep the right people with the right skills
4. Delivering People & Culture services to create sustainable value for our clients and our partners

To maintain and enhance our core people solution and deliver a great employee experience, we have chosen four key facets:

Sustaining momentum on effective excution

- Supporting **holistic employee wellbeing** to build our people's relilience
- Ensuring clarity in **decision making and accountablity** and enabling **collaborative ways of working**
- Experimenting with **innovative solutions** to support strategy execution
- Making **effective use of data** and insights for **sound decision-making**

Maintaining and enhancing our **core People Solutions** to deliver a **great Employee Experience**

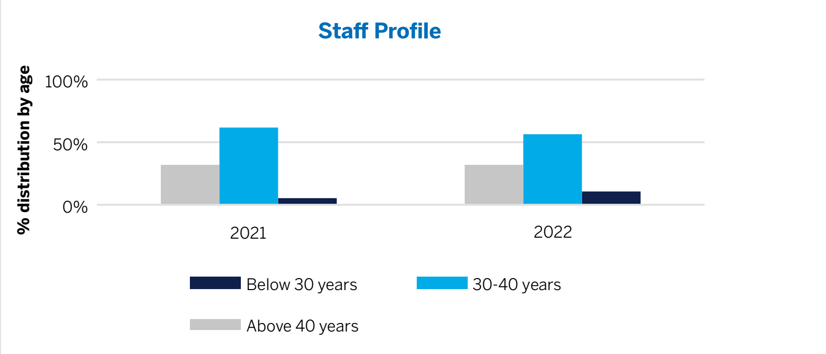
Summary of our key metrics

Across the group total permanent employees increased by 40. Gender parity across the employee base has stayed constant, with a drop in female representation on board level in 2022. The number of contract staff has decreased year on year with commission-based earners increasing by 105% during the same period.

Metric	2021	2022
Permanent Employees	1005	1045
Gender Parity	47% Female (469)	48% Female (500)
	53% Male (537)	52% Male (545)
Contract & Commission Earners Employees	Contract: 44	Contract: 29
	Commission Earners: 38	Commission Earners: 77
Gender Parity in Senior Management	36 Female (41%)	36 Female (40%)
	51 Male (59%)	55 Male (60%)
Gender Parity on the Board	5 Female (56%)	3 Female (33%)
	4 Male (44%)	6 Male (67%)
Employees living with a disability	3	4
Age Breakdown	Below 30 years (6%)	Below 30 years (6%)
	30-40 years (62%)	30-40 years (58%)
	Above 40 (32%)	Above 40 (35%)
Management	Management 41% (408)	Management 40% (423)
Non-Management	Non-Management 59% (598)	Non-Management 60% (622)
New Hires	69	150
Exits	50	110
Total employee turnover rate	5.95%	11%
Voluntary regrettable turnover	1.14%	3.02%

Staff profile

Our staff profile is starting to shift with new hires allowing us to bring in younger talent, responding to the need to service our clients differently, and for the business to respond to the need to work in a more digitally inclined workplace.



Gender equality

The Group has a programme intended to deliberately enhance gender equality. Gender parity stands at 52% male and 48% female.

Creating employment

In 2022, 150 new employees joined the Group. We improved how we onboard employees which had previously not been as well defined. Intakes were reduced to two times per month, the programme was streamlined and incorporated a five day learning program. From an administrative perspective, the Group ensures that all new employees are catered for from day one.

Protecting our people

In February, the Group effected a return to office policy for all employees. Pursuant to this, attention was focused on key aspects of employee wellness. 16 webinars were run aimed at empowering our people with information and expertise to address wellness aspects. The Group encourages active living and even participated in the interbank sports competition held by the Kenya Institute of Bankers (KIB).

Employee engagement

The Group ran Come Tubonge sessions in partnership with other business units. These are connect sessions where management sit with employees in a town hall to discuss topics of interest e.g. strategy, client experience, giving feedback from clients to illustrate concepts. It is an interactive programme where staff can receive real time responses to their queries.

The Group also launched an internal weekly newsletter to keep people informed of internal movements like who's leaving, who's joining, and any internal vacancies. There is a Learning and Development (L&D) section included in the newsletter, where Stanbic circulates different training content aimed at equipping employees to become future ready.

Learning and development

Learning and development was a big highlight of the year. The Group's aim was for all employees to undertake at least 40 hours of training. This was surpassed at 56.7 hours per person.

Various types of trainings were conducted including current role training, future jobs training, classroom training, and online training. Mentoring and coaching was also provided to staff to facilitate ongoing career development and alignment to the Group's strategy.

The training provided is summarised by focus outcomes as follows:

Metric	2022	2021
E-Learning – Personal	**15%**	15%
E-Learning – Career	**15%**	20%
E-Learning – Strategic Training	**70%**	65%
Virtual/Classroom – Personal	**20%**	10%
Virtual/Classroom – Career	**10%**	5%
Virtual/Classroom – Strategic Training	**70%**	85%

Our key training metrics by spend and hours are summarised as follows:

Metric	2022	2021
Amount Invested	**KShs 54.71 million**	KShs 43.28 million
No. of Hours Training	**Total 61,412**	Total 72,757
annual Average Learning hours	**56.7 hours on average per employee**	70 hours on average per employee
Employees Trained*	**Instructor led – 1,188**	Instructor Led – 1,604

Overview of some of the training provided:

Super leaders and KATA Masters training **87 employees**	CE Future Leaders programme **24 employees** graduated in 2022	Future ready foundation modules **290 employees**
Image and Etiquette for relationship managers **43 employees**	Professional Client Communication Phone and Email Etiquette training **379 employees**	Trade Finance Specialist Certification **13 employees**
MS Excel, Effective Presentation and PowerPoint **15 employees**	Teller foundation programme to build capabilities to serve our clients and mitigate business risks. **37 employees**	Monthly career coaching and mentoring session **410 employees** certified to provide this support.

Future leaders programme

The Future Leaders Programme is an experiential training for employees with potential for advancement under the auspices of the Chief Executive of the Bank. It included theoretical and experiential learning from various industry experts and sharing of knowledge and lessons by Stanbic senior management. By grooming future leaders, the Group creates a pipeline of leaders who can be positioned for progression as part of our overall succession planning initiatives. The choice of participants took cognisance of diversity and inclusion focusing on diverse set of skills across different units and gender diversity.

Reflections of what I learnt from the CE future Leaders programme

Kelvin Kuria Ndung'u

Senior Manager, Brand & Marketing

As future leaders, we face crossroads that require sound counsel. Through the things we learned from seasoned leaders curated for us by our former Chief Executive Charles Mudiwa and based on their experiences, we were able to appreciate the process they had been through, journeys they had experienced, as well as bends and turns that we are required to take on those very roads we aspire to tread on.

You must be a master of leading yourself first before leading a team/enterprise/business and ecosystem. Your character should be known for one thing. Knowing your purpose, values, having a personal style, substance and communication style that delivers your core message will define how your team will see you when you show up. Personal discipline, ability to execute and personal integrity being critical to be a better leader and truly human.

We learnt to be present and build our roads today because tomorrow's ground is too uncertain for plans. If you are still talking about what you did yesterday, you haven't done much today.

We heard; pursuit for excellence is life long, you can be forgiven for the biggest mistakes if you are known for consistency. Ambitions you set for yourself should scare you. You must strive to be able to perform your duty and the duties of those who are two levels above you.

Your role as a leader is to make things simpler to the lowest denominator for your team. What we have done for ourselves dies with us, what we have done for others and the world is immortal. Be your own cheerleader. Do not wait for someone to bring you flowers. Plant your own garden and decorate your soul.

To fully appreciate the comforts of heaven it helps to experience the fire of hell. As a leader you will fail, and you must innovate in leadership through rising in failure. If you stop making mistakes, then you stop growing.

Separate signal from noise. Properly attended to, delight as havoc is suggestion. Keep your eye on the details but don't fail to connect the dots to the bigger picture.

Finally, the gospel of light is the crossroads of indolence or action. Be ignited or be gone.

Being part of this programme has impacted me greatly. I have learnt to:

1. Put reins on my thinking as what you think determines how you act and what you achieve. So, I have been working hard in controlling my thoughts and letting them into my head on invitation only.
2. I have come to terms finally that pursuit for excellence is lifelong. I have fully accepted that excellence is not a destination it is a way of being, a journey we shall be on for as long as we live.
3. At home, I have learnt to be conscious of my presence and words I use because on introspection I have seen from the programme that they are echoed and lived by my family.
4. I have begun revising my ambitions to set ones that will scare me as this I learnt are the best ambitions to have.
5. To always keep my humility and grace knowing that I still have a lot to do ahead of me.

Reflections of what I learnt from the CE future Leaders programme

John C. Maxwell said, "The single biggest way to impact an organization is to focus on leadership development. There is almost no limit to the potential of an organization that recruits good people, raises them up as leaders and continually develops them". The Future Leaders programme embodies conscientious investments in leadership and employee development. Through this programme, I have learnt that:

- To develop character in leadership, it is of utmost importance to have the ability to centre oneself, have integrity, authenticity, and humility.
- To inspire teams to work towards success, co-create strategies that address employee development needs and align these to the organization's strategic goals.
- Consistently cultivating qualities of mature leadership that inspire commitment and inform cause of action, builds leaders that have the know-how to make confident business decisions.
- Personal branding encompasses having clarity and constancy in everything that you do. It defines how you show up and how people perceive you, and demonstrates how well you pay attention to internal cues that are linked to your values.
- To communicate effectively, explore the use of different narratives to connect with your audience, absorb cultural cues and adjust your language, content, and presentation style to deliver a message clearly.
- The power of persistence comes from rising from failure. It doesn't matter how hard you fall or how many times you fail, what really matters is how you pick yourself up and your willingness to try again. Nelson Mandela said, "The greatest glory in living, lies not in never failing, but in rising every time we fall".

To lead others, you must first lead yourself through self-awareness and consistent pursuit of excellence in character and substance. Develop your skill through relentless practice, and exercise humility and kindness, always.

Kind regards,

Alice Mwazighe
Head, Client Implementation & Channel Solutions

Mentoring and coaching

410 employees were taken through mentoring and coaching training by the International Coaching Federation (ICF). They were certified as mentors and coaches after the programme was completed.

Remuneration

We embarked on a remuneration journey and made an effort to rectify salary anomalies. We gave over 100 employees interim increases based on the outcomes of this benchmarking exercise.

Focus for 2023

In 2023, the human capital focus will be on:

- Capacity building to get the right people with the right skills and develop them for now and the future.
- Ensuring our people have the right competencies as a big part of what we do.
- Culture change process with the aim of encouraging courage and speaking up.
- Leadership and how we empower staff.
- Enhancing performance reviews including increasing the frequency from 2 – 4 per annum.

"As a board, we are focused on talent attraction and retention. We are in a highly competitive field, thus it is important for the business as a whole to be able to attract the right talent and retain that talent, this is one of the cornerstones for us realising our strategy. We aim to transform the way we do business, to do this we also need to ensure everyone in the Group owns the strategy, this will allow us to operate as one entity, and achieve our objectives."

The Board

CE FUTURE
LEADERS PROGRAMME

Operational excellence

We continue to leverage technology to drive efficiencies, enhance access and to de-risk the business. Understanding our operating landscape allows us to identify areas for improvement and optimisation. This is achieved through the collection and analysis of data on our clients, operations, competitors, markets, product performance and trending best practice approaches in financial services.

This approach to leveraging technology and understanding our operating environment has resulted in the innovation of products tailored to our client base and markets we operate in, enhancing efficiencies and reducing costs of operations.

Capitals Deployed	How the Capital is leveraged	Benefits or Trade-offs required	Societal benefit
Financial Capital	▪ We deploy our finances to develop new products, upgrade processes and introduce process optimisation initiatives.	▪ Return on investment in many cases is only realised in the medium to long term. ▪ Reduced cost of operations allows for the deployment of capital saved to further innovate and optimise process.	▪ New innovative products are launched to market. ▪ Enhanced levels of client experience are realised.
Human Capital	▪ Employees are required to interpret the data collected. Insights gained facilitates optimisation of operations. ▪ New processes and measures need to be implemented by our employees to ensure efficiencies are realised.	▪ The sector is competitive and requires ongoing innovation to remain relevant in the market and to maintain market share. ▪ This requires ongoing innovation, and inputs both from a human and financial capital perspective.	▪ Ensuring deployment of products that are competitive in the market provides clients with meaningful choices.
Intellectual Capital	▪ We have invested in strategic ICT and data analytics skills to drive operational excellence. ▪ Leveraging these skills allows the data collected to be translated into operational efficiencies and process enhancements.	▪ Once launched into the market, innovative products can be replicated by our competitors. This means products alone do not realise competitive advantage, skilled staff, the right culture, ability to leverage strategic partnerships are also key to growing a foothold in the market.	▪ Leveraging our knowhow ensures enhanced levels of client experience. ▪ Understanding the data allows products and services to be developed that enhance levels of financial inclusion and client wealth generation.
Manufactured Capital	▪ Operational excellence across our physical footprint is measured through driving cost reductions, efficiency of use and enhanced levels of productivity. ▪ Costs reductions are realised through introducing new ways of working and improving facilities energy and water use patterns. ▪ Better purposed ICT infrastructure drives efficiency and enhanced levels of production by employees and strategic partners.	▪ In retrofitting infrastructure to drive cost reductions we need to invest capital. The payback ratios are however optimal allowing returns to be realised in the short to medium term. ▪ Improving ICT infrastructure requires specialised skills and the onboarding of strategic partnerships. This requires leveraging our social capital to onboard the right partners, and our human capital to facilitate execution.	▪ Improvement in facilities enhances levels of client experience both in our branch network as well as when using online banking facilities.
Natural Capital	▪ We continue to invest in ways to reduce our environmental footprint including our carbon footprint.	▪ New skills are required to drive resource efficiency across our physical footprint. ▪ This needs investment in human resources, physical assets such as renewable energy, sensor lighting and taps and LED lights for our branches and head office. ▪ Use of these environmentally friendly initiatives requires culture change, creating buy in by our employees.	▪ Responsible resource use ensures that we only use our share of available resources allowing communities and other businesses to access their share.

What success looks like

Having a future ready business capacitated through the delivery of back-office support which allows our client facing teams to execute with ease and efficiency. We use data to drive strategic decision making and technology to leverage capabilities to enhance levels of market access to financial services. We do all of this responsibly reducing our environmental footprint as far as is reasonably possible.

How we measure progress

Various measures are in place to track levels of operational excellence. These touch on availability of our products and services to clients, the costs of operations, level of alignment of strategic partners and suppliers to our way of working, as well as resource use across our footprint. Our key measurement remains system uptime and availability. To track these aspects, we use the following indicators:

System security and stability

The stability, security and speed of our systems is central to our ability to deliver against our group purpose and strategy. We continue to improve on the reliability of the group's critical systems to reduce outages across our footprint.

Lower cost to serve

We focus on reducing the cost to serve by driving the integration and simplification of our capabilities. This enables us to work more efficiently and prioritise what is important to our clients.

Responsible resource use

Scarcity of resources such as electricity and potable water requires the Group to utilise these resources responsibly. This not only ensures optimisation of supply but reduced disruption of services to our clients and employees.

Responsible Procurement

To achieve our objectives under this value driver, we need to engage with our service providers to ensure they understand our requirements. This includes the need for certain levels of employee and company certification prior to being able to work for the Group.

Operations Strategy

We strive to be always on to deliver our clients' needs in a secure, personalised and contextually relevant manner. We balance being truly human with being truly digital as we transform the client experience by doing the basics brilliantly, and by consistently executing with excellence.

Summary of our key metrics

The operations team ensure ongoing stability of the systems utilised by our teams. This ensures optimal levels of uptime so that clients can transact when they need to. We achieved a 99% uptime of our systems in 2022. Our successes in this area are reflected by our increased client satisfaction levels. We continue to strengthen our security environmental ensuring brand strengthening in this area and client confidence knowing that when they bank with us, they do so in a secure environment.

Metric	2022	2021	2020
System uptime	99.87%	99.53%	99.36%
Cost to income ratio	46.7%	50.9%	52.2%

Capacity development

With the move to cloud and ongoing rollout of the Group's digital agenda, we need to make sure our tech enabled people can respond to the challenges they may face in the workplace. This allows us to increase the speed in which we resolve problems reported, strengthens operational capacity, allowing us to scale the business aligned to the business strategy.

By internalising this expertise, we were able to simplify processes which enhanced efficiencies and turnaround times. The building of our internal capacity also reduced having to rely on vendors. We hired a total of 24 people to supplement the team in 2022. We continue to work with tertiary institutions to assist us internalise the required expertise we need, specifically needed to facilitate implementation of foundation related activities.

Upgrades during the year

Training platforms

In 2022 we upgraded our internal training platform in collaboration with Microsoft.

Digitisation

The digitisation agenda for the Group aims to reduce or if possible, eliminate manual work across the banking ecosystem. Manual processes which will remain are those that are required from a regulatory perspective. 11 digital projects were executed during the year, ranging from new product development, to assisting with automating of our borrowing services.

Technology

Databases are being used to manage data and to extract data needed to inform management decision making, driving delivery of products in the market. Using robotics, we have been able to enhance data processing capabilities further supporting reconciliation processes across the organisation.

Data analytics

We are led by data. Data is informing areas to focus on to create additional value, including in product innovation and process optimisation. Without data analytics we are unable to identify these opportunities to be exploited. This approach has generated additional revenue for the business in 2022, specifically linked to client on selling.

"As a board, we prioritize digitisation to progress our strategy. This means ensuring we have systems in place to drive competitive advantage and develop new ways of working for the Group. Cyber security and data protection remain a key focus area."

The Board

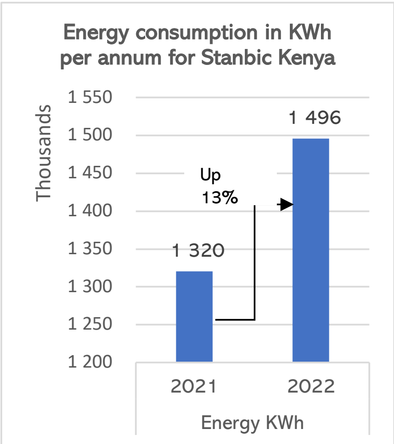
Responsible resource use

We track the performance of our assets using dashboards with monthly reporting done to ensure we achieve internally set targets. Focus on tracking performance is on minimisation of resource use which also aims to reduce cost of operations.

The metrics tracked focus on:

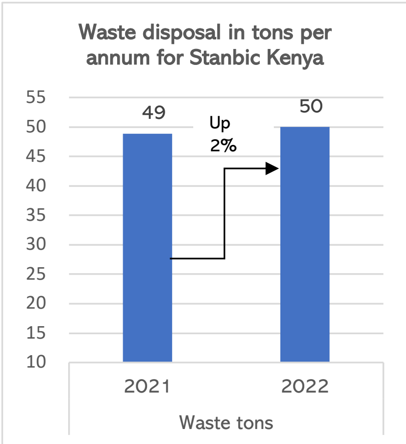
- **Waste:** Management of waste is undertaken through partnership with vendors. Waste is segregated by type and where feasible recycled. 50 tons of waste was recycled in 2022 up by 49 tons from the previous year.
- **Energy:** We aim to reduce energy use in line with our go green journey. This has involved the implementation of LED lights across our operations, the instillation of solar power and sensor lighting at our head office. With the return-to-work policy instituted in 2022, energy consumption figures increased year on year, by 13%, costs associated with energy consumption similarly increased by 2% during the same period.
- **Water:** We aim to reduce our water through the implementation of sensor taps, controlled flush toilets and focusing on quick maintenance of infrastructure that is faulty. 2022 was the first year we actively tracked our consumption of both bottled and piped water. Total consumption for the year was 404 kilolitres.
- **Carbon footprint:** This is the first year we have undertaken a full baseline assessment and determined our Scope 1, 2 and 3 carbon footprints. Measures are being assessed to reduce our emissions. Reduction targets are however still to be set.
- **Green buildings:** Certification is being sought for our head office and all new offices and branches as a focused approach to optimising facilities and create the culture change required to reduce our waste, energy and water consumption figures. In 2022 three new branches were rated green.

CO2 Equivalent emissions	2022	Sources included in the assessment
Total tons CO_2 Equivalent	30,150	
Scope 1 - tons CO_2 Equivalent	3,110	Generator fuel consumption Vehicle fleet fuel consumption
Scope 2 - tons CO_2 Equivalent	748	Grid power consumption
Scope 3 - tons CO_2 Equivalent	26,292	Waste generated Water consumption bottled and piped Paper use



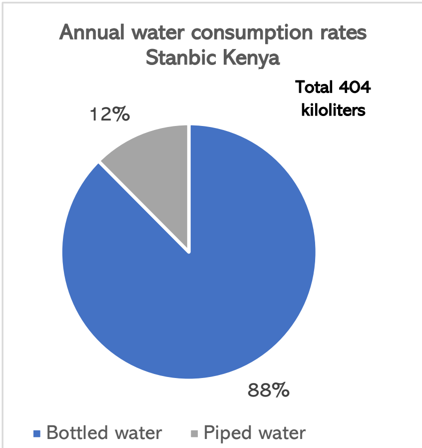
Intensity ratio

1,431 KWh per employee per annum



Intensity ratio

0.05 tons per employee per annum



Intensity ratio

387 liters per employee per annum

Engaging the supply chain

To enhance outputs in the engineering division we have asked service providers to become certified allowing them to support us going forward as we migrate to a cloud-based environment.

Going forward certification is going to be a requirement to be a vendor with the Bank. By mandating this requirement, we have facilitated the acquisition of this level of certification to existing vendors. This was done through negotiating a low-cost fee for vendors and connecting them to organisations who can provide this certification.

The Bank's staff have also achieved certification in line with this requirement, driven not only by the need to upskill our staff and continue to evolve our processes, but also by the need to manage costs, enhance efficiencies and to drive effective and efficient delivery of solutions for the business.

Ongoing challenges

In 2022 the engineering team dealt with various demand supply challenges, as access to certain resources was limited. This required careful planning to ensure the business had the laptops and computers they needed.

Although there were challenges, they were not unforeseen or unusual, affecting the industry as a whole.

ENTRENCHING VALUE SUSTAINABLY

SEE impact

We are dedicated to promoting inclusive and sustainable economic development. To do this, we must make sure that the businesses we bank, the partnerships and infrastructure projects we finance, and the projects themselves all have beneficial social, economic, and environmental (SEE) impacts. Our business choices are heavily influenced by these factors.

Social

This is the value Stanbic creates for society, both internally with our people and externally with other stakeholders, such as clients and governments to make life better.

Economic

We drive economic growth by creating social and environmental value, which also leads to more innovative and profitable ways of doing business thereby being a catalyst for economic change.

Environmental

Our success depends on creating value for the environment through conscious and responsible lending.

Our seven impact areas

We have identified seven areas in which we believe we can best achieve our purpose, to drive Kenya and South Sudan's growth, while making a substantial positive impact on society, the economy, and the environment. We selected these areas based on their relevance to our core business as a provider of financial solutions, and the priority needs of people, businesses, and economies.

Financial inclusion

Enable access to financial solutions that support economic development and reduce inequality.

SDGs

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Key focus:

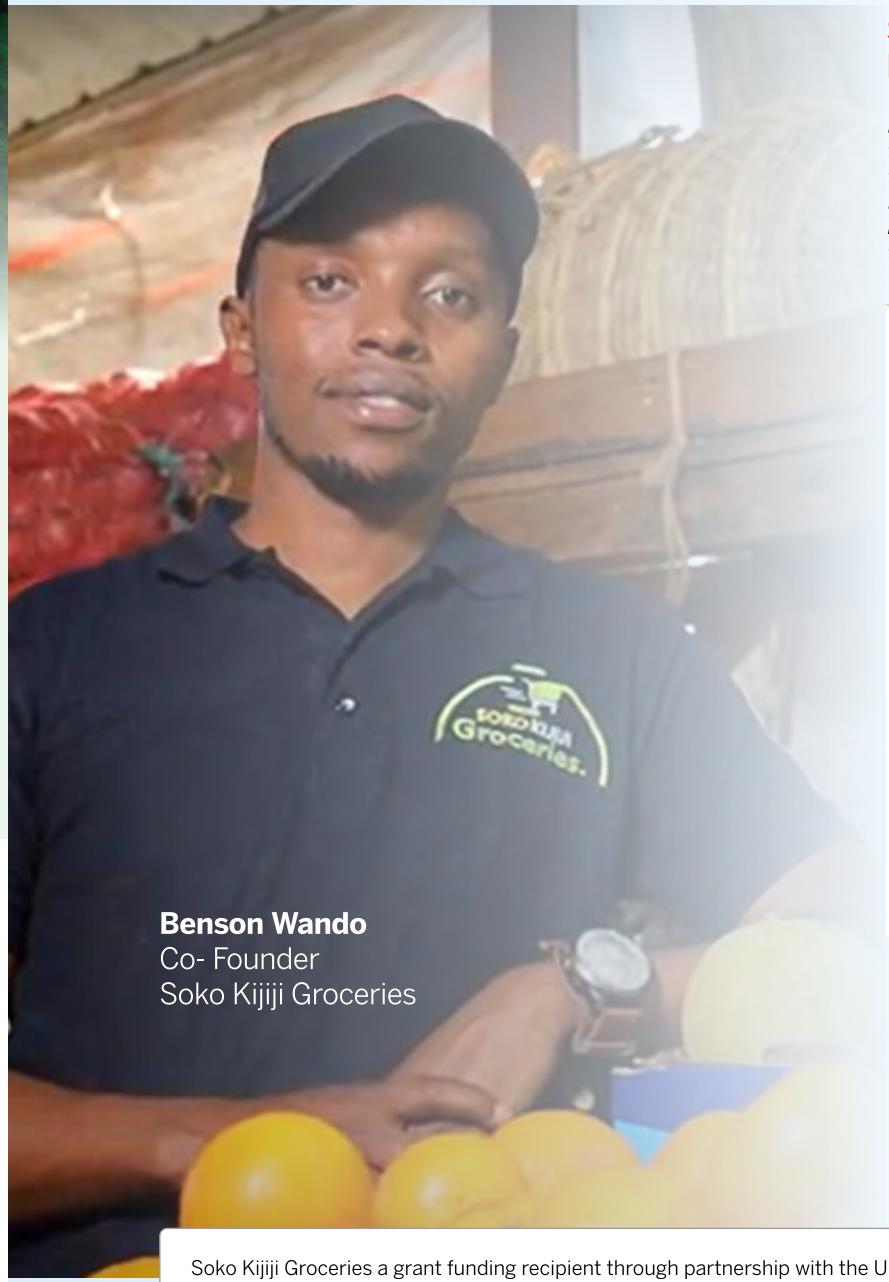
- Accessible even without a bank account
- Improving access and affordability – convenient digital products and services, accessible products and services, accessible even within a bank account.
- Rethinking security and collateral requirements for loans.
- Providing client education to enable people to manage their finances more effectively.
- Helping our clients save, invest and plan for the future according to their individual needs.

Strategic partnerships:

- Safaricom
- Liberty Group
- Visa and Master Card
- Moja Expressway
- Kenya Mortgage Refinancing Company
- MOUs with motor vehicle dealers
- MOU with housing developers
- Java House

Key Achievements in 2022:

- **Increased access to banking services achieved through:**
  - Addition of 685 agents to the network increasing touchpoints in the market.
  - Opened 3 new branches in 2022.
  - Introducing shared space with Java House providing face to face engagement with banking staff at lower costs.
- **Tailored products in the market servicing specific demographics in 2022 included:**
  - Women
  - Youth
  - SMEs and MSMEs
  - Agriculture
  - Infrastructure
  - Manufacturing
  - Green lending solutions
- **Promoted financial literacy within society through:**
  - Financial Fitness Academy - 6,700 participants in 2022, 200 participants were hearing impaired.
- **Provided grant funding:**
  - KShs 76 million in grants and catalytic funding disbursed to over 400 MSMEs.



Benson Wando
Co- Founder
Soko Kijiji Groceries

Soko Kijiji Groceries Digitises Mama Mbogas in Nairobi City Park

Benson said "the Grant funding provided to us allowed the upgrade of the business. We grew our revenue by two-fold and the employee base grew from 4-14 people. Initially, we only had 100 women in the network, we are now able to empower over 300 of these small-scale traders."

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Soko Kijiji Groceries a grant funding recipient through partnership with the United States African Development Foundation and Stanbic Bank Kenya, is empowering women run businesses to access markets and increase business resilience.

Soko Kijiji Groceries connects Mama Mbogas operating out of open-air markets with customers utilising a mobile application, which allows customers to buy their products online. The benefits realised by these women include aggregation of sales and expanding market access. During the pilot phase of the project those Mama Mbogas who participated were noted to have increased their revenue by 30%, no longer having to wait for walk-in customers, being able to sell their produce across Nairobi City and employing 1-2 additional people to help with this increased demand.

Through Stanbic foundation Soko Kijiji Groceries were also provided with business training. The business was assisted in opening a bank account, which facilitated the collection of funds from customers. A Till number was issued at bank level allowing for the reconciliation of accounts.

"The blending of support between the Stanbic Foundation and the Bank is seamless says Benson. The foundation identified the needs in the business and connected us with the right people in the bank to help us address this need. A relationship manager was assigned to us, the business was able to grow and become more resilient with the help of Stanbic's interventions."

Based on the business's financial performance it has automatically qualified for a line of credit. The business can access this credit in case of an emergency, by utilising the online banking platform.

"These additional benefits make us feel safe and secure, confident we can do business, says Benson. We have through being profiled by Stanbic Foundation attracted two new partners which will help us to further scale the business. Stanbic is an African business, they understand doing business in Africa, this is about co-creation, this is a bank we can trade with anywhere through their footprint on the Continent".

Job creation and enterprise development

Support SME growth and job creation through finance, mentoring, training and market access.

SDGs

5 Gender Equality
8 Decent Work and Economic Growth
10 Reduced Inequalities
16 Peace, Justice and Strong Institutions

Key focus:

- Helping small businesses access the tools and resources they need to become viable and sustainable.
- Providing financial products designed to meet the needs of SMEs and entrepreneurs.

Strategic partnerships:

- GIZ

Key Achievements in 2022:

- **Training of small business owners took place in 2022:**
  - 25,000 D.A.D.A clients trained to promote growth of their businesses.
- **Provided products allowing clients to integrate financial services across their value chains:**
  - Allowing them to purchase goods and services, make payments, invest and protect their wealth.
  - KShs 12 billion target had been set to lend to SMEs to facilitate growth and development of the sector. 83% of this target was achieved in 2022.
- **Upheld good governance through:**
  - Ensuring all lending followed strict vetting procedures including KYC, anti-money laundering, anti-bribery and corruption protocols.
- **We empowered from within:**
  - 202 Women employees participated in leadership training in 2022. A total of 414 leaders ranging from Supervisory to Senior Leadership programmes have been trained to date.

Juliet Odour
Founder
Blossom Health Essentials

Providing more cost effective solutions to communities

"There are no coincidences in life, when you find yourself doing something there is a bigger purpose than just you says Juliet Odour."

Blossom Health Essentials produces gluten free flour from climate smart products like cassava, millet and sorghum.

Starting in her kitchen, Juliet Odour experimented with products as she needed to provide a gluten free diet for her child. This was necessitated especially when she assessed that available ready to use products in the market were very expensive.

When people started asking her to sell the flour she was making to them she knew she had a strong business case, and pursued scaling up her operations.

She went to Kirdi to obtain training on how to make composite flour. Once her training was completed she purchased machinery and returned home to Siaya to set up her business.

"My goal is to be able to absorb 1,000 farmers, says Juliet. Partnering with Stanbic Foundation brought in a fresh pair of eyes allowing us to identify opportunities to scale the business. I know now I am eligible to get funding from a bank.

This funding will allow for the investment in much needed technology to streamline processes and enhance efficiencies, this is going to be essential when onboarding additional farmers, as only by leveraging technology will we be able to produce the flour at the volumes and quality we need. This technology will also help us maintain a database of the farmers we engage with to provide our inputs."

Blossom Health Essentials was a recipient of grant funding provided in partnership by USADF and Stanbic Foundation in 2022, which helped to support the growth and scaling up of the business.

BLOSSOM HEALTH ESSENTIALS

5 Gender Equality
8 Decent Work and Economic Growth
16 Peace, Justice and Strong Institutions

Infrastructure

Support infrastructure development for inclusive and sustainable industrialisation, partnering with clients to manage and minimise environmental and social risks.

SDGs

7 Affordable and Clean Energy
9 Industry, Innovation and Infrastructure

Key focus:

- Working with government and development institutions to structure appropriate funding for crucial developmental infrastructure:
  - Roads, and
  - Energy.

Strategic partnerships:

- Government
- Moja Expressway

Key Achievements in 2022:

- **Provided funding to contractors linked to the development of road projects across Kenya.**
- **KShs 267 million in loans were issued under affordable housing. Stanbic has produced flexible financing structures for both suppliers(developers) and off takers (home buyers) to help support the end-to-end affordable housing value chain.**
  - For developers, Stanbic provides flexible structured finance that allows debt to be rolled over between projects. These facilities provide flexibility of drawdowns allowing a client to utilise their sales collections to manage finance costs.
  - For home buyers, Stanbic is a key member of the KMRC affordable mortgage finance pool where the Group has financed mortgages through a low-priced mortgage facility. Stanbic has also co-created solutions on mortgages under our Consumer & High-Net-Worth market segment to allow buyers early access and drawdowns on approved mortgages as a result of the current bottlenecks being experienced around the registration of property. This solution has worked well as Stanbic have also financed the developer and hence the bank has an end-to-end visibility of the project value chain.
  - Overarchingly, Stanbic being a multinational bank, has been able to bring in and work with risk mitigating financial institutions to help bring down the overall cost of finance and cost of these projects.
- **Stanbic partnered with Moja Expressway to facilitate toll collections on the Nairobi Expressway. Stanbic is acting as the sole payment agent in Kenya, acting on behalf of lenders and escrow agents. We are currently working closely with Expressway and a telco to offer the cashless solution to toll stations under the manual toll collection lanes.**
- **Stanbic extended funding in the renewable energy space, this included to manufacturing companies to reduce their overall cost of power supply and enhance reliability of supply.**
  - Through this focus Stanbic provided financial support for the development of a 55 MW solar PV plant which reached commercial operations in October 2022, generating and feeding power into the national grid.
  - In aggregate the group has committed USD 150 million of funding in this space. This was facilitated through forging relationships and partnerships with relevant ministries in Government for purposes of co-creating these solutions.
- **Given the large-scale of investment associated with infrastructure and its economic multiplier effect, the sector is often solely associated with Government's share to infrastructure spend. Our financing activities in support of the infrastructure value chain include the private sector, who are enablers and service providers underpinning the sustainability of this sector.**

Nairobi Expressway

As part of the government's initiative to increase the road network in Kenya, through a Public Private Partnership (PPP) arrangement, they partnered with MOJA a subsidiary of CRBC (China Road and Bridge Corporation) to construct the Nairobi Expressway.

Road Length: 26.7km

Road Section: 15.6 km

Design standard: Class A

SEE Focus Areas

- **Stanbic assisting Moja Expressway with their day-to-day operations**
  - Stanbic is the sole payment agent in Kenya.
  - Stanbic launched the Expressway branch in November 2022 enhancing job creation.
  - Stanbic is the main banker for Expressway's staff.
- **Stanbic assisting with the Expressway client interface**
  - Stanbic is one of three banks who act as collection partners.
  - All collections are consolidated to Stanbic on a monthly basis.
  - Stanbic launched "ExpressPay" solution, to support the MTC (manual toll collection) card and ETC (electronic toll collection) top up device.
  - Stanbic also offers BNA and PDQ machines to Expressway's service centres.
  - More than 70% of motorists choose Stanbic's top-up solution facilitating payment of toll fees.
- **Stanbic facilitating positive impact to society**
  - Created jobs for over 6000 local staff during the construction phase.
  - Cement and Steel worth 40% of the contract value was sourced locally.
  - Daily average 25k cars travel round trip via express way.
  - Reduced travel time from 180 mins to 40 mins per round trip everyday.
  - Time saved: 21.3 million hours per year, 852 hours per car, 35 days per passenger per year.

Climate change and sustainable finance

We are working with government and businesses to reduce their vulnerability and build resilience to the impact of climate change.

SDGs

Key focus:

- Climate and green bond issuance.
- Financing sustainable product solutions.
- Reducing our own environmental footprint.

Strategic partnerships:

- Clients within the energy sector

Key Achievements in 2022:

- **•The Group researched and initiated development of green products aimed at promoting:**
  - Energy efficiency
  - Green building principles
  - Natural resource management
  - Waste reduction
  - Climate resilience and adaptation
- **Governance structures were put in place to support these initiatives:**
  - Appointed a standalone sustainability manager with reporting lines to the Board and sub committees. Sitting in the risk function with oversight to product development and implementation.
  - Screened clients to assess climate risk, and how they have assessed this risks across their supply chain.
  - Developed a climate risk policy.
  - Screened own supply chain to determine risk factors associated with poor ESG management including climate risk.
  - Continued to track levels of over indebtedness in the client base and implement measures to reduce NPLs – The Group have achieved NPLs below industry benchmarks, reporting NPLs of 9% for 2022.
- **Sought out partnerships to:**
  - To facilitate access to capital through ongoing fundraising both for the Group and the Foundation activities
  - To facilitate transfer of funds – managed through leveraging the Standard Bank Group network of companies currently in 20 countries on the continent, and 16 countries outside of Africa.
- **Supported Government through:**
  - Efficient collection of taxes – KShs 3.1 billion remitted to government in 2022.
- **Tracked responsible resource use including:**
  - Energy use - with returning to work energy consumption increased by 13% year on year, costs increased by 2% during the same period.
  - Water use - 404 kilolitres were consumed in 2022, with a water intensity ratio of 1.49 litres per employee per day.
  - Waste generation - 50 tons of waste was generated in 2022 a 2% increase from the previous year.
  - Carbon footprint – the Kenyan carbon footprint was 27,031 tons of CO2 Equivalent for 2022.

Natural Char Energy is a company that exists to promote use of eco-friendly sources of energy in Kenya.

Converting organic waste into clean energy

Based in Mombasa, Natural Char Energy converts coconut waste into renewable energy (charcoal briquettes). Spurred on by the need to find more cost effective ways for community members to access fuel sources. John Githaiga, founder and CEO of the company decided to seek out opportunities to convert organic waste like coconut husks into charcoal brickettes.

This initiative has provided jobs to unemployed youth and women in the community. Natural Char Energy produces affordable, smokeless longer burning briquette.

"Through the grant application I was able to define the next steps needed for the business to scale says John.

The Grant funding provided will be used to scale up the business, this will allow us to cater for the increased demand for the Char Brickettes we are producing."

Trade and investment

Facilitate trade and investment flows using innovative trade finance, cross-border payments and investment solutions.

SDGs

17 Partnerships for the goals

Key focus:

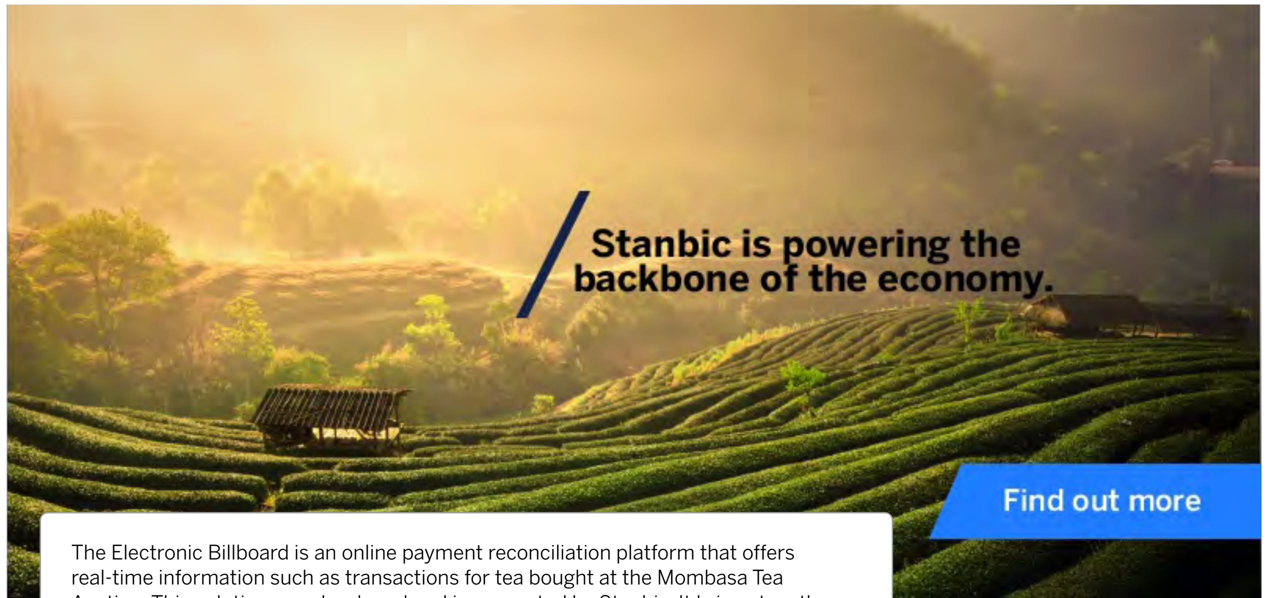
- Facilitating trade and investment, particularly in the Africa-China corridor in conjunction with ICBC.
- Improve access to trade finance.

Strategic partnerships:

- Standard Bank Group
- Intermediary Banks
- ICBC

Key Achievements in 2022:.

- **Facilitated access to markets:**
  - Leveraged the Standard Bank Group network and relationships with intermediary banks to realise transactions, quickly and efficiently.
  - Promoted trade through providing access to economic data to clients from our in-house economists.
  - Through Stanbic borderless banking, clients were able to make real time transactions across Kenya, Uganda, Tanzania and South Sudan. In 2022, Over USD 800 million in turnover was achieved through borderless banking and KShs 76 billion in commercial letters of credit and Guarantees were provided.
  - The Group is the largest facilitator of tea trade in the Kenyan banking industry.



The Electronic Billboard is an online payment reconciliation platform that offers real-time information such as transactions for tea bought at the Mombasa Tea Auction. This solution was developed and is supported by Stanbic. It brings together, Producers, Brokers, Buyers and Warehouses who are members of East Africa Tea Trade Association. Through the platform, brokers upload catalogues and invoice buyers after the auction. The buyers select the invoices to pay for and generate a payment instruction (E-Slip) and quote the E-Slip number when paying to the Tea sales Collection account at Stanbic. Upon successful processing of the payment, a tea release document is sent to all players as proof of payment. The solution is built in strict adherence to the East Africa Tea Trade Association rule book.

Electronic Billboard solution is available through a web link and is accessible anywhere, 24 hours a day; 7 days of the week.

Education

Support access to inclusive, quality education and lifelong learning opportunities.

SDGs

4 Quality education

Key focus:

- Supporting early childhood development.
- Supporting improved access to education and improved education outcomes.
- Improving access to student finance.
- Supporting access to work opportunities and skills development.

Strategic partnerships:

- Microsoft
- Java House

Key Achievements in 2022:.

- **Upskilled our clients:**
  - During screening of clients for lending purposes, provided input on measure which could be implemented to improve levels of sustainability of businesses.
- **Enhanced retention of scholars at secondary school level:**
  - KShs 2.5 million was invested in education through Palmhouse Foundation and SOS Children's Village:
  - 52 students supported under the palm house programme since 2009.
  - Sponsorship provided to 20 children in the SOS Children's Village to date.
  - 1,200 students were fed daily from July 2022 with 115,000+ meals served as part of a school feeding scheme.
- **Improved computer literacy levels:**
  - There were 102,000 beneficiaries of digital skills training in 2022, 152,807 beneficiaries since the inception of the programme.
  - 840 training of trainers were completed in 2022, increasing the total number of trainers trained to 1,653.
  - 163 computers were donated for educational purposes in 2022, bringing the total number of computers donated to 593.

Gatina Feeding Programme Stanbic

Stanbic staff serve the pupils their meals each Friday on a rotation basis by department. Pupils anticipate the Stanbic teams every Friday.

Five computers were also donated to the school which has supported the school during exams to process results, allowing more than one teacher to work at a time.

2 Zero hunger | 4 Quality education

Through partnership with Java House and Food for Education, Stanbic Foundation initiated a feeding scheme at Gatina Primary School in Dagoretti.

A feeding scheme was already in place at the school when the Foundation approached them. The Scheme was supported through a government initiative which provided part sponsorship of meals. Due to the nature of the community being services even bridging the gap of KShs 350 per month in funds required to access the scheme was too much for some parents.

Java House, Food for Education and Stanbic Foundation stepped in and as of July 2022 fully sponsor the feeding programme which provides a meal to 1200 learners daily. Meals are delivered in containers, and helpers from Food for Education serve the children. A meal is also provided for each of the teachers, who can then also ensure the meals provided are of the quality expected. This means the school no longer needs to cook meals. The quality of the meals has also improved.

This has had a profound impact on the quality of education being provided at the school. Concentration levels have improved, with extended evening classes attended (until 5pm per day) being more productive. "Previously, lessons after 2 pm were not conducive to learning as the children were hungry and could not concentrate on their lessons, says Pauline Ateno Ochieng Deputy Head Teacher in charge of the feeding programme. Now the children are active, have energy to play games."

Many of the pupils rely on this meal as they are not assured of a meal each day, leftover food is often taken home by pupils to feed siblings or other family members. Absenteeism rates have dropped significantly as the children need to be fed, children are noted to even come to school when they are sick to ensure they have a meal.

Since the feeding scheme started the number of pupils has increased to 1410 and the school is still admitting new pupils daily. Stanbic is currently assessing this increased need for meals and will assess how best to increase the quantity of food being provided to the school.

Health

Partnering with NGOs to provide affordable access for individuals and communities to healthcare equipment and diagnosis.

SDGs

17 PARTNERSHIPS FOR THE GOALS

Key focus:

- Testing, diagnosis, protection.
- Facilitating cancer screenings.

Strategic partnerships:

- Government
- Africa Cancer Foundation

Key Achievements in 2022:

- **Educated clients about the impact of environmental pollution on community health:**
  - During screening of client operations prior to lending, education was provided to clients on how air, water and pollution to land through discharge or spillages could impact on employee and community health and wellbeing. This provided linkages to long term business sustainability.
  - Promoted implementation of measure to reduce this impact, this was key in facilitating disbursement of funds applied for during the year.
- **Early cancer detection**
  - 15,582 beneficiaries were screened for cancer across 6 counties in 2022. This was reflected as 25,604 total beneficiaries being screened across 10 counties for the programme to date.
  - This saw an increased uptake in screening for prostate cancers, with continued screening and early detection of breast cancer ongoing.

Cancer Screening

Prior to screening the community, the Stanbic Foundation mobilises the community to facilitate large turnouts, ensuring we reach a significant proportion of the population in the area being visited.

3 GOOD HEALTH AND WELL-BEING

Stanbic Foundation in collaboration with the Africa Cancer Foundation launched awareness campaigns in communities to highlight the risks of cancer. The campaign focuses on the education of breast, cervical and prostate cancer.

Stanbic Foundation provides the financial support required to provide these pre-screening services. 5 screening campaigns were held during the year, across 4 counties.

After screening when suspicious lesions are found, the patient is referred to the Africa Cancer Foundation so that they can be linked to care. Free counselling is also provided with severe cases referred to palliative care facilities.

During these sessions there are dedicated nurses, community health workers, doctors and final year medical students who volunteer their time, this means the waiting time to be seen is shortened, patients are treated with respect and dignity. The Foundation has a pool of 1,000 volunteers they can call on. All these volunteers are provided with training by a head nurse before they engage with any patients on the programme.

Counselling when provided, aims to explain the type of treatment required and what this treatment will entail, and what would happen if they do not get treatment.

Once cancer is identified in a patient, the Africa Cancer Foundation will continue to follow up with the patient, to ensure they are able to link up with the required services to get treatment.

SAFEGUARDING VALUE

KENYA/SOUTH SUDAN
IS OUR HOME,
WE DRIVE HER GROWTH

Managing Risk (Risk and Conduct)

Risk management statement

Our risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. Risk management is enterprise wide, applying to all entity levels and is a crucial element in the execution of our strategy. Our risk universe represents the risks that are core to our financial services business. We organise these into strategic, financial and non-financial risk categories and annually identify key enterprise risks. These top enterprise risks require focused management because they represent material impacts to the strategy. We regularly scan the environment for changes to ensure that our risk universe remains relevant.

Introduction

Stanbic's governance structures are primarily informed by Kenyan regulatory requirements and the Standard Bank Group Risk framework and architecture, as adapted and localised for the Kenya context, which support the management of risk across the enterprise. Stanbic is ultimately responsible for the level of risk taken by the Group. Our approach to risk management is based on set governance standards, policies and processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

Risk management overview

2022 was a challenging year with regards to the management of risks as a consequence of many global and local developments and disruptions. This impact was evidenced across credit and operational risk management in particular. Despite this, the Group continued to effectively manage these risks, whilst investing in resources for managing compliance risk, cyber and information risk as well as strategic risks. Through our robust risk management framework, Stanbic have ensured they have operated well within regulatory thresholds. The impact of our initiatives in the implementation of the risk management framework within the year was:

1. Informing the Group's adjustments to risk appetite and risk acceptance criteria in order to maintain acceptable returns on equity targets.
2. Continuous innovation and investments in managing people risks, business disruption and other risks arising from the after effects of COVID-19 pandemic and geopolitical pressure.
3. Development of tools to manage new and emerging risks such as, cyber-crime, third party risk, information and data privacy risks etc. leading to enhanced investment by the Group in risk management resources and capabilities.
4. Maintaining an agile business structure that quickly adapts to everchanging client needs and business environment.
5. Increased focus on managing the business across risk classifications resulting in early identification of risks and implementation of corrective actions.

We operate in a rapidly evolving global market, where we anticipate the following to be the key areas of focus in 2023:

1. Improvement in management of Cyber and Information risk and Conduct Risk.
2. IT systems stability that is associated with the growing reliance on digital channels for service provision.
3. Third party risk given reliance on third parties for the provision of infrastructure to run digital platforms and future ready transformation initiatives.
4. Managing systemic risks that arise from exposure to local and international banking systems.
5. Concentration risk and the need to ensure an optimally diversified asset portfolio.
6. Leveraging information technology in areas of "big-data" and block-chain technologies to improve turn-around-time and automate risk management in areas such as, credit-application and behavioural risk scoring.
7. Management of Credit Risk in the wake of the impact of COVID-19 on economic performance and by extension on our clients financial and business risk.

Risk management framework

Our approach to managing risk is set out in the risk governance framework that has two components:

1. Governance committees at a Board and management level.
2. Governance documents such as standards, frameworks and policies.

Roles in risk management

Board of Directors

Stanbic's Board of Directors has the ultimate responsibility for risk management. This mandate includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. The Board has delegated its risk-related responsibilities primarily to the following board and management committees with each committee focusing on different aspects of risk management:

1. **Board committees -** Board Risk Committee (BRC), Board Audit Committee (BAC), Board Credit Committee (BCC) and Board Engineering and Innovation Committee (BEIC).
2. **Management committees -** Risk and Conduct Committee (RCC) and Credit Risk Management Committee (CRMC).

Board Risk Committee (BRC), Board Engineering and Innovation Committee (BEIC) and Board Credit Committee (BCC)

The three Board sub-committees responsible for risk are the BRC, BEIC and BCC which report to the Board of Directors through their committee chairmen. The Board risk management committees provide independent oversight of risk, compliance and capital management across the Group:

1. Determining the Group's risk appetite as set out in the risk appetite framework and risk appetite statement (RAS).
2. Monitoring the current and future risk profile of the Group to confirm that it is managed within risk appetite.
3. Evaluating the results of stress tests and providing oversight of the adequacy and effectiveness of the Group's risk governance framework.
4. Approving governance standards, frameworks and policies in terms of the risk governance framework.
5. Reviewing reports on the implementation of the IT governance framework and updates on significant IT investments.
6. Evaluating and approving significant IT outsourcing arrangements.
7. Promoting a risk awareness culture within the Group.
8. Reporting to the Board any matters within its remit where action or improvement is needed and making recommendations as to the steps to be taken.

The Board Audit Committee (BAC)

The BAC reviews the Group's financial position and makes recommendations to the Board on all financial matters, financial risks, internal financial controls, fraud and, to the extent they impact financial reporting, IT risks. In relation to risk and capital management, the BAC plays a role in assessing the adequacy and operating effectiveness of the Group's internal financial controls.

Internal audit

Internal Audit is mandated by the Board Audit Committee to provide independent and objective assurance and advisory services designed to add value and improve group operations. The role of the audit function is therefore to assist the Board to:

1. Discharge governance responsibilities.
2. Protect the assets, reputation and sustainability of the organisation; and
3. Establish and maintain robust governance and risk management processes and a sound internal control environment.

Internal Audit remains independent and has fully discharged its mandate and responsibilities. Issues raised in various audit reviews, are reported to both management for remediation and to the Board Audit Committee for oversight. A tracking system is in place to ensure remedial actions for all issues identified during the audit process are tracked to completion and completion can be independently validated.

Disclosure of the actual control breaks, remedial actions and timelines are confidential and therefore circulation is restricted.

Management committees

The Group's Executive management has responsibility for all material risk types that have been delegated by either BRC, BEIC or BCC to assist the Board subcommittees fulfilling their mandates.

The Risk and Conduct Committee (RCC) and Credit Risk Management Committee (CRMC) are management committees responsible for risk management within the Group.

The Risk and Conduct Committee (RCC); a subcommittee of the Group's Executive Committee (ExCO) oversees the setting of the Group's risk appetite and stress testing and is chaired by Head of Risk. This committee ensures there is a fit-for-purpose stress testing for both business and regulatory purposes at legal entity and business line levels.

Business units

Business units are the owners of the risk's attendant to their business activities and manage them on a day-to-day basis.

Governance documents

These documents set out the requirements for identification, assessment, measurement, mitigation, monitoring and reporting of risk, for effective oversight of compliance and effective management of capital. Governance policies are approved by the relevant Board sub-committees.

Risk management approach

The Group uses the three lines of defence model which promotes transparency, accountability and consistency through the clear identification and segregation of roles that describes both individual responsibility and collective oversight, supported by comprehensive escalation and reporting. This approach balances strong corporate oversight.

First line of defence

This is made up of management of business lines and has responsibility for identifying, assessing, measuring and controlling risks through the day-to-day activities of the business within the governance framework.

Second line of defence

This provides an independent oversight and consists of the finance function, risk management function, compliance, legal and governance and control assurance functions excluding internal audit. These units implement governance standards, framework and policies for each material risk type to which the Group is exposed and report to management and Board governance committees. Compliance with the standards and frameworks is ensured through periodic self-assessments by the second line of defence and reviews by Internal Audit.

Third line of defence

Internal Audit (IA) is the third line of defence and operates under a mandate from Board Audit Committee. The mandate is to provide independent and objective assurance of first and second lines of defence; IA has authority to independently determine the scope and extent of work to be performed and reports to Board Audit Committee.

Approach to risk appetite and stress testing

Risk appetite and stress testing comprise of the following key components:

i. Risk appetite

Risk appetite is an expression of the amount or type of risk that the Group is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The metric is referred to as the risk appetite trigger. Risk appetite could be exceeded either as a result of an adverse economic event more severe than that envisaged under the range of stress conditions (passive), or as a result of a decision to increase the risk appetite to accommodate market, client or portfolio requirements.

ii. Risk tolerance

Risk tolerance is the maximum amount or type of risk the Group is prepared to tolerate above risk appetite for short periods of time on the understanding that management action is taken to get back within risk appetite. The metric is referred to as the risk tolerance limit.

iii. Risk capacity

Risk capacity is the maximum amount of risk the Group can support within its available financial resources.

Risk profile

Risk profile is the amount or type of risk the Group is currently exposed to (current risk profile) or will be exposed to under both expected and stressed economic conditions (forward risk profile).

Risk appetite setting and management framework

Stanbic's risk appetite governance framework provides guidance on the following:

a. The approach to setting risk appetite triggers and risk tolerance limits

b. Responsibilities for monitoring risk profile

c. The escalation and resolution process where breaches occur

Executive management is responsible for recommending the Risk Appetite Statement (RAS), which is ultimately approved by the Board.

Risk Appetite Statement (RAS) and dimensions

The Qualitative Risk Appetite Statement serves as a guide for embedding the risk appetite policy across the entity and to support strategic and operational decision-making. Our business model is based on trust and integrity as perceived by our stakeholders, specifically our clients.

The qualitative dimension consists of a series of tolerance statements that are not standardised but indicate the intention of the business in achieving its objective. The following are the considerations covered in this year's policy:

- **Capital position:** We aim to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. Capital levels are managed to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.
- **Liquidity and funding management:** Our approach to liquidity risk management is governed by prudence and is in accordance with the applicable laws, regulations and takes into account the competitive environment in which the Group operates. Stanbic Bank Kenya Limited manages liquidity risk on a self-sufficient basis.
- **Earnings volatility:** We aim to have sustainable and well diversified earning streams in order to minimise earnings volatility through business cycles.
- **Reputation:** We have no appetite for compromising our legitimacy or for knowingly engaging in any business, activity or relationship which, in the absence of taking mitigating actions, could result in foreseeable reputational risk or damage to the Stanbic Bank Kenya and Standard Bank Group.
- **Conduct:** We have no appetite for wilful conduct failures, inappropriate market conduct or knowingly causing a breach of regulatory requirements. We strive to meet clients' expectations for efficient and fair engagements by doing the right business the right way, thereby upholding the trust of our stakeholders

Stress testing

Stanbic Bank carries out regular stress tests to facilitate a forward-looking view in the management of risk and business performance, this process involves identification of possible events and scenarios or changes in economic conditions that could have an adverse impact on the Group's risk profile. Executive management considers the outcomes of stress testing on earnings and capital adequacy in determining an appropriate risk appetite, to ensure that these remain above the minimum capital requirements. Management reviews the outcomes of stress tests and, where necessary, determines appropriate mitigating actions to minimise and manage the risks induced by potential stresses. Examples of potential mitigating actions include reviewing and tightening risk limits, reprioritising and repurposing expenditure, limiting exposures as well as hedging exposure to some risk.

Classification of risk

Stanbic's classification of risks ensures at a minimum to meet the provisions of the Central Bank Risk Management Guidelines among other Kenyan Laws and Regulations, Currently, Stanbic Bank categorises risk as follows:

- **Strategic Risk**
- **Financial Risk**
- **Non-Financial Risk**

Credit risk

Risk description

Credit risk is the risk of loss arising from failure by counterparties to meet their financial or contractual obligations when due. The Group's credit risk arises mainly from corporate, business and retail loans and advances as well as counterparty credit risk inherent in derivatives and securities financing contracts entered into with our clients and market counterparties.

Aspects of credit risk

- Counterparty risk: The risk of credit loss to the Group as a result of failure by a counterparty to meet its financial and/or contractual obligations to the Group as and when they fall due. Counterparty risk includes primary, pre-settlement, issuer and settlement risk; and
- Concentration risk: The risk of loss to the Group resulting from the adverse effect of changes in market conditions on built-up exposures to a specific counterparty or counterparty-group, an industry, market, product, financial instrument, type of security, geography or maturity/tenor.

Credit risk management

Stanbic Bank manages credit risk in accordance with its credit risk standard and model risk governance standard, which provides for:

1. Maintaining a strong culture of responsible lending as articulated in the Credit Risk Policies;
2. Identification, assessment and measurement of credit risk clearly and accurately from the level of individual facility up to the total portfolio;
3. Accepting and managing the Group's credit risk in line with the Board approved credit risk appetite framework;
4. Defining, implementing and continually re-evaluating our risk appetite under actual and stressed conditions to effectively align to changes in the market environment;
5. Ensuring that there is expert scrutiny and independent approval of the credit risk assessment models; and
6. Ensuring there is independent review of credit risks and the mitigations put in place to minimise the credit risk. Supported by a robust credit risk reporting and portfolio management function.

Stanbic Bank has an independent credit risk management function embedded within the Corporate and Investment Banking (CIB), Consumer& High Net Worth Business and Business & Commercial Units.

Focus areas in 2023

Stanbic Bank is focused on modernisation of Credit management and improvement of the risk and control environment in the current operating environment including automation of various manual processes including digital lending.

Non-financial risks

The effective management of Non-Financial Risks (NFR) as part of the enterprise risk management framework is underpinned by a taxonomy which provides agreed definitions, not only based on exclusion as being risks but how these risks interconnect with each other.

Taxonomy

The purpose of the taxonomy is to prevent some risk types from being overlooked, provide a standardized language for all three lines of defence to employ across the organization and establish a foundation on which an integrated approach to managing NFR is built, including correlation and interaction between risk types.

Non-Financial risks are considered inherent in the operations of a business. They generally do not have a financial upside; they cannot always be measured in financial terms and can lead to severe reputational damage. NFR is defined as part of a broad term which is usually classified by way of exclusion, that is, any risks other than the traditional financial risks of market, credit, and liquidity. NFR includes operational risks. Operational Risk (OR) in the Group is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and / or systems or from external events.

NFRs evolve rapidly and are difficult to anticipate, oversee, measure and monitor. They are introduced by process, people, systems or external events. Non-Financial risks can result in financial and Non-Financial exposure.

Classification of risk

Stanbic's classification of risks ensures at a minimum to meet the provisions of the Central Bank Risk Management Guidelines among other Kenyan Laws and Regulations, Currently, Stanbic Bank categorises risk as follows:

• **Information Risk**	• **Physical assets, safety and security Risk**
• **Technology Risk**	• **Financial Accounting**
• **Cyber Risk**	• **Tax Risk**
• **Financial Crime Risk**	• **People Risk**
• **Conduct Risk**	• **Third Party Risk**
• **Legal Risk**	• **Business Disruption Risk**
• **Compliance Risk**	• **Model Risk**
• **Environmental, Social and Governance Risk**	• **Transaction Processing Risk**

Non-financial risk management framework

The Group has developed, implemented and maintained an enterprise wide NFR management framework that is fully integrated into the Group's overall risk management processes. This framework sets out the governing principles for non-financial risk management and sets out the basic components for the identification, assessment, measurement, management, monitoring and reporting of NFRs in a consistent manner across the Group. The framework is further supported by a comprehensive NFR management policy and other subsidiary policies.

The practice of non-financial risk management in the Group is overseen by an independent Non-Financial Risk Management (NFRM) function. Importantly, the NFRM function is charged with the responsibility of ensuring that the NFR management cycle is in line with the Group's overall risk management and business strategies. Independent assurance on the management of NFRs is further provided by Internal Audit.

The Group recognises the evolving nature of non-financial risks and continues to invest in their identification and oversight. Both qualitative and quantitative measures are employed in non-financial risk identification and measurement and include:

Risk and control self-assessments (RCSAs): This entails an analysis of business activities and critical processes to identify the key NFRs to which the business is exposed to and assess the adequacy and effectiveness of their controls. For any area where management conclude that the level of residual risk is beyond an acceptable level, action plans are defined to reduce the level of risk. The RCSAs embed a process that identifies, and rates risks, causes and controls in a consistent and structured manner. Action plans to address control deficiencies are followed up by the NFRM function to ensure they are properly addressed.

Key Risk Indicators (KRIs): These are quantitative measures based on the key risks and controls. Relevant indicators are used to monitor key business environment and internal control factors that may influence the Group's NFR profile. Each indicator has trigger thresholds to provide early warning signals of potential risk exposures and/or a potential breakdown of controls. When a breach is observed action is promptly taken to control the potential risk.

Operational risk incidents: The Group has put in place a structured process and tools around operational incident reporting and management aimed at ensuring that operational risk incidents are identified, recorded, managed and reported timeously. Reported incidents help the Group identify trends, providing foresight into emerging risk frontiers and/or control lapses. The NFRM and Internal Control functions maintain a database that includes losses, non-financial impacts and near misses which provides input into NFR management decision process.

External data: The Group analyses external industry incidents and loss data through a combination of publicly available data and confidential loss data. This information which is shared across the Standard Bank Group enhances the identification and assessment of new and emerging risks and provides additional information for RCSAs, scenarios, indicators and for benchmarking purposes.

Governance and controls

Non-financial risks arise in all parts of the Group; senior management is thus responsible for consistently implementing and maintaining policies, processes and systems for managing NFRs in all of material products, services, activities, processes and systems. The ultimate responsibility for establishing, approving and periodically reviewing the Non-financial risk framework however lies with the Board. The Board oversees senior management to ensure that the framework is implemented effectively at all decision levels.

Non-financial risk is managed to acceptable levels by continuously monitoring and enforcing compliance with relevant policies and control procedures. There is an approved Materiality Matrix that provides guidance on acceptable levels of risk and summary reporting and escalation requirements in the event that risk tolerances are breached. The Group also uses the New and Amended Clients Solution (NACS) process in order to address the identification and assessment of risks associated with new and/or amended products or services. Other major frameworks in place are the business resilience and continuity management framework, information risk and security framework and a risk assurance function.

Risk tolerance

The Group has adopted fit-for-purpose NFR practices that assist business line management in understanding their inherent risks and reducing their risk profile in line with the Group's risk tolerance while maximising performance and efficiency. Management uses the output of risk identification and assessment as an input into the decision-making process. Management action on Non-financial risk will normally include one or more of the following treatments:

- **Risk avoidance:** The risk is avoided by deciding not to start or continue with the activity giving rise to the risk.
- **Risk mitigation:** Risk is lowered by increasing controls.
- **Risk transfer:** Another party agrees to carry or share part of the risk (for example Insurance). In addition, the Group continues to maintain a comprehensive insurance programme to cover losses from fraud, theft, professional liability claims and damage to physical assets.
- **Risk acceptance:** Accepting those risks that cannot be avoided.

Stanbic Bank is willing to tolerate non-financial risk inherent in executing its business strategy provided that these risks are managed. The Group's NFR appetite is set at an overall level by the Board of directors. Senior management ensures that this appetite is translated into sufficiently meaningful and detailed expressions.

Due to the nature of NFRs, the setting of appetite is ultimately based on the judgment and experience of senior management.

NFR tolerance is expressed in terms of the following types of measures:

- **NFR limit:** the maximum level of exposure that is tolerated for NFR and which should not normally be exceeded.
- **NFR threshold:** the level of exposure which, with appropriate approvals, can be exceeded, but which will trigger certain actions. These have been set using historic operational losses and adjusted for growth.

Specialist non-financial risk types

Given the broad and diverse taxonomy of NFRs, the Group recognises specialist NFRs that call for enhanced and direct oversight. In this regard the Group recognises third party/ outsourcing risk, business disruption risk, financial crime risk, environmental and social risks, and information technology and security (including cyber risk) as NFR risk types calling for special attention. For these specialised NFR sub-types, the Group has established specific policies under which they are managed such as third-party risk management policy, fraud risk policy, business resilience policies, environmental and social risk policies, information, and cyber risk policies etc.

Third party risk

The Group recognises that outsourcing and other third-party arrangements are an accepted practice and acknowledges that the consequence of a third party arrangement is that whilst the associated activities may be performed by a third party, the management of the risks related to these activities remains the accountability of the Group. In addition to the original risks associated with the activities, the Group also addresses the risks posed by the contractual relationship with the third-party service provider.

Given this background, the Group has in place a framework and policy on managing third-party risks which serve to ensure that there is alignment of the third-party arrangements with the Group's business objectives, potential risks addressed, costs and benefits evaluated, responsibilities clearly understood, and regulatory requirements complied with.

Business Disruption Risk (BR)

The ability of the Group to ensure resilience and continuity of its critical business functions despite serious disruptive incidents or disasters and to ensure the recovery of such critical functions to an operational state within acceptable timeframes is key to its financial success.

Business disruption is a specialist non-financial risk discipline enabled by three capabilities, which are integrated in a single framework to provide an agile, cohesive and coordinated suite of point-in-time response and recovery interventions to counter the financial and reputational impacts of worst-case business disruptions. The three Business Resilience capabilities are:

- **Emergency Management** - concerned with effective response to incidents impacting life safety of employees, contractors, clients and visitors. Typically, such incidents often have facilities or security implications;
- **Crisis Management** – concerned with effective crisis leadership and communications to stakeholders to manage the financial and reputational impacts ensuing from an operational disruption;
- **Business Continuity** which includes information technology (IT) service continuity – concerned with the recovery and continuation of business services, functions and processes in the aftermath of a disruption.

The Group has implemented business resilience and continuity plans to ensure its ability to operate on an on-going basis and limit losses in the event of severe business disruptions and has in place a holistic management process that identifies potential impacts that threaten an organisation, provides a framework for building resilience and the effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.

The Group continues to regularly perform disaster recovery system functionality tests to ensure preparedness in the event of a disaster as a part of its assurance process.

In particular, the Group's business resilience framework includes a Pandemic Response Plan (the plan or PRP) that is maintained, reviewed and tested on a regular basis. The plan provides guidance for a coordinated, effective and efficient response to disruptions arising from epidemics. As the world and country continue to grapple with the evolution of the COVID-19 pandemic, the Group's resilience efforts are primarily focused on ensuring the safety and health of staff as well as refining our processes, systems and capabilities to minimise business disruption to our clients and services.

Legal risk

Legal risk is a specialist non-financial risk discipline. The Group considers legal risk to be the risk of losses, claims, damages, litigation, penalties, lost opportunities, damaged reputation or any other diminution in enterprise value ("legal losses") attributable wholly or partly to the application of any law or legal principle.

Appropriate governance documents and procedures are in place to specify minimum standards aimed at managing this risk type.

Information, technology and cyber risks

Information risk is defined as the risk of accidental or intentional unauthorized use, access, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity and availability of information assets. Management of information risk involves definition, design and implementation of processes and methodologies to protect print, electronic, or any other form of confidential and sensitive information or data belonging to the Group or our clients.

In this regard, the Group has adopted a formal Information Risk Governance Standard (IRGS) which outlines high level policy objectives and commitment to implement good information risk management and information security practices.

The Group has also formally adopted and rolled out specific Information Security policies and technical standards to ensure a robust control environment. The policies and standards further ensure adequate and consistent governance for the identification, assessment, monitoring, managing and reporting of the continually evolving risk landscape covering technology, cyber, business continuity and data privacy risks.

As part of the broader initiatives, the Group's risk management approach as relates to Information and Technology risk includes:

- An effective and robust Governance Framework
- End-to-End scope/view of Group network and assets
- Thorough risk assessment, threat modelling and scenario analysis
- Proactive Cyber and Technology Incidents Response Planning
- Dedicated Information Security and Cyber Security Resources

Cyber risk continues to increase within the financial industry with more sophisticated attacks being meted on banks by exploiting vulnerabilities within the banks' network and core banking systems to facilitate fraud or disrupt business operations. The Group is proactively managing this risk through a Cyber Resilience framework – a multi-layered strategy that encompasses people, process and technology to allow the group to prepare, protect, detect, respond and recover from any cyber security incident in a prioritized and cost-effective way.

Environmental and social risk

Environmental and Social (E&S) Risk includes, inter alia, both the threat of adverse effects on the natural environment through emissions, wastes and resource depletion, as well as risks of livelihoods, the health and rights of communities and cultural heritage arising out of business operations and lending activities. In addition, these risks include the threat to assets as a result of environmental impacts, such as extreme weather events.

Stanbic Bank has in place an E&S standard and supporting policies to establish and define the principles under which the Group is committed to:

a) Providing an overall Environmental and Social (E&S) Management Framework for the consistent and unified governance, identification, measurement, management and reporting of E&S risk.

b) Supporting conscious risk-taking and encouraging positive/ green finance in seamlessly delivering client solutions whilst enhancing the trust, reputation and sustainability of SBK; and

c) Upholding its E&S Risk Management commitments to stakeholders.

Market risk

Risk description

Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices), the correlations among them, and their levels of volatility.

Risk examples: Risk examples include change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

Mitigation: Market risk exposures arising from trading activities are contained within the Group's Corporate and Investment Banking (CIB) trading operations. The Board grants general authority to take on market risk exposure to the Group's Assets and Liabilities Committee (ALCO). Market risk management process is required to measure, monitor and control market risk exposures. The Group manages market risk through the following four principles.

Identification of market risks in the trading and banking books

This process entails checking that all market risks are identified. It includes an analysis of new business plans, new products, new pricing models, new risk models and regular reviews by Market Risk employees of financial and management accounts balance sheets, income statements, and portfolio structure hierarchies, accounting classification and accounting elections, jointly with financial control, Risk Self Assessments jointly with financial operational risk, price testing reports and profit and loss decomposition reports. For the purpose of identification, market risk has been categorised as follows:

I. **Market risks in the Trading Book:** These risks result from the trading activities where the primary focus is client facilitation. All trading activities are carried out within the Group's CIB division with respect to banking operations.

II. **Interest Rate risk in the Banking Book:** This risk results from the different repricing characteristics of banking assets and liabilities. It includes endowment risk, repricing risk, basis risk, optionality risk and yield curve risk.

III. **Foreign currency risk:** The Group's primary exposure to foreign currency risk arises as a result of the translation effect on the Group's net assets in foreign operations, intra-group foreign-denominated debt and foreign-denominated cash exposures and accruals.

Measurement of market risk

Market Risk Measurement deals specifically and separately with normal market conditions and stress market conditions. Measurement of trading exposures under stress market conditions is effected by subjecting the portfolios to stress testing, e.g. historical scenarios, hypothetical scenarios on individual asset classes and across different asset classes. In order to highlight 'points of weakness' and identify particular sources of trading book exposure vulnerability, these stress tests capture the effects of abnormal movements in market variables (yield curves including basis curves, volatility surfaces, spot and/or rate moves, credit spread curves, recovery rate sensitivities etc.). The Group uses a variety of metrics and models to measure and control market risk exposures. These measurements are selected based on an assessment of the nature of risks in a particular activity. The principal measurement techniques are Present Value at one basis point change (PV01), Value at Risk (VaR), stress testing, sensitivity analysis, simulation modelling, and gap analysis. Models are independently validated prior to implementation and are subject to formal periodic review.

General measurement definitions:

a. **Value at Risk ("VaR")** is the loss with a given probability defined as the confidence level, over a given period of time.

b. **Historical VaR ("HVaR")** is the calculation of the VaR using historically observed rate changes with a defined holding period (typically 1day or 10day) and for a specific date range (typically 1 year and 5 years).

c. **Expected Tail Loss ("ETL")** is the average of returns that exceed VaR (also known as expected shortfall).

Market risk management

The Group manages market risk through a specification of risk appetite in form of market risk limits. ALCO is responsible for ensuring that risk appetite is commensurate with available capital, projected revenues, estimated business mix and portfolio diversification. The risk appetite is allocated down to trading desks. Risk appetite is expressed in the form of measures such as normal VaR, Stress VaR, stop loss triggers, stress test triggers, maximum values for positions, sensitivities, or tenors, issuer risk limits based on ratings and liquidity.

Market risk exposure on trading activities

The Group's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily client focused, but also include a proprietary component. Market risk arising from the Group's trading activities is managed in accordance with Board-approved policies, and aggregate VaR and stress testing limits. The quality of the Group's VaR is validated by regular back-testing analysis, in which the VaR is compared to theoretical and actual profit and loss results. VaR at the 95% confidence interval is an indication of the probability that losses will exceed the VaR if positions remain unchanged during the next business day. The Group also calculates a Stressed VaR which uses the same basic methodology as the Normal VaR. However, Stressed VaR is calculated using 10 day holding period for the last 1,250 business days.

Calculation of market risk capital for trading

The assessment of market risk capital for trading activities can be aggregated using general market risk and specific risk. The Group applies the Standardised Approach for calculating market risk capital. The standardised method uses a "building block" approach, with the capital charge for each risk category calculated separately. Market risk Qualifying Assets includes interest rate risk assets in the trading book and foreign currency assets throughout the Group. Specific Risk refers to potentially adverse movement in the price of an individual loan/debt owing to factors related to the individual issuers. Specific risk does not affect foreign exchange. This is because changes in FX rates are completely dependent on general market movements.

Interest Rate Risk in the Banking Book (IRRBB)

Banking book-related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on banking book earnings (net interest income) and the economic value of equity. This structural interest rate risk is caused by the differing re-pricing characteristics of banking assets and liabilities. They include endowment risk, repricing risk, basis risk, optionality risk and yield curve risk.

The Group's approach to managing IRRBB is governed by the applicable regulations and is influenced by the competitive environment in which the Group operates. The treasury and capital management team monitors banking book interest rate risk on a monthly basis under the oversight of ALCO.

The techniques used to quantify IRRBB include both earnings and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

Derivative instruments and structured transactions

- **Derivatives**: The Group uses derivatives to meet client needs, generate revenues from trading activities, manage market and credit risks arising from its lending, funding and investment activities, and to lower its cost of capital. The Group uses several types of derivative products, including interest rate swaps and options, to hedge interest rate risk exposure. Forward contracts, swaps and options are used to manage foreign currency risk exposures. Market risk arising from derivatives transactions is subject to the control, reporting and analytical techniques noted above in the Trading activities section. Additional controls and analytical techniques are applied to address certain market related risks that are unique to derivative products.

- **Structured Transactions:** Structured transactions are specialised transactions that may involve combinations of cash, other financial assets and derivatives designed to meet the specific risk management or financial requirements of clients. These transactions are carefully evaluated by the Group to identify and address the credit, market, legal, tax, reputational and other risks, through a new product process (NPC process). These transactions are also subject to a cross-functional review and sign-off by expertise from the Group and Standard Bank Group.

Reporting on market risk

The Market Risk unit has reporting procedures that cover market risk exposures including limit utilization. Reports to internal stakeholders are circulated daily and where breaches in limits and triggers are identified, actions are taken to move exposures back in line within the approved market risk appetite. Reports to other stakeholders such as Local ALCO, Local Board, Shareholders (via Annual financial statements), Rating agencies, Central Bank of Kenya and other regulators are produced periodically.

"We have three lines of defence with respect to risk management, this provides us good oversight. The risk committee protects us, actively tracking our risks to ensure we operate within our risk appetite. This allows us to target the right client demographic, taking heed of key changes in the risk landscape such as climate risk and respond to them appropriately."

Rose Osoro
Non-Executive Director

Our governance

Gender

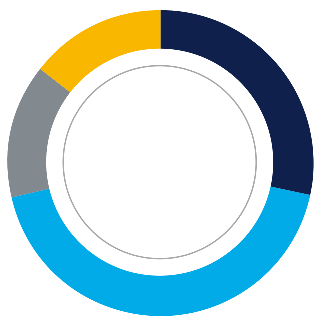
3 female

5 male

Age

Between 40 – 49	1
Between 50 – 59	4
Between 60 – 69	2
70 and above	0

Tenure



<3	yrs 2
3-6	yrs 3
7-9	yrs 1
>9	yrs 1

Board of directors

Kitili Mbathi, 64
Non-Executive Director and Chairman

QUALIFICATIONS
- BA (Economics and Political Science) University of Michigan
- MSc (Banking and Finance) Instituto Fin Africa in Milan, Italy

KEY STRENGTHS
- Financial services, insurance and asset management
- Customer and marketing
- Sub Saharan Africa
- People and organisational development
- Capital risk management
- Accounting and auditing
- Governance leadership
- Large corporates and Industrial
- Regulations and public policy
- Remuneration.

EXTERNAL DIRECTORSHIP
- Stanbic Bank Kenya Limited.

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Served as Director-General of the Kenya Wildlife Service from February 2016 to July 2017.
- Served as Investment Secretary in the Ministry of Finance & Planning – Government of Kenya.

BOARD MEETINGS ATTENDANCE
6/6

COMMITTEE MEMBERSHIP
Nominations committee

APPOINTED CHAIRMAN 9 May 2015

Patrick M. Mweheire, 52
Chief Executive, Stanbic Holdings Plc

He is currently the Regional Chief Executive, East Africa, for the Standard Bank Group, responsible for operations in Kenya, Ethiopia, South Sudan, Tanzania and Uganda

QUALIFICATIONS
- BSc Daemen College
- Master of Business Administration Harvard

KEY STRENGTHS
- Financial services, insurance and asset management
- Customer and marketing
- Sub Saharan Africa
- People and organisational development
- Capital risk management
- Governance leadership
- Large corporates and Industrial
- Regulations and public policy
- Remuneration
- Global capital markets

EXTERNAL DIRECTORSHIPS
- Stanbic Bank Tanzania Limited,
- Stanbic Uganda Holdings Limited
- Stanbic Bank Uganda Limited

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Uganda Chamber of Mines & Petroleum
- Presidential Investors Roundtable.

BOARD MEETINGS ATTENDANCE
6/6

COMMITTEE MEMBERSHIP
Nominations committee

APPOINTED 3 March 2020

Ruth T Ngobi, 62
Non-Executive Director

QUALIFICATIONS
- Bachelor of Laws Degree University of Kent
- Master of Laws Degree University of Cambridge

KEY STRENGTHS
- Sub Saharan Africa
- People and organisational development
- Governance leadership
- Legal
- Remuneration

EXTERNAL DIRECTORSHIPS
None

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Founded Cosec Solutions Limited

BOARD MEETINGS ATTENDANCE
3/3

COMMITTEE MEMBERSHIP
None

APPOINTED 1 February 2011
Retired from the Board on 19th May 2022

Peter Nderitu Gethi, 57
Non-Executive Director

QUALIFICATIONS
- Bachelor of Science degree in Agricultural Economics from the University of London
- Qualified Consultant Agronomist

KEY STRENGTHS
- Sub Saharan Africa
- People and organisational development
- Governance leadership
- Large corporates and Industrial
- Remuneration

EXTERNAL DIRECTORSHIPS
- Stanbic Bank Kenya Limited,
- SBG Securities Limited,
- Liberty Life Assurance Limited,
- Heritage Insurance (K) Limited
- Nebange Ltd, as well as several other directorships.

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
None

BOARD MEETINGS ATTENDANCE
6/6

COMMITTEE MEMBERSHIP
Audit committee
Nominations committee

APPOINTED 18 January 2013

Rose Bosibori Osoro, 51
Non-Executive Director

QUALIFICATIONS
- Master of Business Administration from the University of Nairobi.
- Certified Public Accountant

KEY STRENGTHS
- Sub Saharan Africa
- People and organisational development
- Accounting and auditing
- Governance leadership
- Large corporates and Industrial
- Regulations and Public policy

Remuneration

EXTERNAL DIRECTORSHIPS
- Stanbic Bank Kenya Limited
- Stanbic Bancassurance Intermediary Limited.

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Institute of Certified Accountants of Kenya
- Association of Women Accountants of Kenya
- Kenya Institute of Management.

BOARD MEETINGS ATTENDANCE
6/6

COMMITTEE MEMBERSHIP
Audit committee
Nominations committee

APPOINTED 26 September 2017

Dorcas Florence Kombo, 69

Non-Executive Director

QUALIFICATIONS
- Certified Public Account (CPA)

KEY STRENGTHS
- Sub Saharan Africa
- People and organisational development
- Accounting and auditing
- IT and IT governance
- Governance leadership
- Large corporates and Industrial
- Remuneration

EXTERNAL DIRECTORSHIPS
- Stanbic Bank Kenya Limited
- Hospital Holdings Investment B.V.
- Telkom Kenya Limited

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Fellow, Chartered Association of Certified Accountants
- Associate for the Institute of Certified Public Accountants of Kenya
- Member of the Institute of Certified Public Secretaries of Kenya.

BOARD MEETINGS ATTENDANCE

6/6

COMMITTEE MEMBERSHIP
Audit committee

APPOINTED 12 January 2018

Samuel Nderitu Gikandi, 40

Non-Executive Director

QUALIFICATIONS
- BSc and MSc Electrical Engineers & Computer Science with a Minor in Economics, Massachusetts Institute of Technology USA

KEY STRENGTHS
- Sub Saharan Africa
- People and organisational development
- IT and IT governance
- Governance leadership
- Large corporates and Industrial
- Remuneration
- Digital & New Economy

EXTERNAL DIRECTORSHIPS
- Africa's Talking Limited
- Stanbic Bank Kenya Limited
- Stanbic Bancassurance Intermediary Limited

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
None

BOARD MEETINGS ATTENDANCE

4/6

COMMITTEE MEMBERSHIP
None

APPOINTED 29th June 2020

Wambui Kihuha Mbesa, 55

Non-Executive Director

QUALIFICATIONS
- Bachelor of Education Degree in Business Studies and Economics Kenyatta University
- Postgraduate Diploma Computer Science Makerere University
- MBA Strategic Management Maastricht Business School

KEY STRENGTHS
- Sub Saharan Africa
- IT and IT governance
- Governance leadership
- Large corporates and Industrial
- Regulations and Public policy
- Digital & New Economy

EXTERNAL DIRECTORSHIPs
- Stanbic Bank Kenya Limited
- INTRASOFT International East Africa
- Konnector Limited.

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Women in Technology Africa,
- Institute of Directors (Kenya)
- Women on Boards Network

BOARD MEETINGS ATTENDANCE

6/6

COMMITTEE MEMBERSHIP
None

APPOINTED 8th September 2021

Joseph L. O. Muganda, 57

Non-Executive Director

QUALIFICATIONS
- BSc Economics (Accounting & Financial Management) University of Buckingham
- MBA University of Leicester

KEY STRENGTHS
- Customer and marketing
- Sub Saharan Africa
- People and organisational development
- Accounting and auditing
- Governance leadership
- Large corporates and Industrial
- Regulations and Public policy
- Remuneration

EXTERNAL DIRECTORSHIPS
- Stanbic Bank Kenya Limited
- Kenya Urban Roads Authority

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
None

BOARD MEETINGS ATTENDANCE

6/6

COMMITTEE MEMBERSHIP
Audit committee
Nominations committee

APPOINTED 12th October 2021

Nancy K. Kiruki

Company Secretary

QUALIFICATIONS
- Master of Laws in Commercial Law (LLM) University of Cape Town
- Bachelor of Laws Degree (LLB) University of Nairobi
- Post Graduate Diploma in Law Kenya School of Law

KEY STRENGTHS
- Governance leadership

OTHER COMPANY SECRETARY POSITIONS
- Stanbic Bank Kenya Limited
- SBG Securities Limited,
- Stanbic Bancassurance Intermediary Limited
- Stanbic Nominees Limited
- SBG Securities Nominees Limited.

OTHER GOVERNING BODY AND PROFESSIONAL POSITIONS HELD
- Advocate of the High Court of Kenya
- Certified Public Secretary
- Member of the Institute of Certified Public Secretaries of Kenya.

BOARD MEETINGS ATTENDANCE
Not applicable

COMMITTEE MEMBERSHIP
Not applicable

APPOINTED 5th October 2022

Stanbic Bank Kenya Leadership Council

1 Joshua Oigara
Chief Executive Stanbic Bank

2 Edwin Mucai
Chief Risk Officer

3 Dennis Musau
Chief Financial and Value Officer

4 Mary Runana
Head, Compliance

5 Anjali Harkoo
Head, Insurance and Asset Management

6 Steve Kalani
Ag. Head Engineering

7 Alakh Kohli
Head, Corporate and Investment Banking

8 Neema Onsongo
Head, People & Culture

9 Lilian Onyach
Head, Consumer & High Net-worth Clients & Acting Head Brand & Marketing

10 Florence Wanja
Head, Business & Commercial Clients East Africa

11 Maryann Michuki
Head, Innovation

12 Janet Kabiru
Head, Legal

13 Stanley Kathurima
Head, Audit

14 Nancy Kiruki
Head, Governance

Standard Bank Group Limited: An Overview

The Standard Bank Group understands that good corporate governance is fundamental to earning the trust of our stakeholders, itself critical to sustaining the Organisation's success while preserving shareholder value. In line with this philosophy, the Board is committed towards adopting and implementing sound governance practices.

The Standard Bank Group's governance framework enables the Board to fulfil its role of providing oversight and strategic counsel, while ensuring conformity with regulatory requirements and acceptable risk tolerance parameters. Stanbic Holdings Plc, as a member of the Standard Bank Group, is guided by these principles in its governance framework.

Stanbic Holdings Plc: An Overview

Stanbic Holdings Plc (the Company) is a non-operating holding company which is listed on the Nairobi Securities Exchange. The Company and its subsidiaries (together referred as "the Group") are committed to complying with legislation, regulations and codes of best practice as pertain to them, while seeking to maintain the highest standards of governance, including transparency and accountability. Whilst the Group continues to nurture a strong culture of governance and responsible risk management in line with Standard Bank Group's risk appetite and governance framework, the Group is constantly monitoring its practices to ensure that they are the best fit for its businesses and serve to enhance business and community objectives.

Codes and Regulations

The Group complies with all applicable legislation, regulations, standards and codes, with the Board continually monitoring regulatory compliance. During the last three years, the Company has been awarded a leadership score by the Capital Markets Authority for its compliance with the Corporate Governance Code for Issuers. There were no known insider dealings in the year under review.

Shareholders' Responsibilities

The shareholders' role is to appoint the Company's Board of Directors and the external auditor. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance. The Capital Markets Authority (CMA) Corporate Governance Assessment Report for Stanbic Holdings Plc for the year ended 31st December 2021 found that the Company has continued to demonstrate commitment to good corporate governance and was thus awarded a leadership rating for the third year running. The Company was commended by CMA for its comprehensive website disclosures and integrated reporting.

In line with the Code of Corporate Governance Practices for Issuers of Securities to the Public (the CG Code), the Company did not undertake an external governance audit and legal audit during the year, having undertaken the audits in the previous year. The Company has fully implemented and closed the recommendations of the two audits.

Board of Directors

The Company is led by a highly competent and diverse board, with the majority consisting of non-executive directors who, by their skills and diversity, contribute to the efficient running of the Company.

The Board is responsible for the overall corporate governance of the Company, ensuring that appropriate controls, systems and practices are in place. The Board Mandate sets out the Board's role in overseeing the implementation of the Company's vision, mission, strategic objectives, risk strategy, corporate governance and corporate values. The Board further oversights the performance of the Company and senior management. The Mandate further sets out the matters that are reserved for Board decision. The Mandate is reviewed annually.

The Mandate sets out the authority, powers and terms of reference for the Board including the Board's role in the review of operational and financial objectives of the Company, strategy development and review, and general oversight of internal controls, regulatory compliance, ethical conduct and succession planning.

In the performance of their duties, directors are required to exercise due care and skill in the performance of their functions and to provide effective leadership based on an ethical foundation characterised by values of responsibility, accountability, fairness and transparency. In addition, directors are required to enhance their knowledge and skills while performing their duties with diligence and courage. The Board holds at least four scheduled meetings a year, with provision for holdings special meetings when need arises.

The Board Mandate requires directors to declare any interests on any matter that may give rise to a potential or perceived conflict of interest including multiple directorships, business relationships or other circumstances that could interfere with the exercise of effective judgment.

The Board is supported by the Company who is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK), in good standing.

Succession Planning

The mandate of the Board Nominations Committee includes establishing and maintaining directorship continuity programme which includes a review of performance and planning for successors for the board and management. During the year, matters relating to succession planning were discussed by the Committee.

Board Workplan

To facilitate effective delivery of the Board's mandate and compliance with legal and regulatory requirements, the Board is guided by an Annual Workplan detailing the activities of the Board for the year. The Annual Workplan sets out the scheduled activities of the Board and Committees, together with other activities including annual general meetings.

Skills and Experience 2022

No	Competencies	Kitili Mbathi	Patrick Mweheire	Ruth Ngobi*	Peter Gethi	Rose Osoro	Dorcas Kombo	Wambui Mbesa	Samuel Gikandi	Joe Muganda
1	Financial Services/Insurance/Asset Management	●	●		◉					
2	Client/Marketing	●	●					◉		●
3	Sub-Saharan Africa Experience	●	●	●	●	●	●	●	●	●
4	People/Organisational Development	●	●	●	●	●	●	◉	●	●
5	Capital/Risk Management	●	●							
6	Accounting/Auditing	●	◉			●	●			●
7	IT/IT Governance	◉	◉				●	●	●	
8	Governance Leadership	●	●	●	●	●	●	●	●	●
9	Large Corporate/Industrial	●	●		●	●	●	●	●	●
10	Regulation/Public Policy	●	●			●	◉	●		●
11	Legal	◉	◉	●						
12	Remuneration	●	●	●	●	●	●	◉	●	●
13	Global Capital Markets	◉	●							
14	Digital & New Economy				◉			●	●	
15	Directors Age	64	52	62	57	51	69	55	40	57
16	Directors Tenure	16	3	12	10	5	5	2	3	2

*Ceased being a director on 19th May 2022

● Primary Skill
◉ Secondary Skill

Board Composition and Evaluation

The Board comprised eight directors as at 31st December 2022, consisting of seven Non-Executive Directors and one Executive Director. Of the eight, five are independent non-executive directors.

Name	Position
Kitili Mbathi	Chairman
Patrick Mweheire	Chief Executive
Peter Gethi	Non-Executive Director
Rose Osoro	Independent Non-Executive Director
Dorcas Kombo	Independent Non-Executive Director
Wambui Mbesa	Independent Non-Executive Director
Samuel Gikandi	Independent Non-Executive Director
Joe Muganda	Independent Non-Executive Director
Nancy Kiruki	Company Secretary

The Company's Board of Directors remain committed in implementing governance practices where substance prevails over form. This provides direction for subsidiary entities, which structure their respective governance frameworks according to Group standards.

The governance framework allows the Board of Directors to consider conformance and performance, enabling them to balance their responsibility for oversight with their role as strategic counsel.

The Board understands that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The Board members' collective experience and expertise provide a balanced mix of attributes for it to fulfil its duties and responsibilities.

All the entities in the Group have boards of directors. The directors of these boards monitor the affairs of the entities. A number of committees have been established that assist the various boards in fulfilling stated objectives. All the committees have their terms, roles and responsibilities set out in their individual agreed and approved mandates, which are reviewed annually to ensure they remain relevant.

Strategy

The boards of the Company's subsidiaries consider, review and approve the strategies for their individual entities at annual meetings with their Executive Management. The boards ensure that strategy is aligned with the Group's values and monitors strategy implementation and performance targets in relation to the Group's risk profile. The boards are collectively responsible for the long-term success of the Group and are accountable to shareholders for financial and operational performance.

Directors' Appointment

The Company's Directors are nominated by the Group Board Nominations Committee (the Nominations Committee), which is chaired by an Independent Non-Executive Director. Apart from a candidate's experience, availability and fit, the Nominations Committee also considers other directorships and commitments of the individual to ensure that they will have sufficient capacity and time to discharge their roles properly. Candidates must also satisfactorily meet the fit and proper test criteria, as required by the Central Bank of Kenya Prudential Guidelines and by the South Africa Reserve Bank regulations. The Committee also considers appropriate demographic and gender diversity in its assessment.

Suitable candidates are nominated for Board consideration and appointed in accordance with the Company's Articles of Association. A director appointed by the Board holds office until the next Annual General Meeting (AGM), at which time the director will retire and will be eligible for election by the shareholders of the Company as a Director, upon recommendation by the Board. The appointments comply with the requirements of the Companies Act, 2015 and the Capital Markets Act of Kenya, as well as related regulations.

Induction and Ongoing Education

Induction of new directors and ongoing education of directors is the responsibility of the Company Secretary. The Group's Code of Ethics is provided to new Directors on their appointment and an induction programme is also conducted immediately thereafter.

To ensure maximum participation in continuous learning for directors, themes for training are scheduled in advance of the year and form part of the Board approved annual calendar. The trainings are facilitated by both in-house and externally resourced experts.

Directors are advised of new laws and regulations and changing risks to the Group on an ongoing basis. During the year, directors were appraised on ESG, data protection laws, fintech regulatory environment and anti-money laundering, among others.

The Board of Stanbic Holdings Plc continuously enhances its knowledge to hone its effectiveness in overseeing the Company. Board members are involved in the choice of areas of training, of which some are outlined as part of the recommendations from the annual board evaluation. The trainings further seek to update and appraise board members on changes in laws, regulations, policies and practices locally and globally.

In 2022, the Board trainings met the 12-hour minimum training requirement by the CMA as follows:

- Board Training on Group Reward, Talent Management and Succession Planning Principles– 1st February 2022
- Board Training on Environmental, Social and Governance Principles– 10th March 2022
- Board Training on Platform Business and Third-Party Risk Management – 5th April 2022
- Board Training on Data Protection – 5th April 2022; and
- Board Training on Fintech Regulatory Developments & Implications – 9th June 2022.
- Board Training on Blockchain Technology-7th July 2022
- Board Training on Equity Capital Markets and Debt Capital Market-1st September 2022
- Board Training on Artificial Intelligence on 20th September 2022
- Board Training on Anti-Money Laundering Compliance-11th October

Board Evaluation

The Chairman is responsible for ensuring that the Group has an effective Board. Supported by the Company Secretary, he ensures that the Board's effectiveness is reviewed annually, through a detailed assessment of the effectiveness of the Board collectively, and assessment of the contribution of each member, through peer evaluations. The results of the assessments are then discussed by the Board. The Chairman provides further constructive feedback separately to each Director on a one-on-one basis, derived from the results of the peer evaluations, regarding their contribution to the Board.

A Board evaluation for the year 2022 was conducted in-house through the Office of the Company Secretary and consisted of an evaluation of the Board and its committees, an evaluation of the performance of the individual Directors by their peers, as well as an evaluation of the Chairman of the Board and the Chief Executive.

Arising from the Board evaluation, the Board discusses and tracks the recommendations arising from the outcome of the evaluation exercise, with implementation status provided in subsequent board meetings. In addition, the outcome of the evaluation informs the annual board training plan particularly the areas of training.

Going concern

The Board has reviewed the facts and assumptions on which it has relied upon and based on this information, continues to view the Company as a going concern for the foreseeable future.

Remuneration

Stanbic Holdings Plc remunerates its Non-Executive Directors at levels that are fair and reasonable in a competitive market, taking into account the skills, knowledge, and experience required in the Board.

The amount paid to Directors is included in the Directors Remuneration Report which represents the total remuneration paid to Executive and Non-Executive Directors for the year under review, in compliance with the Companies Act, 2015. Remuneration for the directors is reviewed by the board reviewed annually.

Social Responsibility

The Company understands the challenges and benefits of doing business in the country and owes its existence to the people and societies within which it operates. The Group is committed therefore not only to the promotion of the economic development but also to the strengthening of social and environmental well-being in jurisdictions they operate in.

In line with this, the Company's banking subsidiary has an established foundation, Stanbic Kenya Foundation Limited, which is 100% owned by Stanbic Bank Kenya Limited (the Bank). The sole purpose of the subsidiary is to be a foundation for the Group, for implementation of corporate social investment programmes including accelerating the growth of SMEs. During the year, the Foundation partnered with a number of local and international organizations to promote to socio-economic empowerment, inclusion and growth.

Social Responsibility (continued)

The Company's banking subsidiary has a fully operational Social Economic and Environment (SEE) Committee with an approved mandate to actualise the organisation's SEE core strategic value proposition and its goal to be a purpose driven organisation that ensures responsible business practices.

Shareholder Relations

The Board of Directors recognises the importance of continued interaction and provision of information to shareholders; as well as the wider group of stakeholders; and endeavours to do so through a detailed annual integrated report. The Annual General Meeting is also considered a crucial time for interaction with the Company's shareholders and the Board encourages all the shareholders to attend and participate in this meeting. The organisation also holds investor briefings twice a year and has a Board approved stakeholder engagement policy.

The Company's website provides adequate information to shareholders and stakeholders. The website is updated regularly to ensure that up-to-date disclosures are available in a timely manner.

Board meetings

The Company is headed by a Board of Directors, which has ultimate accountability for the management and strategic guidance of the Company and assumes the primary responsibility of fostering the sustainability of the Company. The Group Boards have the overall responsibility for the establishment and oversight of the Group's risk management framework.

Performance against financial and corporate governance objectives is monitored by the Board through Management's quarterly reporting. The implementation of the Group's strategic objectives is done by the individual subsidiary companies, through various established Board and Management committees. The Board meets at least once every quarter. Additional meetings are held whenever deemed necessary. Directors are provided with comprehensive Board documentation at least seven days prior to each of the scheduled meetings.

Attendance at Board meetings during the year under review is set out in the following table:

	Stanbic Holdings PLC Board Attendance For 2022					
Director's Name	Q1, 2nd March 2022	Q2, 12th May 2022	Q2, 19th May 2022 Special	Q3, 18th July 2022 Special	Q3, 18th Aug 2022	Q4, 24th Nov 2022
Kitili Mbathi	P	P	P	P	P	P
Patrick Mweheire	P	P	P	P	P	P
Peter Gethi	P	P	P	P	P	P
Rose Osoro	P	P	P	P	P	P
Ruth Ngobi	P	P	P	N/A	N/A	N/A
Dorcas Kombo	P	P	P	P	P	P
Samuel N. Gikandi	P	P	P	AP	AP	P
Wambui K. Mbesa	P	P	P	P	P	P
Joe Muganda	P	P	P	P	P	P

P - Present

AP - Absent with apology

N/A - Was not a member

Our Board Committees

Report of the Board Audit Committee (BAC)

The Board Audit Committee is responsible for safeguarding the Company's assets and evaluating the internal control frameworks within the Company. The Audit Committee is made up of four members, of whom three are independent. The Chairperson of the Committee is independent. The Committee has its own Mandate which sets out the Committee's purpose and terms of reference. The Mandate of the Committee is reviewed annually.

During the year ended 31 December 2022, amongst other matters, the Committee considered the following:

a) In respect of the External Auditors and the external audit:

- Endorsed the appointment of KPMG as external auditors for the financial year ended 31 December 2022, in accordance with all applicable legal requirements;
- Approved the External Auditors' terms of engagement, the audit plan and audit fees;
- Reviewed the audit process and evaluated the effectiveness of the audit;
- Obtained assurance from the External Auditors that their independence was not impaired;
- Confirmed that no significant irregularities were identified and reported by the external auditors;
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
- Over the course of the year, met with the Company's External Auditors in two formal exclusive meetings.

b) In respect of the financial statements:

- Confirmed the going concern basis for the preparation of the interim and annual financial statements;
- Examined and reviewed the interim and annual financial statements prior to submission and approval by the Board;
- Ensured that the annual financial statements fairly represented the financial position of the Company at the end of the financial year, as well as the results of operations and cash flows for the financial year and considered the basis on which the Company was determined to be a going concern;
- Ensured that the annual financial statements conform with International Financial Reporting Standards (IFRS);
- Considered accounting treatments, significant unusual transactions and accounting judgements;
- Considered the adequacy and effectiveness of the accounting policies adopted by the Company and all proposed changes in accounting policies and practices and changes thereto;
- Reviewed the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;
- Reviewed and discussed the External Auditors' audit report; and
- Considered and made recommendations to the Board on non-payment of the interim and final dividend to shareholders.

c) In respect of internal control, internal audit and financial crime control:

- Reviewed and approved the annual Internal Audit 2023 Audit Plan and the Internal Audit Charter and evaluated the independence and effectiveness of the Internal Audit department;
- Considered Internal Audit reports on the systems and internal controls, including internal financial controls and maintenance of effective internal control systems, of the Company's operating subsidiary companies;
- Reviewed significant issues found during internal audit exercises; and the adequacy of agreed corrective action plans by Management in response to such findings;
- Assessed the adequacy of the performance of the Internal Audit function and the adequacy of the available internal audit resources. Noted the progress in filling vacancies within the function;
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- Considered internal audit findings for subsidiary companies;
- Discussed significant control weaknesses identified in the audit assessments; and
- Over the course of the year, met with the Internal Auditors in two formal exclusive meetings.

Based on the above, the Committee formed the opinion that, as at 31 December 2022, there were no material breakdowns in internal controls, including internal financial controls, resulting in any material loss to the Company.

d) Independence of the External Auditors

The Committee is satisfied that KPMG are independent of the Company. This conclusion was arrived at, inter alia, after taking into account the following factors:

- the representations made by KPMG to the Committee;
- the Auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company;
- the Auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the Auditors; and
- the Auditors' independence was not prejudiced as a result of any previous appointment as auditor.

Board Audit Committee Meetings Attendance

Name	Q1 1st March 2022	Q3 16th August 2022
Dorcas Kombo (Chairman)	P	P
Rose Osoro	P	P
Peter Gethi	P	N/A
Joe Muganda	P	P

*P denotes that the director was present in the meeting

*N/A denotes that the director was not a member at the date of the meeting

The Board Audit Committee reviewed the annual report and recommended it to the Board for approval.

On behalf of the Board Audit Committee

Chairman, Board Audit Committee
7th March 2023

Report of the Board Nomination Committee

The role of the Board Nominations Committee is to assist the Board of Stanbic Holdings Plc (the Company), in discharging its obligations regarding appointments, succession planning and development of the Directors on the Board. In addition, the Committee provides oversight on formulation and implementation of the People and Culture strategy and policies. The Committee has four members and the Chairperson is an independent director.

The Nominations Committee has its own Mandate setting out its purpose and terms of reference. Some of the Committee's roles include determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structures in the Group, nominating successors to key positions, maintaining board directorship continuity programme and ensuring compliance with all applicable laws, regulations and codes of conduct and practice.

During the year ended 31 December 2022 the Committee considered the following:

- Determined and evaluated the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the Company and of its subsidiaries;
- Carried out its duties as dictated by its Mandate;
- Reviewed the composition of Board Committees, considered succession planning and emergency alternatives to key board roles;
- Reviewed succession planning for Executive Management;
- Analysed the existing skills on the Boards and skills gaps in line with the Company's strategy;
- Nominated a candidate to be a member of the board of the SBG Securities Ltd;
- Interviewed and nominated candidates, including those for the positions of Chief Executive for the banking subsidiary and the Company Secretary, for consideration for appointment by the Boards of the Company and of its banking subsidiary;
- Reviewed and recommended the reconstitution of the Committees of the Boards of the Company and of its banking subsidiary, for approval by the Boards of the two companies;
- Considered and endorsed the annual review of the Board Diversity Policy for submission to the Board of the Company and its banking subsidiary for approval;
- Reviewed the Remuneration Report for the Board of the Company for inclusion in the Annual Integrated Report;
- Reviewed and endorsed the annual review of the Board Remuneration Policy for submission to the Boards of the Company and of its banking, stock brokerage and bancassurance subsidiaries for approval;
- Considered and endorsed the Stakeholder Engagement Policy for submission to the Boards of the Bank and Holdings for approval;
- Considered and approved Leave Policy and Vaccination Policy;
- Considered and approved the Committee's work plan for the year 2023;
- Considered and endorsed the proposed trainings for the Board for the year 2023 for submission to the Board for approval;
- Considered the proposed appointment of the Chief Financial and Value Officer and endorsed the same for submission to the Board for approval;
- Reviewed and made a recommendation to the Board of the Company and of its subsidiaries on the remuneration for Directors for the year 2023; and
- Considered and endorsed the Corporate Governance scorecard for the Company for the year 2021 for submission to the Board for approval, prior to submission to the Capital Markets Authority for assessment.

Report of the Board Nomination Committee (continued)

The Committee composition in the year of 2022 consisted of five members, namely, two Independent Non-Executive Directors and two Non-Executive Directors (one being the Chairman of the Board of the Company) and one Executive Director.

The Committee held the two scheduled meetings during the year, as well as two special meeting to select candidates for interview and nomination of candidates for the positions of Chief Executive for the banking subsidiary and Company Secretary. The attendance of meetings by members was as follows:

Board Nominations Committee Meetings Attendance

Name	Q1 10th Feb 2022	Q1 25th Feb 2022 Special	Q3 4th Aug 2022 Special	Q4 7th Nov 2022
Rose Osoro (Chairman)	P	P	P	P
Kitili Mbathi	P	P	P	P
Patrick Mweheire	P	P	P	AP
Peter Gethi	P	P	P	P
Joe Muganda	N/A	P	P	AP

P - Present

AP - Absent with apology

N/A - Was not a member

Company Secretary

Fees for Non- Executive Directors

In determining the fees for non-executive directors, all of whom are also members of Board committees, the Board also considers market conditions and reviews comparative remuneration offered by other peer banks. Non-Executive Directors receive fixed fees for service on Boards and Board committees. There are no contractual arrangements for compensation for loss of office for either executives or non-executive directors. Non-Executive Directors do not receive annual incentive awards, nor do they participate in any of the Group's long-term incentive schemes.

The Nominations Committee reviews the fees paid to non-executive directors annually and makes recommendations to the Board for endorsement and submission to shareholders for approval. Additional information is provided on page 132 of the financial statements.

Remuneration for Executive Directors Strategy

The Board considers the execution of the Group strategy and the ability to show demonstrable progress against key milestones to be an integral part of the performance measurement and reward for Executive Directors. The Chief Executive (CE) has articulated three strategic focus areas for the Group as part of the evolving strategy:

- Transform client experience
- Execute with excellence
- Drive sustainable growth and value

Remuneration Methodology

In assessing the performance of the Executive Directors, the Board has been mindful of its responsibilities to all stakeholders, especially our shareholders as articulated in the remuneration philosophy.

The methodology used to size incentive pools is a combination of a top-down approach that provides overall guidance to business units and countries; a bottom-up approach based on executives assessments of the performance of their teams; and careful consideration of shareholder interests and stakeholder concerns.

Our policy avoids a short-term bonus-centric culture but rewards sustainable performance on a through-the-cycle basis. Critically, this includes a three to five-year growth analysis to ensure shareholder returns are appropriately aligned with executive and employee reward. The committee reviews performance to ensure that earnings are not the result of one year's work but rather the planned outcome of work done in the past years. For more on remuneration see pages 131 to 132 of the financial statements.

Governance Policies

Code of Ethics

The Standard Bank Group Code of Ethics seeks to provide clear parameters on acceptable principles within the Group. The Code sets out the eight values guiding the Company's dealings with stakeholders, with the focus on placing the client at the centre of everything. The Code enables greater empowerment and faster decision-making at all levels while upholding that the highest standards of responsible business practices.

In order to reinforce the implementation of the Code of Ethics, the Company provides mechanisms for determining how to act in certain circumstances, with the focus on enabling employees to make the right decisions at all times so as to entrench an ethical culture. The Company undertakes annual trainings for staff in order to ensure that they align their conduct and interactions with stakeholders in line with the Code of Ethics. The Code of Ethics is accessible on the Company's website.

Whistle-blower Policy - Summary

How to report unethical behaviour

Stanbic is committed to establishing a culture of integrity, transparency, openness and compliance, in accordance with the values and Code of Ethics adopted by Stanbic.

The Whistle-blower Policy provides for the protected disclosure of any attempted, suspected or actual and/or unlawful, irregular or unethical behaviour by providing a framework for whistle-blowers to report their concerns internally or externally.

If you suspect theft, fraud or corruption by any of our employees, clients or suppliers, report it immediately to our independent Whistleblowing line. You may remain anonymous by calling 0800 221 3268 or sending an email of what you suspect to whistleblowingline@tip-offs.com.

Procurement Policy Summary

Stanbic requires that its resources be used effectively and efficiently to create value for money for its shareholders by ensuring appropriate levels of segregation and proper governance are in place while engaging third-party suppliers and this is supported through appropriate procurement policy and governance structures.

The Procurement Policy reflects a lean-yet-effective governance structure that puts Stanbic in the best possible position to get products and services that it needs at the right time, in the right quantity, at the right quality and at the right cost, while at the same time ensuring that appropriate governance guidelines and processes are being followed.

Accordingly, Stanbic:

- supports the competitive procurement of goods and services from the market;
- seeks to promote local industries while not compromising its corporate image;
- strives to procure goods and services that have minimum impact on the environment, as well as on the health and safety of workers and communities;
- promotes objectivity, transparency and fairness in line with sound corporate governance principles and at all times upholds the highest procurement and ethical standards.

Information Technology Standards

Stanbic Group Kenya subscribes to sound corporate governance principles, one of which is the use and application of Information Technology (IT) standards which define and articulate principles within which the Group will operate.

1. **Architecture Technology Standard**
   The purpose of the Architecture Technology Standard to provide guiding principles that are to be applied when architecture is designed, built and operates as intended, to document the roles and responsibilities of key players considered in the standard and to outline standard principles to be followed in technology architecture.
2. **Cloud Computing Technology Standard**
   The purpose of the Cloud Computing standard is to articulate principles and give effect to Stanbic's direction regarding cloud computing.
3. **Cyber Resilience Technology Standard**
   The Cyber Resilience minimum standard provides a framework to govern how Stanbic protects its IT assets which includes systems in production, systems under development and systems hosted by third parties in a systematic and consistent manner.

   This Standard mandates the IT security function to establish and uphold a culture of security across the organisation, provide assurance on a robust control environment, ensure that stakeholder requirements for the protection of data are continually met, focusing on confidentiality (the risk of unauthorised access to data and IT systems), integrity (the risk of data being manipulated) and availability (the risk of data and IT systems being unavailable when needed).
4. **Endpoint Security Minimum Controls Standard**
   This Standard defines the minimum-security controls set out for compliance to manage data breach, financial malware, extortion/ransomware and distributed denial of service risks on endpoints.
5. **Engineering Technology Standard**
   The purpose of the Engineering Technology standard is to provide direction to the organisation regarding technology engineering. This Standard provides engineering principles that are to be applied holistically and in such a way that is commensurate with the size and complexity of the legal entity, business line or corporate function.
6. **Service Management Standard**
   This standard governs service management, ensuring that technology services are aligned to client and regulatory needs and to enable the monitoring and improvement of service quality.
7. **Technology Finance Standard**
   This standard defines the technology cost management principles to be followed to ensure that spend is responsibly invested and for the achievement of the broader financial outcomes of the organisation.
8. **Ways of Work Standard**
   The purpose of the Ways of Work Standard is to articulate and give effect to the Group regarding Ways of Work. This standard provides guidance in the use of Scaled Agile Framework (SAFe), and corresponding SAFe foundation principles.

Promotion of Diversity Policy Summary

Stanbic Group Kenya recognises the importance of, and value added by diversity in the composition of a Board of Directors. As a group with operations in several jurisdictions, we recognise that diversity of skills, experience, background, knowledge, thought, culture, race and gender strengthens the board's ability to effectively carry out its duties and add value to the group.

It mitigates the risk of 'group think' and improves the group's resilience. This policy seeks to articulate the group's approach regarding the promotion of diversity on its Boards of Directors in compliance with the CMA Corporate Governance Code and King IV Report, and must specifically consider the promotion of gender, age, skills, ethnic and race diversity.

Stanbic Group Stakeholder Engagement Guidelines

Summary

Stanbic Group Kenya (the Group) recognises that effective stakeholder engagement is essential to achieving our purpose "Kenya is our home, we drive her growth". It is also at the heart of our Values and Code of Ethics.

Stakeholder engagement maintains and strengthens our legitimacy and social licence to operate, builds trust with stakeholders and enhances our reputation as a socially relevant and responsible corporate citizen wherever we operate. We have a responsibility to minimise any harmful impacts, and optimise the positive impacts, on our stakeholders. These Guidelines are intended to assist and guide Group entities in their stakeholder engagement activities based on the Group's stakeholder engagement principles.

The Guidelines categorise stakeholders while setting out the principles of stakeholder engagement which include commitment, responsiveness, transparency, and ethical conduct. The Company has developed a Stakeholder Engagement Toolkit to support its engagement activities. In addition, the Company has a dedicated stakeholder engagement capability to coordinate stakeholder engagement activities and promote systematic approach.

Stanbic Holdings Board Dispute Resolution

Policy Summary

Stanbic Holdings Plc recognises that group dynamics underpin the Board's ability to effectively execute its responsibilities. A Board's contribution is made through incisive questioning and constructive debate. It is expected that directors will not agree on everything.

They are encouraged to express their views candidly, debate them rigorously and find consensus. On occasion, rigorous debate can lead to a dispute between Board members. At times, a dispute will arise between directors from factors outside of the group. As a group, we advocate prompt and fair resolution of any disputes, conflicts, or disagreements that may arise from time to time, and that may threaten or disrupt proper functioning of the Board.

This policy sets to provide guidance on the dispute resolution process and to ensure that the process adopted by the Board best serves the interest of the Company whilst preserving stakeholder relationships.

Board Remuneration Policy

The Company's Board Remuneration Policy

The Company's Board remuneration policy is designed to create value for shareholders, clients, our employees and communities while retaining and motivating an effective Board of Directors.

In determining the remuneration fee for non-executive directors, the Board will ensure that regular surveys are conducted on the remuneration of non-executive directors on the boards of peer banks. The level of remuneration and compensation for non-executive directors (NEDs) must be set to attract independent NEDs who, together with the Board as a whole, encompass a varied range of relevant skills and experience to determine the Company's strategy and oversee implementation.

The NEDs are paid a retainer on a pro-rata basis and a sitting allowance for meetings attended each quarter. Additional sitting allowance is paid for any necessary special Board meeting held. The remuneration for NEDs is reviewed on an annual basis for approval by the shareholders of the Company at the annual general meeting. A schedule of the remuneration to be paid is submitted to the Remuneration Committee for Standard Bank Group on annual basis. The NEDs are to be appropriately reimbursed for expenses such as travel and subsistence incurred in the performance of their duties.

Disclosure of the Board's remuneration is made in the annual financial report of the Company in the Board Remuneration Report as guided by law

Governance Framework Summary

The Standard Bank Group which Stanbic Holdings Plc is a part of, has implemented the Subsidiary Governance Framework in line with the requirements of King III and King IV Codes of Corporate Governance.

In terms of King IV, the board of the holding company must assume responsibility for governance across the group and set direction for how the relationships and exercise of power within the group should be approached and conducted.

In developing the Subsidiary Governance Framework, care has been taken to, as far as possible, remove conflicts with subsidiaries' founding documents including articles of associations. The Governance Framework does not replace local corporate governance codes but sets the basic standard expected of group entities on governance arrangements.

The Subsidiary Governance Framework objectives are to:

- Establish a common standard of corporate governance across the Standard Bank Group subsidiaries;
- Align governance practices to ensure discipline in the execution of the group's strategy;
- Provide a framework for oversight;
- Create transparency across the group; and
- Meet regulatory requirements.

Environmental and Social Risk – Standard and Policy

Environmental and social risk to Stanbic stems from the environmental and social issues that are related to their stakeholders and client's operations. Stanbic is committed to mitigating potential environmental and social (E&S) risks, as well as identifying positive opportunities, impacting our business, clients and stakeholders. This has resulted in a new group-wide E&S Standard and Policy being developed.

The Standard provides an overall E&S Management Framework for the consistent and unified governance, identification, measurement, management and reporting of E&S risk. It supports conscious risk-taking and encourages positive/green/social finance in seamlessly delivering client solutions whilst enhancing the trust, reputation and sustainability of the organisation.

The Policy compliments and gives effect to the principles outlined in the Standard by providing a comprehensive E&S Risk framework and promoting a positive impact. It highlights roles and responsibilities, E&S assessment methodologies, E&S governance, the transaction life cycle and monitoring.

Integrated Operational Risk Policy

Stanbic Group Kenya subscribes to sound governance principles, one of which is the use and application of the Operational Risk Management Policy, Governance Framework and User Guide which define and articulate principles within which the Group will operate.

1. **Operational Risk Management Policy**

   The purpose of the Operational Risk Management Policy is to ensure that operational risk management is implemented appropriately within Stanbic. The policy aims to address handling of incidents that occur within the organisation, treatment of incidents that share boundary with other risk types, how to account for the incidents, key processes to be applied in risk identification and control processes, management and validation of risk data, mapping of gross income and operational losses into the eight business line categories as defined by Basel and the allocation and calculation of capital through the scenario analysis process.

Our Approach To Creating Value

2. **Integrated Operational Risk Governance Framework**

   This framework covers all the risk types within the Operational Risk definition and the document also includes the concept of risk appetite. The governance framework supports an integrated approach to the wider operational risk taxonomy, including top and emerging risks, leveraging a risk-based approach to prioritise risk in a consistent manner.

   This framework provides overarching principles that facilitate a consistent and fit for purpose approach to operational risk across the organisation, Business Units and Corporate Functions.

3. **Operational Risk Management Manual (User Guide)**

   The ORM Manual or User Guide has been developed for the business units to effectively manage operational risk through use of risk management tools namely Incident Management, Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Business Environment and Control Factors (BEICFs), Scenario Analysis and Data management & validation.

   The purpose of the document is to assist in ensuring that all business units identify, assess, measure, manage, monitor and report risks in a consistent manner across Stanbic and ultimately in Standard Bank Group.

Conflicts of Interest Policy

The Conflicts of Interest Policy is designed to comply with applicable statutory and regulatory obligations across the organisation. Stanbic Group Kenya maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of clients.

Where arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of clients will be prevented, Stanbic will make appropriate and prior disclosure to the client(s) about the nature and source of such conflicts of interest (subject to adhering to any applicable confidentiality constraints), disclose the steps taken to mitigate such conflicts of interest seek the client(s) consent or alternatively decline to act.

Stanbic requires all employees, consultants, contractors, suppliers, other associated persons and other third parties to always act honestly and with integrity and to manage fairly all conflicts of interest.

KENYA/SOUTH SUDAN
IS OUR HOME,
WE DRIVE HER GROWTH

ANNUAL FINANCIAL STATEMENTS

CORPORATE INFORMATION

Chairman:	Kitili Mbathi
Chief Executive:	Patrick Mweheire*
Chief Executive of Stanbic Bank Kenya Limited:	Charles Mudiwa** (Outgoing 31 December 2022) Joshua Oigara (Appointed 1 December 2022)
Non-Executive Directors:	Dorcas Kombo Joe Muganda Peter N. Gethi Rose B. Osoro Ruth T. Ngobi (Retired on 19th May 2022) Samuel N. Gikandi Wambui K. Mbesa * Ugandan ** Zimbabwean
Company Secretary:	Nancy Kiruki P.O. Box 72833 00200 Nairobi, Kenya
Auditor:	KPMG Kenya 8th Floor, ABC Towers Waiyaki Way P.O. Box 40612 00100 Nairobi, Kenya
Registered Office:	Stanbic Bank Centre Chiromo Road, Westlands P.O. Box 72833 00200 Nairobi, Kenya
Principal Banker:	Stanbic Bank Kenya Limited Chiromo Road, Westlands P.O. Box 72833 00200 Nairobi, Kenya
Ultimate Parent:	Standard Bank Group Limited (South Africa) 9th Floor, Standard Bank Centre 5 Simmonds Street, Johannesburg 2001 P.O.Box 7725, Johannesburg 2000 Johannesburg, South Africa

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Stanbic Holdings Plc (the "Group" or the "Company").

Principal activities

The Group is engaged in the business of banking, insurance agency and stock brokerage and is licensed under the Banking Act, Capital Markets Act and Insurance Act. The Company's shares are listed on the Nairobi Securities Exchange.

Principal risks and uncertainties

The Group has exposure to various risks from its operations. These are -:

a) Credit risk
b) Liquidity risk
c) Market risk
d) Operational risk (encompasses systems, people and processes)

These are explained in more detail on Note 4 to the financial statements.

Business review and financial performance

In the year ended 31 December 2022, Kenya was impacted by continued negative global economic trends, geopolitical tensions, slowdown in economic activity in an election year, persistent inflationary pressures, and lingering effects of Covid-19. The Kenyan economy grew by 4.7% year-on-year in Q3, 2022, the 5th consecutive quarter of slowing growth. Although there was growth, the expansion was not broad-based. Agriculture, manufacturing, wholesale and retail trade expanded while the construction and service sectors experienced a decrease in output.

The Kenya Shilling weakened against the US dollar, depreciating by 10% in 2022 driven by increased dollar demand from importers, especially oil and energy sectors against a slower supply of hard currency. Inflation was on an upward trend for most part of the year but slowed down for the second consecutive month to 9.1% in December 2022, the lowest since August, compared to 9.5% in November. Overall, 2022 inflation averaged 9.5% compared to 2021's 5.7% mainly attributed to food, fuel and non-alcoholic beverages.

The softening of inflationary pressures towards the end of the year resulted to growth in the private sector, the highest rate since February leading to accelerated increases in output and employment. However, businesses remain cautious about the year-ahead amid continued worries about global economic conditions.

In order to anchor inflation, the Central bank of Kenya raised its policy rate for the first time since 2015 in May 2022 by 50bps to 7.5%, and then by another 75bps in September and 50bps in November 2022 to 8.75%. This brought the cumulative rate increases to 175bps in 2022. Further tightening may be expected in 2023 if inflationary pressures continue.

On the political front, the landscape in Kenya remains stable as the new regime assumed office in September 2022. The new administration has targeted the digital economy, agriculture, manufacturing and universal healthcare as key sectors to create jobs and spur economic growth.

The banking sector continued to demonstrate resilience with increased profitability, strong liquidity and capital adequacy ratios despite the challenging operating environment characterized by continued global uncertainties and local economic challenges.

From a financial performance standpoint, the performance for listed banks as at Q3 2022 was mainly attributable to growth in revenue with non-funded income growing faster than funded income. Additionally, listed banks' operational efficiency improved, with Cost to Income ratio declining, mainly as a result of continuous adoption of alternative distribution channels that have seen banks to reduce their operating expenses.

REPORT OF THE DIRECTORS

Business review and financial performance

The Group reported a profit after tax of KES 9.1Bn. This represents a 26% increase from the year ended 31 December 2021. The Group reported strong results in 2022 despite a challenging operating environment characterized by the general elections held in August 2022, Covid-19 prolonged effects together with the Russian Ukraine conflict.

The Group's performance was driven by improved net interest margins, balance sheet growth, strong trading revenue and judicious cost management. Balance sheet efficiency improved, and key performance drivers demonstrated decent growth. Lending book expanded by 27% bolstered by rebound of economic activities. Deposits from customers grew by 12% providing the much needed liquidity to cost effectively fund balance sheet growth.

Summary results for the year is as follows:

	2022 Kshs. billion	2021 Kshs. billion	Change
Total income	**32.1**	25.0	28.4%
Credit impairment charge	**4.9**	2.5	95.9%
Total operating expenses	**15.0**	12.7	17.8%
Profit for the year	**9.1**	7.2	25.7%
Loans and advances to customers	**235.9**	185.3	27.3%
Non performing loans	**28.5**	22.5	26.5%
Total assets	**399.8**	328.9	21.6%
Deposits from customers	**271.6**	242.3	12.1%
Total equity	**62.2**	56.5	10.2%
Cost to income ratio	**46.7%**	50.9%	(8.3%)

REPORT OF THE DIRECTORS

Dividends

During the year, no interim dividend was paid (2021: 1.70 per ordinary share amounting to KShs 672,046,000)

Subject to the approval of the shareholders at the Annual General Meeting to be held on 18 May 2023, the Directors' recommend payment of a final dividend of KShs 12.60 (2021: KShs 7.30) per ordinary share equivalent to a total sum of KShs 4,981,053,000 (2021: KShs 2,885,848,000). The total dividend for the year, therefore, will be KShs 12.60 (2021: KShs 9.00) for every ordinary share amounting to KShs 4,981,053,000 (2021: KShs 3,557,895,000).

Share capital

The total number of authorised shares as at 31 December 2022 was 473,684,211 (2021: 473,684,211), ordinary shares of KShs 5 each, with 395,321,638 shares being issued and fully paid up (2021: 395,321,638).

Directors

The Directors who held office during the year and to the date of this report are set out on page 126.

Events subsequent to the end of the reporting period

There are no material events that have occurred between the end of the reporting period and the date of this report that would require adjusting or disclosure in the financial statements.

Management by third parties

There is no aspect of the business of the Group that has been managed by a third person or a company in which a director has had an interest during the year.

Disclosures to 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 has 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

The Bank's auditor, KPMG Kenya, express their willingness to continue in office in accordance with section 721 of the Kenyan Companies Act, 2015 and the Banking Act.

The Directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 08 March 2023.

By Order of the Board,

Nancy Kiruki
Company Secretary
08 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its profit or loss for that year. The financial statement comprises the Group and Company statements of financial position as at 31 December 2022, and the Group and Company statements of profit or loss, the Group and Company statements of other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information. It also requires the directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and the Company; that disclose, with reasonable accuracy, the financial position of the Group and Company and that enable them to prepare financial statements of the Group and the Company that comply with the International Financial Reporting Standards as issued by International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015. The Directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

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

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

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

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

Approved and authorised for issue by the Board of Directors on 08 March 2023 and signed on its behalf by:

Kitili Mbathi
Chairman

Patrick Mweheire
Chief Executive

Dorcas Kombo
Director

Date: 08 March 2023

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Company's board remuneration policy

The Company's Board remuneration policy is designed to create value for shareholders, clients, our employees and communities while retaining and motivating an effective Board of Directors.

In determining the remuneration fee for Non-Executive Directors, the Board ensures that regular surveys are conducted on the remuneration of Non-Executive Directors on the boards of peer listed companies. The level of remuneration and compensation for Non-Executive Directors (NEDs) must be set to attract independent NEDs who, together with the Board as a whole, encompass a varied range of relevant skills and experience to determine the Company's strategy and oversee implementation. The NEDs are paid an annual fee and sitting allowance for meetings attended. The remuneration for NEDs is reviewed on an annual basis for approval by the shareholders of the Company at the annual general meeting. A schedule of the remuneration to be paid is submitted to the Remuneration Committee for Standard Bank Group on annual basis. The NEDs are appropriately reimbursed for expenses such as travel and subsistence incurred in the performance of their duties.

Disclosure of the Board's remuneration is made in the annual financial report of the Company in the Board Remuneration Report as guided by law.

The Chairman of the Board is paid a taxable retainer of KShs 100,000 per quarter and a sitting allowance of KShs 180,000. The other members of the Board are paid a taxable retainer of KShs 75,000 per quarter and a sitting allowance of KShs 120,000. The Board's retainer is paid quarterly while the sitting allowances are paid for every meeting attended.

The Chairman of the Board Audit Committee is paid KShs 150,000 and the committee members are paid KShs 120,000 for every meeting attended.

The members of the Board can access loans and guarantees at the prevailing market rates and conditions.

Contract of service

In accordance with the Kenyan Companies Act, 2015, the Company's Articles of Association and as outlined in the letters of appointment for Directors, a third of Non-Executive Directors retire by rotation at every annual general meeting, and if eligible, may offer themselves for re-election by shareholders.

The Chief Executive was appointed in accordance to the Company's Articles of Association, paragraph 144, which states that;

- The Board may from time to time appoint one or more of its body to any executive office in the management of the Company as the Board shall determine, for such period and upon such terms as it thinks fit and, subject to the provisions of any agreement entered into in any particular case, may revoke such appointment.

Statement of voting on the directors' remuneration report at the previous Annual General Meeting

During the Annual General Meeting held on 19 May 2022, the shareholders approved the payments of directors' fees for the year ended 31 December 2021.

At the Annual General Meeting to be held on 18 May 2023, approval will be sought from shareholders for the directors' fees for the financial year ended 31 December 2022.

DIRECTORS' REMUNERATION REPORT

Information subject to audit

Year ended 31 December 2022 (KShs '000')

Name	Category	Basic pay	Bonus	Pension	Non-cash benefits	Retainer	Sitting allowance	Total Company	Total Group subsidiaries	Total Group
Kitili Mbathi	Chairman	-	-	-	-	400	1,080	1,480	11,201	12,681
Patrick Mweheire*	Chief Executive	21,075	16,764	6,413	1,003	-	-	45,255	2,655	47,910
Ruth T. Ngobi	Non Executive	-	-	-	-	150	480	630	3,331	3,961
Peter Gethi	Non Executive	-	-	-	-	300	960	1,260	9,940	11,200
Rose Osoro	Non Executive	-	-	-	-	300	1,080	1,380	9,428	10,808
Dorcas Kombo	Non Executive	-	-	-	-	300	1,170	1,470	6,383	7,853
Samuel Gikandi	Non Executive	-	-	-	-	300	600	900	7,190	8,090
Joseph Muganda	Non Executive	-	-	-	-	300	1,080	1,380	6,956	8,336
Wambui Mbesa	Non Executive	-	-	-	-	300	720	1,020	6,661	7,681
Total		21,075	16,764	6,413	1,003	2,350	7,170	54,775	63,745	118,520

Year ended 31 December 2021 (KShs '000')

Name	Category	Basic pay	Bonus	Pension	Non-cash benefits	Retainer	Sitting allowance	Total Company	Total Group subsidiaries	Total Group
Kitili Mbathi	Chairman	-	-	-	-	400	900	1,300	7,314	8,614
Patrick Mweheire*	Chief Executive	19,305	4,945	6,153	2,142	-	-	32,545	1,578	34,123
Rose Kimotho	Non Executive	-	-	-	-	150	360	510	2,511	3,021
Ruth T. Ngobi	Non Executive	-	-	-	-	300	600	900	5,936	6,836
Peter Gethi	Non Executive	-	-	-	-	300	720	1,020	7,678	8,698
Rose Osoro	Non Executive	-	-	-	-	300	840	1,140	6,087	7,227
Dorcas Kombo	Non Executive	-	-	-	-	300	900	1,200	4,634	5,834
Samuel Gikandi	Non Executive	-	-	-	-	300	600	900	5,673	6,573
Joseph Muganda	Non Executive	-	-	-	-	75	120	195	695	890
Wambui Mbesa	Non Executive	-	-	-	-	75	120	195	695	890
Total		**19,305**	**4,945**	**6,153**	**2,142**	**2,200**	**5,160**	**39,905**	**42,801**	**82,706**

*The Chief Executive also has an oversight role over the region and therefore his costs are borne by Stanbic Holdings Plc and the Standard Bank of South Africa. The costs disclosed above relate to the share of Stanbic Holdings Plc.

Approval of Remuneration Report by the Board of directors

This remuneration report was approved by the Board of Directors on 08 March 2023

Rose Osoro

Chairperson Board Nominations Committee

08 March 2023

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE MEMBERS OF STANBIC HOLDINGS PLC

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Stanbic Holdings Plc (the "Group" and "Company") set out on pages 136 to 230 which comprise the group and company statements of financial position as at 31 December 2022, and the group and company statements of profit or loss, the group and company statements of other comprehensive income, the group and company statements of changes in equity and the group and company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Stanbic Holdings Plc as at 31 December 2022, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required Kenyan Companies Act, 2015.

Basis for opinion

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

Key audit matters

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

Expected credit losses on loans and advances at amortised cost in the consolidated financial statements

The disclosure associated with credit risk is set out in the financial statements in the following notes:

— Note 2.6 - Significant accounting policies, Impairment of financial assets
— Note 3.10 - Expected credit loss (ECL) on financial assets -IFRS 9 drivers
— Note 4.3 - Financial risk management, Credit risk
— Note 23 (c) -Allowances for impairment

The key audit matter	How the matter was addressed in our audit
Subjective estimate The estimation of expected credit losses ("ECL") on loans and advances and off balance sheet elements, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement in the Group's financial statements and therefore increased levels of audit focus in the estimation of ECLs are: — Forward looking Information - IFRS 9 *Financial Instruments* requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement was applied in determining the macroeconomic information used such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates. Significant management judgement was applied in determining the probability weightings applied especially when considering the current uncertain economic environment. — Significant increase in credit risk ("SICR") - the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. The Group determines SICR based on facilities being overdue for more than 30 days and facilities that have a change in the risk of default occurring over the expected life of the financial asset. — Model estimations - inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model is a key driver of complexity in the Group's ECL modelling approach and is based on the credit ratings allocated to counterparties. — Estimation of Stage 3 impairment amounts - management determination of cashflow projections and time to realization is inherently judgement. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in determination of ECL.	Our procedures in this area included: — Performing process walk-throughs to identify the key systems, and evaluate the design and operating effectiveness of applications and controls used in the ECL processes. — Evaluating key aspects of the ECL model by: • Selecting a sample of outstanding loans from the Group's loan book and comparing these to the details in the customers' credit files in order to establish whether facilities are correctly assessed for significant increase in credit risk at the reporting date; • We evaluated the reasonableness of macro-economic inputs and forward-looking information such as gross domestic product, central bank policy interest rates, inflation and treasury bill rates into the SICR assessment and ECL measurement, by selecting a sample of counterparties and confirmed that the latest available forward-looking information (FLI) has been incorporated in the credit risk rating, by comparing these to our own independent market data; • Assessing the various probability of default ("PD") and loss given default ("LGD") models performance based on work performed by Group's internal validation unit and PD recalculations for a sample of these models; • Assessing the IFRS 9 exposure at default ("EAD") calculation, including the use of term structures and the inclusion of off-balance sheet exposures through a Credit Conversion Factor ("CCF"); • Evaluating management's basis for establishing Stage 3 impairment amounts. This includes challenging reasonability of management assumptions on cashflow projections and time to realization for a sample of facilities by reviewing the progress in the realization process, comparing projected cash flows with forced sale value of collaterals held and benchmarking against historical observed performance; and • Assessing the inclusion of the approved macroeconomic scenarios and their probabilities in the counterparty rating during the rating process. — Evaluating the adequacy of the financial statements' disclosures, including disclosures of key assumptions and judgements in accordance with IFRS 9 *Financial Instruments*.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STANBIC HOLDINGS PLC

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters (continued)

Impairment of goodwill in the consolidated financial statements	
The disclosure associated with goodwill is set out in the financial statements in the following notes: — Note 2.9 – Significant accounting policies, Intangible assets - goodwill — Note 3.12 – Impairment of goodwill — Note 29 – Intangible assets – goodwill	
The key audit matter	**How the matter was addressed in our audit**
Impairment of goodwill is considered a key audit matter because the group estimates the recoverable amount using the value in use ("VIU") method which involves subjective judgement and uncertainties described below: • The sectors in which the Group operates are highly regulated and continues to experience competitive market conditions with uncertainty of forecast cash flows used in the valuation models. • A significant level of judgment is applied on key inputs such as forecast cash flows, discount rates applied, forecast growth rates and terminal growth rates applied in determination of VIU.	Our audit procedures in this area included: Using valuation specialists to evaluate the methodology used to determine recoverable value and assess whether it is appropriate by assessing its compliance with the approach under IAS 36 *Impairment of Assets*; Evaluated the forecasting process and assessed whether the forecasts used in the value in use calculation are consistent with the most up-to-date budgets and business plans that have been formally approved by management; Assessing the reasonableness of the terminal growth rate used by preparing an independent calculation of VIU using a terminal growth rate based on long term average Gross Domestic Product (GDP) growth rate for Kenya; Challenging the discount rates and growth rates used by comparing the growth rate and discount rate used to external data such as economic growth projections and market interest rates respectively; and Assessing the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements in accordance with IAS 36 *Impairment of Assets*.

Other information

The Directors are responsible for the other information. The other information comprises the *Corporate information, Report of the directors, Statement of Directors' responsibilities and directors' remuneration report*, but does not include the consolidated and separate financial statements, and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the additional other information to be included in the *Stanbic Holdings Plc Annual Integrated Report for the year ended 31 December 2022*, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate 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 consolidated and separate 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 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, Directors are responsible for assessing the Group's and 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 Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STANBIC HOLDINGS PLC

Report on the audit of the consolidated and separate financial statements (continued)

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

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

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

We communicate with 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate 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 legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, solely based on our audit of the consolidated and separate financial statements, that in our opinion:

(i) The information given in the Report of the Directors on pages 127 to 129 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the directors' remuneration report on page 132 has been prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jacob Gathecha, Practicing Certificate No P/1610.

For and on behalf of:

KPMG Kenya

Certified Public Accountants

PO Box 40612 - 00100

Nairobi

Date: 08 March 2023

GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS

	Note	GROUP Year ended 31 December		COMPANY Year ended 31 December	
		2022 KShs. Million	2021 KShs. Million	**2022 KShs. Million**	2021 KShs. Million
Interest income	6	**26,087**	20,567	**6**	4
Interest expense	7	**(7,142)**	(6,194)	**-**	-
Net interest income		**18,945**	14,373	**6**	4
Fees and commission revenue	8	**5,100**	4,872	**-**	-
Fees and commission expense	9	**(947)**	(740)	**-**	-
Net fees and commission income		**4,153**	4,132	**-**	-
Trading revenue	10	**8,805**	5,988	**-**	-
Net income from financial instruments at fair value through profit or loss	11 (a)	**141**	592	**-**	-
Other income	12	**42**	47	**2,920**	2,235
Other losses on financial instruments	11 (b)	**(2)**	(143)	**-**	-
Trading and other income		**8,986**	6,484	**2,920**	2,235
Total income		**32,084**	24,989	**2,926**	2,239
Credit impairment losses	23 (d)	**(4,944)**	(2,524)	**-**	-
Net income before operating expenses		**27,140**	22,465	**2,926**	2,239
Employee benefits expense	13	**(7,279)**	(6,519)	**(61)**	(36)
Depreciation and amortisation expense	26,27, 28	**(748)**	(813)	**-**	-
Depreciation on right of use assets	30	**(331)**	(352)	**-**	-
Other operating expenses		**(6,594)**	(5,016)	**(28)**	(26)
Finance costs	15	**(16)**	(9)	**-**	(1)
Total operating expenses		**(14,968)**	(12,709)	**(89)**	(63)
Profit before income tax		**12,172**	9,756	**2,837**	2,176
Income tax expense	16	**(3,112)**	(2,548)	**(2)**	(7)
Profit for the year		**9,060**	7,208	**2,835**	2,169
Earnings per share					
Basic and diluted (KShs per share)	17	**22.92**	18.23	**7.17**	5.49

GROUP AND COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	GROUP Year ended 31 December		COMPANY Year ended 31 December	
		2022 KShs. Million	2021 KShs. Million	**2022 KShs. Million**	2021 KShs. Million
Profit for the year		**9,060**	7,208	**2,835**	2,169
Other comprehensive income for the year, net of income tax					
Items that may be reclassified to profit or loss					
Currency translation differences for foreign operations		**(370)**	(324)	**-**	-
Net gains in debt financial assets measured at fair value through other comprehensive income (FVOCI)*	21.2	**(58)**	13	**-**	-
Net loss on financial assets reclassified to profit or loss	21.2		(1)	**-**	-
Total other comprehensive income for the year, net of income tax		**(428)**	**(312)**	**-**	**-**
Total comprehensive income for the year		**8,632**	**6,896**	**2,835**	**2,169**

* Income tax relating to each component of other comprehensive income is disclosed in note 38

The notes on pages 140 to 230 form an integral part of these consolidated and separate financial statements

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	GROUP As at 31 December		COMPANY As at 31 December	
		2022 KShs. Million	2021 KShs'000	**2022 KShs. Million**	2021 KShs'000
Assets					
Cash and balances with Central Bank of Kenya	19	**20,771**	15,403	**-**	-
Financial assets – (FVTPL)	20 (a)	**25,126**	18,535	**-**	-
Financial assets – (FVOCI)	21	**32,136**	19,227	**-**	-
Financial assets – (amortised cost)	22	**26,289**	21,773	**-**	-
Derivative assets	33	**2,259**	1,881	**-**	-
Current assets	37	**21**	-	**10**	9
Loans and advances to banks	23 (a)	**30,962**	44,008	**58**	117
Loans and advances to customers	23 (b)	**235,867**	185,313	**-**	-
Other assets and prepayments	24	**6,101**	3,704	**20**	21
Investment in subsidiaries and other investments	25	**18**	18	**18,218**	18,218
Property and equipment	26	**1,901**	1,915	**-**	-
Right-of-use assets (buildings)	30	**924**	1,037	**-**	-
Right-of-use assets (leasehold land)	27	**36**	39	**-**	-
Other intangible assets	28	**837**	1,021	**-**	-
Intangible assets - goodwill	29	**9,350**	9,350	**-**	-
Deferred tax asset	38	**7,232**	5,648	**-**	-
Total assets		**399,830**	**328,872**	**18,306**	**18,365**
Equity and liabilities					
Liabilities					
Derivative liabilities	33	**1,687**	1,743	**-**	-
Financial liabilities – FVTPL	20 (b)	**8,001**	357	**-**	-
Current tax liability	37	**1,430**	1,751	**-**	-
Deposits from banks	34 (a)	**32,753**	12,243	**-**	-
Deposits from customers	34 (b)	**271,564**	242,345	**-**	-
Borrowings	35	**10,141**	5,700	**-**	-
Other liabilities and accrued expenses	36	**10,899**	7,149	**121**	129
Lease liabilities	31	**1,157**	1,132	**-**	-
Total liabilities		**337,632**	**272,420**	**121**	**129**
Equity					
Ordinary share capital	32 (b)	**1,977**	1,977	**1,977**	1,977
Ordinary share premium	32 (c)	**16,897**	16,897	**16,897**	16,897
Other reserves	44	**(2,100)**	(1,664)	**-**	-
Retained earnings		**45,424**	39,242	**(689)**	(638)
Total shareholders' equity		**62,198**	**56,452**	**18,185**	**18,236**
Total equity and liabilities		**399,830**	**328,872**	**18,306**	**18,365**

The notes on pages 140 to 230 form an integral part of these consolidated and separate financial statements.

The financial statements on pages 136 to 230 were approved and authorised for issue by the Board of Directors on 08 March 2023 and signed on its behalf by:

Kitili Mbathi
Chairman

Patrick Mweheire
Chief Executive

Dorcas Kombo
Director

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital KShs Million	Share Premium KShs Million	Other Reserves KShs Million	Retained earnings KShs Million	Total Equity KShs Million
For the year ended 31 December 2022						
At 1 January 2022		**1,977**	**16,897**	**(1,664)**	**39,242**	**56,452**
Profit for the year		**-**	**-**	**-**	**9,060**	**9,060**
Other comprehensive income, net of tax		**-**	**-**	**(428)**	**-**	**(428)**
Transfer of statutory reserve		**-**	**-**	**(8)**	**8**	**-**
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group						
Dividend payment	18	**-**	**-**	**-**	**(2,886)**	**(2,886)**
Total transactions with owners of the Group		**-**	**-**	**-**	**(2,886)**	**(2,886)**
At 31 December 2022		**1,977**	**16,897**	**(2,100)**	**45,424**	**62,198**
For the year ended 31 December 2021						
At 1 January 2021		1,977	16,897	(1,349)	34,205	51,730
Profit for the year		-	-	-	7,208	7,208
Other comprehensive income, net of tax		-	-	(312)	-	(312)
Transfer of statutory credit risk reserve		-	-	5	(5)	-
Transfer of revaluation reserves		-	-	(8)	8	
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group						
Dividend payment	18	-	-	-	(2,174)	(2,174)
Total transactions with owners of the Group		-	-	-	(2,174)	(2,174)
At 31 December 2021		1,977	16,897	(1,664)	39,242	56,452

COMPANY STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders			
	Note	Share Capital KShs Million	Share Premium KShs Million	Retained earnings KShs Million	Total Equity KShs Million
Year ended 31 December 2022					
At 1 January 2022		**1,977**	**16,897**	**(638)**	**18,236**
Profit for the year		**-**	**-**	**2,835**	**2,835**
Contribution and distributions to owners					
Dividends paid	18	**-**	**-**	**(2,886)**	**(2,886)**
Total contributions by and distributions to owners		**-**	**-**	**(2,886)**	**(2,886)**
At 31 December 2022		**1,977**	**16,897**	**(689)**	**18,185**
Year ended 31 December 2021					
At 1 January 2021		1,977	16,897	(633)	18,241
Profit for the year		-	-	2,169	2,169
Contribution and distributions to owners					
Dividends paid	18	-	-	(2,174)	(2,174)
Total contributions by and distributions to owners		-	-	(2,174)	(2,174)
At 31 December 2021		1,977	16,897	(638)	18,236

The notes on pages 140 to 230 form an integral part of these consolidated and separate financial statements

GROUP AND COMPANY STATEMENT OF CASHFLOWS

		GROUP		COMPANY	
	Note	2022 KShs Million	2021 KShs Million	2022 KShs. Million	2021 KShs Million
Cash flows from operating activities	39 (a)	**13,250**	11,449	**2,837**	2,176
Interest paid on borrowings	35	**(391)**	(243)	**-**	-
Income tax paid	37 (a)	**(4,992)**	(2,012)	**(3)**	-
Cash flows from operating activities before changes in operating assets and liabilities		**7,867**	9,194	**2,834**	2,176
Changes in operating assets and liabilities:					
Net change in loans and advances to customers		**(50,554)**	(27,133)	**-**	-
Net change in financial assets – FVOCI		**(5,771)**	(10,498)	**-**	-
Financial assets – FVTPL		**6,314**	(1,224)	**-**	-
Net change in deposits held for regulatory purposes (Restricted cash)		**(1,152)**	471	**-**	-
Net change in other assets and prepayments		**(2,397)**	1,055	**-**	(2)
Net change in deposits from banks		**15,848**	(28,419)	**-**	-
Net change in other liabilities and accrued expenses		**3,750**	568	**(7)**	(15)
Net change in deposits from customers		**29,219**	24,901	**-**	-
Net change in financial liabilities – FVTPL		**7,644**	(61)	**-**	-
Net cash generated from/(used in) operating activities		**10,768**	(31,146)	**2,827**	2,159
Cash flows from investing activities:					
Net change in financial assets – at amortised cost		**(4,516)**	1,418	**-**	-
Additions to property and equipment	26	**(477)**	(264)	**-**	-
Additions to intangible assets	28	**(145)**	(474)	**-**	-
Proceeds from sale of property and equipment		**9**	-	**-**	-
Net cash (used in)/generated from investing activities		**(5,129)**	680	**-**	-
Cash flows from financing activities:					
Dividends paid		**(2,886)**	(2,174)	**(2,886)**	(2,174)
Proceeds from borrowings	35	**3,762**	-	**-**	-
Payment of lease liabilities	31	**(337)**	(377)		
Net cash generated from/(used in) financing activities		**539**	(2,551)	**(2,886)**	(2,174)
Net increase/(decrease) in cash and cash equivalents		**6,178**	(33,017)	**(59)**	(15)
Effect of exchange rate changes		**412**	180	**-**	-
Cash and cash equivalents at start of year		**62,599**	95,436	**117**	132
Cash and cash equivalents at end of year	39 (b)	**69,189**	62,599	**58**	117

The notes on pages 140 to 230 form an integral part of these consolidated and separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1 General information

Stanbic Holdings Plc is incorporated in Kenya under the Companies Act as a limited liability company, and is domiciled in Kenya. The address of its registered office is

Stanbic Bank Centre Chiromo Road, Westlands
P.O. Box 72833
00200 Nairobi GPO
The Company's shares are listed on the Nairobi Securities Exchange (NSE).

Principal activities of the Group are providing financial services including banking, insurance agency and stock brokerage. The Group is licensed under the Kenyan Banking, Capital Markets, retirement benefit and insurance Acts to provide these services.

The financial statements for the year ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 08 March 2023. The financial statements comprise the Group and Company statements of financial position as at 31 December 2022, and the Group and Company statements of profit or loss, the Group and Company statements of other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information. Neither the entity's owners nor others have the power to amend the financial statements after issue. For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The annual financial statements (AFS) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, and the Kenyan Companies Act, 2015. The financial statements have been prepared using the accrual basis of accounting except for cash flow information. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Fair value through other comprehensive income (FVOCI) financial assets, financial assets and liabilities at fair value through profit or loss and liabilities for cash-settled and equity-settled share- based payment arrangements (accounting policy 2.7).

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 2.6);
- property and equipment and intangible assets are accounted for using the cost model except for revaluation of buildings that arose from the merger between the former CfC Bank and Stanbic Bank in 2008 (accounting policy 2.8 and 2.9);
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 2.6); and
- hyperinflation - the South Sudan economy has been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the South Sudan Branch, have been expressed in terms of the measuring unit prevailing at the reporting date (accounting policy 2.22).

Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgements in applying the accounting policies. These judgements and estimates used to prepare these financial statements are disclosed in Note 3.

b) Functional and presentation currency

The annual financial statements are presented in Kenya Shillings (KShs) which is the functional and presentation currency of the parent company. All amounts are stated in millions of shillings (KShs Million), unless indicated otherwise. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates which is South Sudan Pound (SSP) for the South Sudan Branch and Kenya Shillings (KShs) for Kenya operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

c) Changes in accounting policies and disclosures

(i) Standards and interpretations that have been published but are not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

Standards and amendments	Key requirements	Effective date
Definition of Accounting Estimates - Amendments to IAS 8 (issued in February 2021)	The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments are not expected to have a material impact on the Group.	01 January 2023
IFRS 17 Insurance Contracts (issued in May 2017)	IFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Group does not issue insurance contracts.	01 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued in January 2020)	Amendments to IAS 1 'Classification of Liabilities as Current or Noncurrent, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. In addition, companies may need to provide new disclosures for liabilities subject to covenants. The amendments are not expected to have a material impact on the Group.	01 January 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Issued in February 2021)	In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (Issued in In May 2021)	The amendments narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.	01 January 2023
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (issued in September 2022)	The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the Group's financial statements.	01 January 2024

(ii) Adoption of new and amended standards effective for the current period

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 - An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. IAS 37 also states that the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

(ii) Adoption of new and amended standards effective for the current period (continued)

These amendments had no significant impact on the financial statements of the Group as there were no contracts within the scope of these amendments that arose during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3 - The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases - The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no significant impact on the financial statements of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IFRS9 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Group as there were no modifications of the Group's financial liabilities during the period.

2.1 Consolidation

(i) Subsidiaries

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to its fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.1 Consolidation (continued)

(i) Subsidiaries (continued)

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is measured to its fair value at the date when control is lost, with any resulting gain or loss recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2 Translation of foreign currencies

(i) Transactions and balances

Foreign currency transactions are translated into the respective Functional Currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as held to collect and sell financial assets are recognised in OCI (profit or loss) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

(ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

On the partial disposal of a subsidiary that includes a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

These gains and losses are recognised in profit or loss either on disposal of a foreign operation or partial disposal (a reduction in ownership interest in a foreign operation other than a disposal) of an associate or joint venture that includes a foreign operation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation are translated at the closing rate. Exchange differences are recognised in OCI.

Branch in hyperinflationary economies

The financial statements of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit at the end of the reporting year following the historic cost approach.

However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted are recognised directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.2 Translation of foreign currencies (continued)

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year.

Results, cash flows and the financial position of the group's subsidiaries which have been classified as hyperinflationary have been expressed in terms of the measuring unit current at the reporting date.

2.3 Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 2.10 – Capitalisation of borrowing costs) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss which are included under trading income and:

a) purchased or originated credit impaired (POCI) for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset; and

b) financial assets that are not "POCI" that have subsequently become impaired for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of expected credit losses) in subsequent reporting periods.

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

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

When a financial asset is classified as stage 3 impaired, interest income is calculated on the amortised cost based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial assetis reclassified out of stage 3.

Dividends received on preference share investments classified as debt form part of the Group's lending activities and are included in interest income.

2.4 Non-interest revenue

a) Net fee and commission revenue

Fee and commission revenue, including transaction fees, investment management fees, sales commissions, knowledge based and client adminstration fees, electronic banking fees, foreign service fees, documentation and adminstration fees, brokerage commission and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

b) Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

c) Other income

Other income includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments, and remeasurement gains and losses from contingent consideration on disposals and purchases. Other income also includes proceeds on sale of property, plant and equipment.

d) Revenue sharing agreements with related companies

Revenue sharing agreements with related companies includes the allocation of revenue from transfer pricing agreements between the group's legal entities. The service payer makes payment to service sellers for services rendered. All agreements of a revenue sharing nature are presented in the statement of profit or loss as follows:

- The service payer in the agreement recognises, to the extent the charge is less than revenue from the agreement, the charge to the service sellers within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent that the revenue allocation to service sellers within the group is greater than the available revenue from the agreement, the charge above the available revenue is recognised within other operating expenses.

- The service seller in the agreement recognises, to the extent the allocation is made out of available revenue of the service payer, the revenue from the service payer within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent the revenue is not received from the service payer's available revenue, such revenue is recognised as a fee and commission revenue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.5 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non–restricted balances with central banks, Treasury and other eligible bills and amounts due from banks on demand or with an original maturity of three months or less, net of amounts due to other banks on demand or with an original maturity of three months or less. These are subject to insignificant risk of changes in their fair value.

2.6 Financial instruments

(i) Initial recognition and measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Financial assets are classified under each of the categories below and their carrying amounts are disclosed in Note 40.

Nature	
Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.
Fair value through OCI	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held-for- trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit	Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss	Financial assets that are not classified into one of the above mentioned financial asset categories.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI (FVOCI)	**Debt instrument:** Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. **Equity instrument:** Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained earnings. Dividends received on equity instruments are recognised in other revenue within noninterest revenue.
Held-for- trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as income from financial instruments at fair value through profit or loss.
Fair value through profit or loss - default	**Debt instruments** – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. **Equity instruments** – Fair value gains and losses on the financial asset recognised in the income statement as income from financial instruments at fair value through profit or loss. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

Impairment of financial assets

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a Significant Increase in Credit Risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default (as defined below) • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Impairment of financial assets (continued)

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

Significant increase in credit risk	At each reporting date, the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower); • a breach of contract, such as default or delinquency in interest and/or principal • disappearance of active market due to financial difficulties; • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider; • Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

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

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying amount of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments;
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying amount;
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI;
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying amount with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying amount;
- The carrying amount of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value;
- The carrying amount of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the statement of profit or loss at the date of reclassification.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial liabilities

Nature	
Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances to eliminate or significantly reduce an accounting mismatch that would otherwise arise where; • the financial liabilities are managed and their performance evaluated and reported on a fair value basis • the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	DERECOGNITION	MODIFICATION
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.
	When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
	When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors: Change in currency of the loan, Introduction of an equity feature, change in counterparty and whether 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, as set out below, then it does not result in derecognition.	
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	See modification for financial assets in the previous page.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial guarantee contracts and loan commitments below market interest rate

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the group and company become party to the irrevocable commitment at fair value.

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Derivative and embedded derivatives

A derivative is a financial instrument whose fair value changes in response to an underlying variable provided in the case if the underlying is not specific to a party to the contract, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms of IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy. The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedging relationship.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements (Repos) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.

For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.7 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument cannot be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non- observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for the assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date.

If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The Group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits a group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the Group:

- manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the Group's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

2.8 Property and equipment

Equipment and owner-occupied properties, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised the statement of profit or loss as incurred.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold buildings are depreciated over the shorter of the lease period or their useful lives.

The revaluation reserve in equity arose from revaluation of the Stanbic Bank Centre, Chiromo Road office at the point where CfC Bank and Stanbic Bank merged.

The estimated useful lives of tangible assets are typically as follows;

CLASS	DEPRECIATION PERIOD
Buildings	40 years
Motor vehicles	4-5 years
Computer equipment	3-5 years
Office equipment	5-10 years
Furniture and fittings	5-13 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.8 Property and equipment (continued)

Work in progress is not depreciated.

There has been no significant change to the estimated useful lives and depreciation methods from those applied in the previous financial year.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the item is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted prospectively if appropriate, at each financial year end.

2.9 Intangible assets

Goodwill

the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's Cash-generating Units (CGU), or groups of CGUs that are expected to benefit from the synergies of the combination.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Note 29, sets out the major cash generating unit to which goodwill has been allocated.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs of disposal and its value in use. Any impairment recognised on goodwill is not subsequently reversed.

Computer software

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have probable future economic benefits beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the Group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, and the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (2 to 10 years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if necessary.

2.10 Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

2.11 Impairment of non-financial assets

Non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Fair value less costs of disposal is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (CGUs). Impairment test also can be performed on a single asset when the fair value less costs of disposal or the value in use can be determined reliably. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Property and equipment see note 26, note 2.8
- Intangible assets see note 28, note 2.9
- Disclosure on significant assumptions see note 3
- Right-of-use assets (leasehold land) see note 27
- Right-of-use assets (buildings) see note 30
- Intangible assets - goodwill see note 29 and 3.12

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.12 Accounting for leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

Termination of leases

When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Reassessment and modification of leases

When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.

This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.

2.13 Provisions, contingent assets and contingent liabilities

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

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

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.13 Provisions, contingent assets and contingent liabilities (continued)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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

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

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

2.14 Taxation

(i) Direct tax

Current tax includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. They are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(ii) Indirect tax

Indirect taxes, including non-recoverable VAT, skills development levies and other duties for banking activities, are recognised in profit or loss and included in administrative expenses.

2.15 Employee benefits

(i) Defined contribution plans

The Group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee- administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Group and its employees also contribute to the National Social Security Fund, these contributions are determined by local statutes and the Group's contributions are charged to profit or loss in the year which they relate to. Refer to note 13.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(ii) Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non- monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.16 Dividends

Dividends in ordinary shares are charged to equity in the period in which they are declared.

2.17 Equity

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(i) Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

(ii) Dividends on ordinary shares

Dividends are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note.

Proposed dividends are presented within retained earnings until they have been ratified at an Annual General Meeting. They are disclosed under note 18.

2.18 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary share shareholders and the weighted average number of ordinary shared outstanding for the effects of all dilutive potential shares, if any.

2.19 Equity-linked transactions

Equity compensation plans

The Group operates both equity-settled and cash-settled share-based compensation plans.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

2.20 Segment reporting

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision makers, comprising of the executive committee.

Transactions between segments are priced at market-related rates.

2.21 Fiduciary activities

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

2.22 Hyperinflation

The South Sudan economy was classified as hyperinflationary from 1 January 2016. Accordingly, the results, cash flows and financial position of Stanbic South Sudan Branch have been expressed in terms of the measuring unit current at the reporting date. The results, cash flows and financial position have also been expressed in terms of the measuring unit current at the reporting date.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. The prior period adjustments related to non-monetary items and differences arising on translation of comparative amounts are accounted for directly in retained earnings.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year.

Gains or losses on the net monetary position are recognised in profit or loss within trading revenue (Note 10).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2 Summary of significant accounting policies (continued)

2.23 Letters of Credit Acceptances

Letters of credit acceptances arise in two ways:

(i) Issuing Bank

At initial recognition where the Group is the issuing bank, it recognises a contingent liability for the amount that it may be required to pay out to the confirming bank or beneficiary should the terms and conditions underlying the contract be met.

On the date that all terms and conditions underlying the contract are met, the Group recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the applicant. Concurrently, the Group recognises a financial liability (at fair value) on the statement of financial position as part of deposits for the contractual obligation to deliver cash to the beneficiary or the confirming bank, depending on the structure of the arrangement.

(ii) Confirming Bank

At initial recognition where the Group is the confirming bank, it recognises the amount that it may be required to pay out to the beneficiary should the terms and conditions underlying the contract be met. The Group concurrently recognises a contingent asset for the amount that the issuing bank may be entitled to receive.

On the date that all terms and conditions underlying the contract are met the Group recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the issuing bank and concurrently recognises a financial liability (at fair value) on the statement of financial position as part of deposits for the contractual obligation to deliver cash to the beneficiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

3 Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, estimates and judgement are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

Unless otherwise stated, no material changes to assumptions have occurred during the year.

3.1 Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial assets carried at fair value through OCI (FVOCI)

The Group reviews its debt securities classified as FVOCI investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

3.3 Impairment of financial assets at amortised cost

The Group reviews its debt securities classified as amortised cost investments at each reporting date to assess whether they are impaired. This requires similar judgements as applied to the individual assessment of loans and advances.

3.4 Fair value of financial instruments

In terms of IFRS, the Group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The Group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

3.4 Fair value of financial instruments (continued) Valuation process (continued)

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers; implied volatilities on thinly traded instruments; correlation between risk factors; prepayment rates; other illiquid risk drivers. In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the Group. Further, all inputsinto the valuation models are subject to independent price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk, asset and liability committees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

3 Critical accounting estimates and judgements in applying accounting policies (continued)

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for the year ended 31 December 2022 was a profit of KShs nil (2021: KShs nil).

Additional disclosures on fair value measurements of financial instruments are set out in notes 2.7 and 4.6.

3.5 Development costs

The Group capitalises software development costs for an intangible assets in accordance with the accounting policy detailed in note 2.9. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone and where the Group is able to demonstrate its intention and ability to complete and use the software.

3.6 Share-based payment

The Group has a number of cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the schemes. The Group uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the Group's obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the SBG share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the Group estimates the expected future vesting of the awards by considering staff attrition levels. The Group also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met. Refer to note 45 for further details regarding the carrying amount of the liabilities arising from the Group's cash-settled share incentive schemes and the expenses recognised in the statement of profit or loss.

3.7 Income taxes

The Group is subject to direct taxation in four jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 37 and note 38, respectively, in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and on-going developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Note 38 summarises the details of the carrying amount of the deferred tax assets. Accounting policy 2.14 provides further detail regarding the Group's deferred tax accounting policy.

3.8 Hyperinflation

The Group's South Sudan Branch is registered and operates in South Sudan. The economy of South Sudan was assessed to be hyperinflationary, effective 1 January 2016, and the hyperinflation accounting has been applied since.

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its branches is the currency of a

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales or purchase prices take expected losses of purchasing power during a short credit period into acco
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Following management's assessment, the Bank's South Sudan Branch has been accounted for as an entity operating in a hyperinflationary economy. The results, cash flows and financial position have been expressed in terms of the measuring units' current at the reporting date and the results and financial

The general price indices used in adjusting the results, cash flows and financial position of the branch is set out below:

The general price index used as published by the National Bureau of Statistics of South Sudan is as follows:

Date	Base year	General price index	Inflation rate
31 December 2022	2021	7,505.94	87.51%
31 December 2021	2020	10,507.09	112.67%

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.8 Hyperinflation (continued)

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2022 KShs Million	2021 KShs Million
Impact on statement of profit or loss		
Profit for the year before hyperinflation	9,006	7,251
Net monetary gain/(loss)*	54	(43)
Profit for the year after hyperinflation	9,060	7,208

* The gain in monetary value arises out of restatement of non-monetary assets and liabilities in the statement of financial position of the South Sudan Branch.

3.9 Provisions

During the current reporting period models have been enhanced, but, no material changes to assumptions have occurred. The operating environment placed considerable strain on the Group's operations specifically retail, business and corporate clients, however, the Group's risk appetite remained unchanged. As such the significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

The accounting policy for provisions is set out in accounting policy 2.13. The principal assumptions taken into account in determining the value at which provisions are recorded at, in the Group's statement of financial position, include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation.

The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements.

ECL measurement period

Consumer and high net worth(CHNW) and Business and commercial clients (BCC)

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The impact of the lifetime loss given default (LGD) workout, being an increase in the lifetime period over which subsequent cures and re-defaults are considered.
- The IFRS 9 requirement to hold ECL on unutilised loan commitments, notably pertaining to CHNW and BCC's card and other lending portfolios.

Corporate and investment banking (CIB)

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

Treasury

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency. Refer to 4.3.4 (b) for Group's rating method.

Significant increase in credit risk (SICR) and low credit risk

A lifetime ECL requirement for all exposures for which there has been SICR. This included the impact of the LGD work out, being an increase in the life time period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included where appropriate within this classification.

To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below:

Group master rating scale	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

CHNW and BCC

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The Group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Forward looking economic expectations are included in the ECL by adjusting the probability of default (PD), LGD and SICR. Adjustments are made based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro-economic outlook expectations.

CIB

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre- defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Group's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Forward looking economic expectations are incorporated in CIB's client ratings. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Forward looking expectations

- The Group Economics' Research team determines the macroeconomic outlook and a Group view of commodities over a planning horizon of at least three years. The outlook is provided to the legal entity's Chief Financial and Value Officer for review and asset and liability committee for approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narratives for each of the country economic outlooks, being bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed monthly.
- The forward looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

	31 December 2022			31 December 2021		
Macroeconomic factors	**Base**	**Bear**	**Bull**	Base	Bear	Bull
Inflation	**6.9**	**8.3**	**5.5**	6.3	6.8	5.8
Policy rate	**8**	**9**	**7.5**	7	7	7
3m Tbill rate	**8.2**	**7.7**	**8.8**	7.1	7.2	6.9
6m Tbill rate	**9.4**	**8.7**	**10.2**	7.6	7.9	7.2
Exchange rate (USD/KES)	**120.1**	**121.6**	**117.9**	111.2	111.7	110.5
Real GDP	**3.7**	**1.4**	**6**	2.9	0.5	5.3
Equity index	**1,539**	**1,491**	**1,586**	2,008	1,979	2,037
Sovereign Rating	**B**	**B**	**B**	B	B	B

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

CHNW and BCC

Adjustments to the PD and LGD, based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments.

CIB

Negligible impact as CIB's client ratings, typically included forward looking expectations.

Lifetime LGD work out

Increased lifetime period over which subsequent cures and re-defaults are considered resulted in higher credit impairments for credit-impaired financial assets.

Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post- realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Partial write-off of an asset occurs when the Group gives a concession to a debtor such that a part of the loan will not be recovered. In this case, the part that will not be recovered is written off.

For CIB products, write-offs are assessed on a case-by-case basis and approved by CIB credit governance committee based on the individual facts and circumstances.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or CHNW and BCC Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively. In retail portfolios, a rehabilitation period of at least 6 months (subsequent to a customer repaying all outstanding facilities) would be needed for the customer's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

Off-balance sheet exposures – bankers' acceptances, guarantees and letters of credit

The requirement to hold ECL on off-balance sheet financial instruments, such as guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions.

Out of the above factors that drive the ECL, the most significant source of uncertainty is credit ratings allocated to counterparties which drive this assigned probability of default. The PDs in turn incorporate assessment for significant increase in credit risk, default risk assessment, forward looking information and probability weighted scenarios. At 31 December 2022, had the average credit ratings for all counterparties shifted one notch down expected credit losses would have increased by KShs 348,635,369 (2021: KShs 1,015,358,770) higher where if the credit ratings had shifted one notch up the expected credit losses would have decreased by KShs 356,280,064 (2021: KShs 487,585,685).

3.11 Credit impairment losses on loans and advances

Specific loan impairments

Non-performing loans include those loans for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Where the net present value of estimated cash flows to differ by +/- 1%, the impairment loss is to be estimated at KShs 126,216,271 higher or KShs 126,216,271 lower (2021: KShs 101,064,403 higher or KShs 101,064,403 lower) respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.12 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy 2.9. Information on key assumptions used to determine the value in use and impairment testing for CGUs containing goodwill is included in Note 29.

3.13 Climate-related emerging risks

The Group's activities give rise to climate-related risks and opportunities, in respect of the Group's own operations and, more significantly, in respect of financed emissions across its client portfolio.

Governance

In 2022, the Group fully adopted the Central Bank of Kenya climate risk guidelines, developed and adopted a climate risk policy that details the Group's commitments and aspirations. The Group enhanced its internal governance structures and capacity to incorporate global best practices on ESG and Climate Risk management as well incorporated climate risks in the internal capital adequacy assessment and stress testing processes. The Group sustainability unit is responsible for;

- Overseeing implementation of the Climate Policy.
- Reviewing outputs of internal and regulatory climate risk stress test and related risk matters.
- Assessing executive performance in relation to climate policy commitments and targets.

The Climate Policy is designed as a roadmap to reducing exposures to businesses in sectors that are vulnerable to sector-specific climate commitments and targets. The policy will also inform the Group's decision-making around identifying opportunities to deliver sustainable solutions that support a just transition in jurisdictions of operations (Kenya and South Sudan).

The group risk committee, chaired by the group chief risk officer, oversees financial and non-financial related risk, including climate-related risk, and is responsible for overseeing the embedment of climate- related risk-identification, classification, analysis, monitoring and reporting in the enterprise-wide risk management system.

Strategy

The Group supports a just transition that seeks to achieve the imperative for environmental sustainability in a manner that creates work opportunities and social inclusion, and acknowledges Kenya's and South Sudan's contribution to global emissions. The Group plans to reduce its financed emissions intensity while responsibly managing its exposure to fossil fuels, specifically where there is an energy transition roadmap that supports cleaner fuels.

Risk management

The Group's preliminary credit portfolio risk assessments on sectors the Group has defined as being more vulnerable to physical and transition risks have informed the setting of the Group's Climate Policy and its understanding of climate risks in portfolios, including the following examples:

Transition risks

- Exposure to policy risk over the medium to long term associated with uncertain long-term demand for fossil fuels, especially coal, and other high emitting sectors. Key drivers for this risk include expected policy actions such as more onerous carbon-pricing regulations to limit emissions on business activities. Such action could lead to higher risks of stranded assets and the related financial risks for the group arising from an impairment in value of clients' operating assets pledged as collateral and leading therefore to an increase in the probability risk of client defaults.
- Market risk primarily over the short to medium term related to changing client expectations for greener products and services, potentially impacting on some of our clients' future business opportunities. Likewise, expectations from investors will also adjust to an appetite for lower financed emissions, applying pressure on the group to align with low emissions pathways.
- Higher reputational risk including in the immediate short term negative stakeholder sentiment and adverse media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.

Physical risks

Acute physical risks such as more frequent and more intense extreme weather events, pose a risk to the group's own operations and those of its customers in sectors the group has identified as being vulnerable, including agriculture and others. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the group's clients in affected sectors including mining, industrial, manufacturing and agriculture through water shortages, labour productivity, economic output and occupational health.

Opportunities

The Group continues to work with its clients and partners to help them address their climate impacts, lower their emissions and improve their resilience. The Group continues to expand its offering of sustainability linked lending solutions, green and social bonds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management

Risk management is a cornerstone of the Group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, at the same time protecting our people while preserving the Group's financial position. Our response to the pandemic was swift and purposeful, and a testament to our operational resilience. As we executed our business continuity measures on an unprecedented scale, we put our people, our customers and our communities front and centre of our response efforts to this public health emergency. We provided extensive client relief programmes while carefully monitoring and managing our capital, liquidity and impairment risk metrics. We helped ease the liquidity crisis facing many clients, and maintained the collections activity by enabling employees to work from home.

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

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risks (encompasses systems, people and processes).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various committees, including the Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors of the Group on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Risk Committees are responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Committees are assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counter-balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

4.1 Capital management- Company

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

4.2 Capital management- Group

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators, Central Bank of Kenya and Capital Market
- to safeguard the Group's (and its subsidiaries) ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

It uses two approaches of measuring capital for capital management.

a) Economic capital assessment

Economic capital is the Group's internal measure of required capital and it incorporates granular risk assessments and portfolio concentration effects that may be absent from the regulatory capital assessment process. Stanbic aggregates the individual risk type economic capital measurements conservatively assuming no inter-risk diversification. Economic capital is compared to Available Financial Reserves (AFR) to perform an assessment of capital adequacy based on internal measures.

b) Regulatory capital assessment

The Group's main subsidiary, Stanbic Bank Kenya Limited, monitors the adequacy of its capital using ratios established by the Central Bank of Kenya (CBK), which ratios are broadly in line with those of the Group for International Settlements (BIS).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

4 Financial risk management (continued)

4.2 Capital management- Group (continued)

b) Regulatory capital assessment (continued)

These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The risk-based approach applies to both on and off-statement of financial position items. The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk.

The assets are weighted according to broad categories, each being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 35%,50%, and 100%) are applied.

The Group's key subsidiary (Stanbic Bank Kenya Limited) is required at all times to maintain:

- A minimum level of regulatory capital of KShs 1 billion as at 31 December 2022 (2021: KShs 1 billion);
- A core capital (tier 1) of not less than 10.5% (2021: 10.5%) of total risk weighted assets plus risk weighted off-statement of financial position items;
- A core capital (tier 1) of not less than 8% (2021: 8%) of its total deposit liabilities; and
- A total capital (tier 1 + tier 2) of not less than 14.5% (2021: 14.5%) of its total risk weighted assets plus risk adjusted off statement of financial position items.

Off-balance sheet credit related commitments and forwards are converted to credit risk equivalents using credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, goodwill and investments in subsidiary institutions and equity instruments of other institutions. Tier 2 capital includes the Bank's term subordinated debt and regulatory loan loss reserves and cannot exceed tier 1 capital. Regulatory loan loss reserves qualifying as tier 2 capital cannot exceed 1.25% of the risk weighted assets total value.

c) Regulatory capital assessment - Stanbic Bank Kenya Limited

Stanbic Bank Kenya Limited, which is the Group's key subsidiary, had the following capital adequacy levels:

	2022 KShs Million	2021 KShs Million
Tier 1 capital (Core capital)		
Share capital	3,445	3,412
Share premium	3,412	3,445
Retained earnings	42,390	38,406
Less: Deferred tax asset	(2,296)	(1,127)
Total Tier 1 capital (Core capital)	46,951	44,136
Tier 2 capital		
Regulatory credit risk reserve	-	-
Qualifying subordinate liabilities	10,141	5,700
Total Tier 2 capital	10,141	5,700
Total capital (Tier 1 + Tier 2)	57,092	49,836
Risk - weighted assets		
Operational risk	43,617	41,873
Market risk	5,579	8,004
Credit risk on-statement of financial position	247,883	194,636
Credit risk off-statement of financial position	42,528	43,665
Total risk - weighted assets	339,607	288,178
Capital adequacy ratios		
Core capital / total deposit liabilities	16.5%	18.2%
Minimum statutory ratio	8.0%	8.0%
Core capital / total risk - weighted assets	13.8%	15.3%
Minimum statutory ratio	10.5%	10.5%
Total capital / total risk - weighted assets	16.8%	17.3%
Minimum statutory ratio	14.5%	14.5%

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due.

Credit risk is composed of counterparty risk (including primary, pre-settlement risk, issuer and settlement risk) and concentration risk. These risk types are defined as follows:

- Counterparty risk: The risk of credit loss to the Group as a result of failure by a counterparty to meet its financial and/or contractual obligations to the Group as they fall due.
- Credit concentration risk: The risk of loss to the Group as a result of excessive build-up of exposure to a specific counterparty or counterparty group, an industry, market, product, financial instrument or type of security, or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

4.3.1 Governance committees

The primary governance committees overseeing credit risk are the Board Credit Risk Committee (BCRC) and Credit Risk Management Committee (CRMC). These committees are responsible for credit risk and credit concentration risk decision-making, and delegation thereof to Credit officers and committees within defined parameters.

Credit risk management is governed by the Group's overall credit policy guidelines. Respective Credit Risk Management Divisions, which report into the BCC, are responsible for the implementation of these guidelines, which cover compliance with prescribed sanctioning authority levels, avoidance of a high concentration of credit risk and regular review of credit limits. Limits on facilities to counter-parties are governed by internal restraints, which restrict large exposures in relation to the Group's capital.

The Group has set in place comprehensive resources, expertise and controls to ensure efficient and effective management of credit risk.

4.3.2 General approach to managing credit risk

The Group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients and market counterparties.

The Group manages credit risk through:

- maintaining strong culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across the Group , from the level of individual facilities up to the total portfolio;
- defining, implementing and continually re-evaluating our risk appetite under actual and scenario
- monitoring the Group's credit risk relative to limits; and
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

Primary responsibility for credit risk management resides with the Group's business lines. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported by the overarching group risk function.

Impairment provisions are provided for losses that have been incurred or expected at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management, therefore, carefully manages its exposure to credit risk.

The exposure to any one borrower including banks is further restricted by sub-limits covering on - and off- balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

4.3.3 Management reporting

A number of reports are prepared as management information on credit risk. Various analysis of the data are done and a variety of reports are prepared on a monthly and quarterly basis. Some of these reports include:

- Quarterly Board Credit Committee Report;
- Quarterly Board Audit Committee Report;
- Quarterly Board Risk Committee Report;
- Monthly Credit Risk Management Committee Report;
- Regulatory returns;
- Half-year results; and
- Annual financial statements.

These reports are distributed to management and regulators, and are available for inspection by authorised personnel.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.4 Credit risk management

a) Loans and advances including loan commitments and guarantees

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. All models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low default portfolios, internal data is supplemented with external benchmarks and studies. Models are assessed frequently to ensure on-going appropriateness as business environments and strategic objectives change, and are recalibrated semi-annually using the most recent internal data.

In measuring credit risk of loans and advances to customers and to banks at a counter-party level, the Group reflects three components:

(i) the 'probability of default' by the client or counter-party on its contractual obligations;

(ii) current exposures to the counter-party and its likely future development, from which the Group derives the 'exposure at default'; and

(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Probability of default (PD)

The Group uses a 25-point master rating scale to quantify the credit risk for each borrower as illustrated in the table on the following page. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio. The Group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making and in managing credit risk exposures.

Loss given default (LGD)

Loss given default measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates and macroeconomic factors in a downturn period.

Exposure at default (EAD)

Exposure at default captures the impact of potential draw-downs against unutilised facilities and changes in counterparty risk positions due to changes in market prices. By using historical data, it is possible to estimate the average utilisation of limits of an account when default occurs, recognising that customers may use more of their facilities as they approach default.

b) Debt securities

These represents financial and derivative assets. For debt securities, external rating such as Standard & Poor's rating or their equivalents are used by Group Treasury for managing of the credit risk exposures as supplemented by the Group's own assessment through the use of internal rating tools.

Relationship between the bank master rating and external ratings

Core Banking system rating scale	Moody's Investor Services	Standard & Poor's	Fitch	Grading	Credit Quality
1 - 4	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-	Investment grade	Normal monitoring
5 - 7	A1, A2, A3	A+, A, A-	A+, A, A-		
8 - 12	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-		
13 - 20	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-	Sub-investment grade	
21 - 25	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		Close monitoring
Default	C	D	D	D	D

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation phases

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sublimit covering on- balance sheet and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

a) Credit tailored to customer profile

There is a clear distinction between the fundamental credit characteristics of the Group's customer base. This customer base is managed according to the following market segments:

- Corporate and Investment Banking (CIB)
- Business and Commercial clients (BCC) ; and
- Consumer and High Net Worth clients (CHNW)

The Group has established separate credit management functions for each market segment.

Corporate and Investment Banking (CIB): Corporate, sovereign and bank portfolios

Corporate, sovereign and bank borrowers include Kenyan and international companies, sovereigns, local government entities, bank financial institutions, non-bank financial institutions and public sector entities. The entities include large companies as well as small and medium enterprises that are managed on a relationship basis. Creditworthiness is assessed based on a detailed individual assessment of the financial strength of the borrower. Exposure is usually in the form of short and long-term loans and advances but may include exposures arising from derivative contracts. In these sectors, credit risk management is characterised by a close working relationship between the counter-party, the customer relationship team and an independent credit evaluation manager. The credit evaluation manager bases his lending decision on an in-depth knowledge of the counterparty and the industry in which it operates, as well as an assessment of the creditworthiness of the counter-party based on a review of the audited financial statements and underlying risk parameters.

CIB believes that the use of sophisticated modelling techniques combined with an in-depth knowledge and understanding of each client is essential in properly assessing the credit risk, both initially and on an on-going basis, of each counterparty with whom it deals.

To this end, CIB uses software developed by third party vendors, which is widely used by the banking industry globally in its credit management process. Expected default frequencies are an important tool in the formal credit assessment process of both new and existing business, and also form the basis for monitoring changes in counterparty credit quality on a day to day basis. Expected default frequencies will continue to be a vital component of credit risk management as the Group continues to improve credit processes and increases focus on portfolio credit management.

Consumer & High Net Worth, and Business and Commercial clients (CHNW and BCC): Retail portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs. Qualifying retail revolving exposure (QRRE) relate to cheque accounts, credit cards and evolving personal loans and products, and include both drawn and undrawn exposures. Retail other covers other branch lending and vehicle finance for retail, retail small and retail medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account. Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio- specific historical default experience. The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

b) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

c) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities in the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

d) Derivatives

For derivative transactions, the Group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure, where collateral support is considered necessary. Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

e) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral taken are:

Business and Commercial clients, and Consumer and High Net Worth (BCC & CHNW)	
Mortgage lending	First ranking legal charge over the property financed.
Vehicle and asset finance	Joint registration of vehicles.
Other loans and advances	Debentures over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Corporate and Investment Banking	
Corporate lending	All assets debenture over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Longer-term finance and lending to corporate entities is generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise possible credit loss, the Group seeks additional collateral from the counter-party as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuers are required to provide the Group with professional indemnity to cover the Group in cases of professional negligence relating to their valuations. The Group ensures that all properties used as collateral are adequately insured during the term of the loan. Valuation reports on properties are valid for three years after which the property and equipment is revalued.

The table on the following page shows the financial effect that collateral has on the Group's maximum exposure to credit risk. The table includes collateral that management takes into consideration in the management of the Group's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including non-performing loans, have been included. Collateral includes:

- Financial securities that have a tradable market, such as shares and other securities;
- Physical items, such as property, plant and equipment; and
- Financial guarantees and intangible assets.

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the Group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. There has been no change in the collateral policy during the year.

In the retail portfolio, 77% (2021: 77%) is fully collateralized. The total average collateral coverage for all retail mortgage exposures above 50% collateral coverage category is 100% (2021: 100%). Of the Group's total exposure, 57% (2021: 63%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities. The total amount of collateral for credit impaired loans amounted to KShs. 34,654,617,000 (2021: KShs. 52,932,570,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

31 December 2022	Total exposure KShs Million	Unsecured exposure KShs Million	Secured exposure KShs Million	Netting agreements KShs Million	Secured exposure after netting KShs Million	Collateral coverage - Total: Greater than 0% to 50% KShs Million	Greater than 50% to 100% KShs Million	Greater than 100% KShs Million
Asset class								
Corporate	152,721	23,414	129,307	-	129,307	-	129,307	-
Sovereign	83,551	83,551	-	-	-	-	-	-
Loans and advances to bank	30,962	30,962	-	-	-	-	-	-
Group	15,114	15,114	-	-	-	-	-	-
Other banks	15,848	15,848	-	-	-	-	-	-
Retail	103,738	23,433	80,305	-	80,305	-	80,305	-
Retail mortgage	37,831	-	37,831	-	37,831	-	37,831	-
Other retail	65,907	23,433	42,474	-	42,474	-	42,474	-
Total	370,972	161,360	209,612	-	209,612	-	209,612	-
Less: Impairments for loans and advances	(20,650)							
Total exposures	350,322							

31 December 2021	Total exposure KShs Million	Unsecured exposure KShs Million	Secured exposure KShs Million	Netting agreements KShs Million	Secured exposure after netting KShs Million	Collateral coverage - Total: Greater than 0% to 50% KShs Million	Greater than 50% to 100% KShs Million	Greater than 100% KShs Million
Asset class								
Corporate	104,658	15,549	89,109	-	89,109	-	89,109	-
Sovereign	59,556	59,556	-	-	-	-	-	-
Loans and advances to bank	44,009	44,009	-	-	-	-	-	-
Group	17,582	17,582	-	-	-	-	-	-
Other banks	26,427	26,427	-	-	-	-	-	-
Retail	96,284	21,739	74,545	-	74,545	-	74,545	-
Retail mortgage	35,864	-	35,864	-	35,864	-	35,864	-
Other retail	60,420	21,739	38,681	-	38,681	-	38,681	-
Total	304,507	140,853	163,654	-	163,654	-	163,654	-
Less: Impairments for loans and advances	(15,653)							
Total exposure	288,854							

The Group holds collateral on loans and advances. The table above represents the collateral cover held on various types of loans and advances. Other deposits and margin balances held against off balance sheet facilities are included in other liabilities in Note 36 (a).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

Foreclosed collateral

Assets foreclosed as at the end of the year comprise saloon vehicles, prime movers and trailers, which had been financed by the Group under Vehicle and Asset Finance (VAF) and residential property financed under personal markets. As at the year end, the Group had taken possession of the following:

Nature of assets	2022 KShs Million	2021 KShs Million
Residential property	394	53
Assets financed under VAF	178	210
	572	263

It is the Group's policy to dispose of foreclosed properties on the open market, at market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy foreclosed properties for business use.

Renegotiated financial assets

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. The renegotiations resulted in the continuation of the original financial asset, with no gain or loss recognised as a consequence of the restructuring. The table below show the carrying amount of financial assets whose term have been renegotiated, by class.

	2022 KShs Million	2021 KShs Million
Vehicle and asset finance	180	682
Other loans and advances	6,946	5,409
	7,126	6,091

4.3.6 Default and provisioning policy

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter.
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets as per IFRS 9:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

4.3.7 Credit quality

a) Maximum exposure to credit risk before collateral held or other credit enhancements

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 19 to 24. The Directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both the loan and advances portfolio and debt securities based on the following:

- 69% of the total maximum exposure is derived from loans and advances to customers (2021: 62%); 23% represents investments in debt securities (2021: 21%);
- 82% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2021: 74%);
- 82% of the loans and advances portfolio are considered to be neither past due nor impaired (2021: 86%); and
- 99.8% of all the debt securities, which the Bank has invested in, are issued by the Central Bank of Kenya (2021: 99.8%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class

The table below shows the credit quality by class of loans and advances, based on the Group's credit rating system:

Year ended 31 December 2022	Gross Carrying amount KShs Million	SB 1 - 12 Stage 1 KShs Million	SB 1 - 12 Stage 2 KShs Million	SB 13 - 20 Stage 1 KShs Million	SB 13 - 20 Stage 2 KShs Million	SB 21- 25 Stage 1 KShs Million	SB 21- 25 Stage 2 KShs Million	Default Stage 3 KShs Million	Default Purchased/ originated credit impaired KShs Million	Total gross carrying amount of default exposures KShs Million	Securities and expected recoveries on default exposures KShs Million	Interest in suspense on default exposures KShs Million	Balance sheet expected credit loss on default exposures KShs Million	Gross default coverage %	Non-performing exposures %
Loans and advances to customers															
CHNW	57,039	-	-	44,155	-	-	5,145	7,739	-	7,739	2,696	1,049	3,994	65%	14%
Mortgage loans	30,789	-	-	23,674	-	-	3,351	3,764	-	3,764	2,511	432	821	33%	12%
Vehicle and asset finance	3,227	-	-	2,537	-	-	305	385	-	385	40	86	259	90%	12%
Card debtors	722	-	-	621	-	-	76	25	-	25	4	-	21	84%	3%
Other loans and advances	22,301	-	-	17,323	-	-	1,413	3,565	-	3,565	141	531	2,893	96%	16%
BCC	46,658	-	-	25,836	-	-	11,467	9,355	-	9,355	5,617	470	3,268	40%	20%
Mortgage loans	7,042	-	-	3,644	-	-	3,379	19	-	19	2	9	8	89%	0%
Vehicle and asset finance	6,803	-	-	5,264	-	-	639	900	-	900	246	88	566	73%	13%
Card debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	32,813	-		16,928	-	-	7,449	8,436	-	8,436	5,369	373	2,694	36%	26%
CIB	152,766	40,947	-	97,219	2,013	1,188	26	11,373	-	11,373	4,061	1,725	5,587	64%	7%
Corporate	152,766	40,947	-	97,219	2,013	1,188	26	11,373	-	11,373	4,061	1,725	5,587	64%	7%
	256,463	40,947	-	167,210	2,013	1,188	16,638	28,467	-	28,467	12,374	3,244	12,849	57%	11%
Loans and advances to banks															
Bank	30,962	6,340	-	23,981	641	-	-	-	-	-	-	-	-	0%	0%
Gross carrying amount	287,425	47,287	-	191,191	2,654	1,188	16,638	28,467	-	28,467	12,374	3,244	12,849	51%	10%
Less: Total expected credit losses for loans and advances	(20,596)								-						
Net carrying amount of loans & advances measured at amortised cost	266,829														

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

The table below shows the credit quality by class of loans and advances, based on the Group's credit rating system:

Year ended 31 December 2021	Gross Carrying amount KShs Million	SB 1 - 12 Stage 1 KShs Million	SB 1 - 12 Stage 2 KShs Million	SB 13 - 20 Stage 1 KShs Million	SB 13 - 20 Stage 2 KShs Million	SB 21- 25 Stage 1 KShs Million	SB 21- 25 Stage 2 KShs Million	Default Stage 3 KShs Million	Default Purchased/ originated credit impaired KShs Million	Total gross carrying amount of default exposures KShs Million	Securities and expected recoveries on default exposures KShs Million	Interest in suspense on default exposures KShs Million	Balance sheet expected credit loss on default exposures KShs Million	Gross default coverage %	Non-performing exposures %
Loans and advances to customers															
CHNW	56,053	3	1	40,526	3,952	4,339	1,350	5,882	-	5,882	1,908	746	3,228	68%	10%
Mortgage loans	32,013	-	-	22,793	2,240	2,845	1,039	3,096	-	3,096	1,778	422	896	37%	10%
Vehicle and asset finance	3,067	-	1	1,905	448	243	86	384	-	384	41	63	280	77%	13%
Card debtors	622	-	-	566	35	-	-	21	-	21	14	-	7	33%	3%
Other loans and advances	20,351	3	-	15,262	1,229	1,251	225	2,381	-	2,381	75	261	2,045	87%	12%
BCC	40,230	25	5	19,391	6,823	1,270	5,583	7,133	-	7,133	3,174	824	3,135	56%	18%
Mortgage loans	3,851	-	-	606	3,228	-	-	17	-	17	1	9	7	62%	0%
Vehicle and asset finance	7,661	17	2	4,695	1,045	217	131	1,554	-	1,554	280	318	956	68%	20%
Card debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	28,718	8	3	14,090	2,550	1,053	5,452	5,562	-	5,562	2,893	497	2,172	44%	19%
CIB	104,658	11,571	-	79,488	3,927	136	47	9,489	-	9,489	5,105	977	3,442	47%	9%
Corporate	104,658	11,571	-	79,488	3,927	136	47	9,489	-	9,489	5,105	977	3,442	47%	9%
	200,941	11,599	6	139,405	14,702	5,745	6,980	22,504	-	22,504	10,187	2,547	9,805	55%	11%
Loans and advances to banks															
Bank	44,009	12,243	-	24,422	7,344	-	-	-	-	-	-	-	1	0%	0%
Gross carrying amount	244,950	23,842	6	163,827	22,046	5,745	6,980	22,504	-	22,504	10,187	2,547	9,806	49%	10%
Less: Total expected credit losses for loans and advances	(15,629)								-						
Net carrying amount of loans & advances measured at amortised cost	229,321														

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

Year ended 31 December 2022	Gross Carrying amount KShs Million	SB 1 - 12 Stage 1 KShs Million	SB 1 - 12 Stage 2 KShs Million	SB 13 - 20 Stage 1 KShs Million	SB 13 - 20 Stage 2 KShs Million	SB 21-25 Stage 1 KShs Million	SB 21-25 Stage 2 KShs Million	DEFAULT Stage 3 KShs Million	DEFAULT Purchased/ originated credit impaired KShs Million
Financial assets measured at amortised cost									
Sovereign	26,343	26,343	-	-	-	-	-	-	-
Gross carrying amount	26,343	26,343							
Less: Total expected credit losses for loans and advances (Note 22.1)	(54)								
Net carrying amount of financial assets measured at amortised costs	26,289								
Financial assets at fair value through OCI									
Corporate	215	215	-	-	-	-	-	-	-
Sovereign	31,925	31,925	-	-	-	-	-	-	-
Gross carrying amount	32,140	32,140							
Add: Fair value reserve relating to fair value adjustments (before the ECL balance) (Note 21.1)	(4)								
Net carrying amount of financial assets measured at fair value through OCI	32,136								

Year ended 31 December 2021	Gross Carrying amount KShs Million	SB 1 - 12 Stage 1 KShs Million	SB 1 - 12 Stage 2 KShs Million	SB 13 - 20 Stage 1 KShs Million	SB 13 - 20 Stage 2 KShs Million	SB 21- 25 Stage 1 KShs Million	SB 21- 25 Stage 2 KShs Million	Default Stage 3 KShs Million	Default Purchased/ originated credit impaired KShs Million
Financial assets measured at amortised cost									
Corporate	-	-	-	-	-	-	-	-	-
Sovereign	21,797	21,797	-	-	-	-	-	-	-
Gross carrying amount	21,797	21,797							
Less: Total expected credit losses for loans and advances	(24)								
Net carrying amount of financial assets measured at amortised costs	21,773								
Financial assets measured at amortised cost									
Corporate	154	154	-	-	-	-	-	-	-
Sovereign	19,075	19,075	-	-	-	-	-	-	-
Gross carrying amount	19,229	19,229							
Less: Total expected credit losses for loans and advances	(2)								
Net carrying amount of financial assets measured at amortised costs	19,227								

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

c) Ageing analysis of past due but not impaired financial assets

Loans and advances less than 90 days past due are not considered credit impaired unless other information is available to indicate the contrary.

The table below shows the ageing of financial assets that are past due at the reporting date but not credit impaired, per class.

31 December 2022	Performing (Early arrears) 1 to 29 days KShs Million	30 to 59 days KShs Million	60 to 89 days KShs Million	Non-performing 90 to 180 days KShs Million	More than 180 days KShs Million	Total KShs Million
CHNW	5,127	1,363	893	-	-	7,383
Mortgage lending	3,469	838	597	-	-	4,904
Vehicle and asset finance	365	125	19	-	-	509
Other loans and advances	1,293	400	277	-	-	1,970
BCC	2,595	1,423	271	-	-	4,289
Mortgage lending	17	-	-	-	-	17
Vehicle and asset finance	836	165	59	-	-	1,060
Other loans and advances	1,742	1,258	212	-	-	3,212
Corporate and Investment Banking	6,683	-	-	-	-	6,683
Corporate lending	6,683	-	-	-	-	6,683
Total recognised financial instruments	14,405	2,786	1,164	-	-	18,355

31 December 2021	Performing (Early arrears) 1 to 29 days KShs Million	30 to 59 days KShs Million	60 to 89 days KShs Million	Non-performing 90 to 180 days KShs Million	More than 180 days KShs Million	Total KShs Million
CHNW	**3,833**	**1,341**	**933**	**-**	**-**	**6,107**
Mortgage lending	2,066	873	769	-	-	3,708
Vehicle and asset finance	428	147	18	-	-	593
Other loans and advances	1,339	321	146	-	-	1,806
BCC	**2,949**	**1,250**	**473**	**-**	**-**	**4,672**
Mortgage lending	35	-	-	-	-	35
Vehicle and asset finance	747	286	81	-	-	1,114
Other loans and advances	2,167	964	392	-	-	3,523
Corporate and Investment Banking	9,516	2	3	-	-	9,521
Corporate lending	**9,516**	**2**	**3**	**-**	**-**	**9,521**
Total recognised financial instruments	**16,298**	**2,593**	**1,409**	**-**	**-**	**20,300**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.4 Market risk

Market risk is the risk of a change in market value, earnings (actual or effective) or future cash-flows of a portfolio of financial instruments (including commodities), caused by moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these measures.

4.4.1 Governance committees

The Group's policy is that all trading activities are undertaken within the Group's trading operations. The Board grants general authority to take on market risk exposure to the Group's Assets and Liabilities Committee (ALCO).

Market risk management process is required to measure, monitor and control market risk exposures. The Group manages market risk through following four principles.

i) Identification of market risks in the trading and banking books

This process entails analysis of new business plans, new products, new pricing models, new risk models and regular reviews by Market Risk staff of financial and management accounts balance sheets, income statements, and portfolio structure hierarchies, accounting classification and accounting elections, jointly with financial control, Risk Self Assessments jointly with operational risk, price testing reports and profit and loss decomposition reports.

ii) Measurement of market risk

Measurement of market risks deals specifically and separately with normal market conditions and stress market conditions. Measurement of trading exposures under stress market conditions is effected by subjecting the portfolios to stress testing, e.g. historical scenarios, hypothetical scenarios on individual asset classes and across different asset classes. In order to highlight 'points of weakness' and identify particular sources of trading book exposure vulnerability, these stress tests capture the effects of abnormal movements in market variables (yield curves including basis curves, volatility surfaces, spot and/or rate moves, credit spread curves, recovery rate sensitivities, etc.).

iii) Management of market risk

The Group manages market risk through a specification of risk appetite in form of market risk limits. It uses a suite of risk measurement techniques, including Value at Risk (VaR), Stress Value at Risk (SVar), stress testing, stop loss triggers, back-testing and specific business unit and product controls.

iv) Reporting of market risk

Market Risk has reporting procedures that highlight for attention within Market Risk or by management all forms of exposures i.e. limit breaches or other reports that will periodically be required to submit to different stakeholders e.g. Local ALCO, Local Board, Shareholders, Rating agencies, Central Bank of Kenya and Internal Capital Adequacy Assessment Process (ICAAP) stakeholders.

4.4.2 Market risk exposure on banking operations

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on net interest income and the economic value of equity that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. They include endowment risk, repricing risk, basis risk, optionality risk and yield curve risk. The Group's approach to managing Interest Rate Risk in Banking Book (IRRBB) is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. Treasury and Capital Management team monitors banking book interest rate risk together with the country ALCO.

The market risk function is independent of trading operations and it is accountable to ALCO. It is responsible for identifying, measuring, managing, controlling and reporting market risk as outlined in the market risk governance standard, with support from the central market risk function. The market risk function also has the ability to set individual trader mandates. Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk management unit to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

4.4.3 Approved regulatory capital approaches

The Group applies the Standardised approach for calculating market risk capital. The standardised method uses a "building block" approach, with the capital charge for each risk category calculated separately.

Market risk qualifying assets includes interest rate risk assets in the trading book and foreign currency risk assets throughout the Group.

4.4.4 Trading book market risk

Trading book market risk is represented by financial instruments held on the trading book, arising out of normal global markets' trading activity.

4.4.5 Approach to managing market risk in the trading book

The Stanbic Bank policy is that all trading activities are undertaken within the Group's trading operations. The market risk functions are independent of trading operations and accountable to ALCO. All Value at Risk (VaR) and stressed VaR (SVaR) limits require prior approval from ALCO. The market risk functions have the authority to set limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.5 Approach to managing market risk in the trading book (continued)

a) VaR and SVaR

The Group uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions.

For risk management purposes VaR is based on 250 days of unweighted recent historical data, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in

- Calculate 250 daily market price movements based on 250 days' historical data.
- Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

Where the Group has received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a 10-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate.
- The use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intraday exposures.
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2021 aggregate normal VaR, and aggregate SVaR.

Normal VaR Exposures

31 December 2022	**Normal VAR (KShs 'million')**			
Desk name	**Maximum**	**Minimum**	**Average**	**Closing**
FX trading	**48**	**4**	**21**	**26**
Money market trading	**14**	**3**	**7**	**14**
Fixed income trading	**8**	**1**	**3**	**2**
Money market banking	**13**	**5**	**9**	**8**
Bankwide	**51**	**10**	**25**	**32**

31 December 2021	Normal VAR (KShs 'million')			
Desk name	Maximum	Minimum	Average	Closing
FX trading	55	2	18	23
Money market trading	63	3	6	3
Fixed income trading	11	1	4	2
Money market banking	7	4	5	5
Bankwide	58	7	22	21

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.5 Approach to managing market risk in the trading book (continued)

a) VaR and SVaR (continued)

SVaR Exposures

31 December 2022	SVAR (KShs 'million')			
Desk name	**Maximum**	**Minimum**	**Average**	**Closing**
FX trading	167	20	90	34
Money market trading	97	30	69	84
Fixed income trading	108	25	54	50
Money market banking	131	60	96	102
Bankwide	175	66	124	106

31 December 2021	SVAR (KShs 'million')			
Desk name	Maximum	Minimum	Average	Closing
FX trading	271	26	106	92
Money market trading	494	34	115	38
Fixed income trading	264	22	66	26
Money market banking	507	53	111	62
Bankwide	278	60	146	110

b) Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

c) Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical and hypothetical simulations. Daily losses experienced during the year ended 31 December 2022 did not exceed the maximum tolerable losses as represented by the Group's stress scenario limits.

d) Back-testing

The Group back-tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Back-testing compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of risk-mitigation instruments.

e) Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

4.4.6 Foreign exchange risk

Definition

The Group's primary exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Approach to managing foreign currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily risk according to existing legislation, and accounting parameters. It takes into account naturally offsetting risk positions and manages the Group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

The repositioning of the currency profile is a controlled process based on underlying economic views of the relative strength of currencies. The Group does not ordinarily hold open exposures of any significance with respect to the banking book.

Gains or losses on derivatives are reported in profit or loss.

The table below summarises the Group's exposure to foreign exchange risk at 31 December 2022.

Included in the table are the Group's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Kenya Shillings)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

Approach to managing foreign currency risk (continued)

At 31 December 2022	USD	GBP	EUR	Others	Total
Assets					
Cash and bank balances with banks abroad	11,522	895	8,067	2,246	22,730
Loans and advances	98,471	231	10,357	9	109,068
Investment in government securities	6,247	-	-	-	6,247
Balances due from group companies	21,924	2,453	3,705	393	28,475
Other foreign currency assets	3,041	-	75	373	3,489
Total foreign currency denominated financial assets	141,205	3,479	22,204	3,021	170,009
Liabilities					
Amounts due to banking institutions abroad	11,951	-	5,681	10	17,642
Deposits	112,532	4,807	16,986	1,153	135,478
Borrowings	10,140	-	-	-	10,140
Balances due to group companies	22,226	37	88	2	22,353
Other foreign currency liabilities	4,395	32	343	1,895	6,665
Total foreign currency denominated financial liabilities	161,244	4,876	23,098	3,060	192,278
Net on balance sheet financial position	(20,039)	(1,297)	(894)	(39)	(22,269)
Off balance sheet net notional position	20,099	1,318	1,141	(36)	22,522
Overall net position	60	21	247	(75)	253

At 31 December 2021	USD	GBP	Euro	Others	Total
Assets					
Cash and bank balances with banks abroad	12,599	671	942	2,115	16,327
Loans and advances	68,681	317	4,595	15	73,608
Investment in Government Securities	2,692	-	-	-	2,692
Balances due from Group Companies	20,573	3,696	314	876	25,459
Other foreign currency assets	2,483	(13)	29	622	3,121
Total foreign currency denominated financial assets	**107,028**	**4,671**	**5,880**	**3,628**	**121,207**
Liabilities					
Amounts due to banking institutions abroad	8,524	-	1,822	2	10,348
Deposits	80,621	5,828	10,430	1,065	97,944
Borrowings	5,700				5,700
Balances due to group companies	9,970	50	297	-	10,317
Other foreign currency liabilities	3,636	39	131	2,036	5,842
Total foreign currency denominated financial liabilities	**108,451**	**5,917**	**12,680**	**3,103**	**130,151**
Net on balance sheet financial position	**(1,423)**	**(1,246)**	**(6,800)**	**525**	**(8,944)**
Off balance sheet net notional position	3,533	1,198	6,818	(811)	10,738
Overall net position	**2,110**	**(48)**	**18**	**(286)**	**1,794**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. The Board sets limit on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored daily. The table indicates the extent to which the bank was exposed to currency risk as at 31 December on its monetary assets and liabilities denominated in foreign currency. It shows the sensitivity analysis for each currency to which the bank has significant exposure and the effect of the change in exchange rate on the income statement. Percentage exchange rate changes represent the average of the largest 1 and 10 days increase/decrease for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

Year ended 31 December 2022	Increase in currency rate in % 2022	Effect on profit before tax 2022 KShs Million	Effect on equity 2022 KShs Million	Decrease in currency rate in % 2022	Effect on profit before tax 2022 KShs Million	Effect on equity 2022 KShs Million
Currency						
USD	**0.04%**	**-**	**-**	**(1.70%)**	**(1)**	**(1)**
GBP	**7.26%**	**2**	**1**	**(5.58%)**	**(1)**	**(1)**
EUR	**4.15%**	**10**	**7**	**(5.56%)**	**(14)**	**(10)**
Year ended 31 December 2021						
Currency						
USD	1.01%	21	15	(3.43%)	(72)	(50)
GBP	1.96%	(1)	(1)	(2.80%)	1	1
EUR	3.67%	1	1	(3.10%)	(1)	(1)

4.4.7 Interest rate risk

Interest rate risk in the banking book (IRRBB)

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

IRRBB is further divided into the following sub risk types:

- **Repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- **Yield curve risk:** shifts in the yield curves that have adverse effects on the Group's income or underlying economic value.
- **Basis risk:** hedge price not moving in line with the price of the hedged position. Examples include bonds/swap basis, futures/ underlying basis.
- **Optionality risk:** options embedded in Group asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
- **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets, interest rate insensitive liabilities such as non-paying liabilities, and equity.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The Group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the Group operates. The Group's Treasury and Capital Management team monitors banking book interest rate risk operating under the oversight of ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes account of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

Limits

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity.

The endowment risk is hedged using liquid instruments as and when it is considered opportune. Where permissible, hedge accounting is adopted using the derivatives. The interest rate view is formulated through ALCO processes, following meetings of the monetary policy committees, or notable market developments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.7 Interest rate risk (continued)

Hedging of endowment risk (continued)

Non-endowment IRRBB (repricing, yield curve, basis and optionality) is managed within the treasury and the global markets portfolios.

The table below indicates the KShs equivalent sensitivity of the Bank's banking book earnings (net interest income and banking book mark-to-market profit or loss) and other comprehensive income (OCI) given a parallel yield curve shock. A floor of 0% is applied to all interest rates under the decreasing interest rate scenario. Hedging transactions are taken into account while other variables are kept constant.

	Increase in basis points 2022 KShs Million	Sensitivity of net interest income 2022 KShs Million	Sensitivity of other comprehensi ve income 2022 KShs Million	Decrease in basis points 2022 KShs Million	Sensitivity of net interest income 2022 KShs Million	Sensitivity of other comprehensive income 2022 KShs Million
Currency						
KShs	**250**	**1,223**	**(201)**	**(200)**	**(1,096)**	**160**
Others*	**100**	**5**	**-**	**(100)**	**(5)**	**-**
	2021 KShs Million	2021 KShs Million	2021 KShs Million	2021 KShs Million	2021 KShs Million	2021 KShs Million
Currency						
KShs	250	497	(100)	(200)	(566)	80
Others*	100	2	-	(100)	-	-

The above will have the same impact on equity.

* These are any other currencies held by the Group not denominated in KShs.

4.5 Liquidity risk

Liquidity risk arises when the Group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms. This inability to maintain or generate sufficient cash resources may arise where counterparties who provide the Group with short-term funding withdraw or do not rollover that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The nature of banking and trading activities results in a continuous exposure to liquidity risk. The Group manages liquidity in accordance with applicable regulations and within Group's risk appetite. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity at various levels to ensure that all payment obligations can be met by the Group under both normal and stressed conditions. Liquidity risk management ensures that the Group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Bank's liquidity risk management framework differentiates between:

- **Tactical (shorter-term) risk management:** managing intra-day liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by ALCO.
- **Structural (long-term) liquidity risk management:** ensuring a structurally sound statement of financial position, a diversified funding base and prudent term funding requirements.
- **Contingent liquidity risk management**: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

Governance committees

The primary governance committee overseeing this risk is the Group Asset Liability Committee (ALCO), which is chaired by the Chief Executive. There is independent risk oversight of all liquidity limits and guidelines by Market Risk, Finance and Central Asset Liability Management units. ALCO reports to the Board Risk Committee.

Approach to managing liquidity risk

There is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures. The following elements are incorporated as part of a cohesive liquidity management process:

a) Maintaining a structurally sound statement of financial position;

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analysis are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group's defined liquidity risk thresholds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

b) Foreign currency liquidity management;

A specific number of indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

c) Ensuring the availability of sufficient contingency liquidity;

Funding markets are evaluated on an on-going basis to ensure appropriate Group funding strategies are executed depending on the market, competitive and regulatory environment. The Group employs a diversified funding strategy.

d) Preserving a diversified funding base;

Concentration risk limits are used within the Group to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital.

e) Undertaking regular liquidity stress testing;

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the funding profiles and liquidity positions of the Group. The crisis impact is typically measured over a two month period, as this is considered the most crucial time horizon for a liquidity event. Anticipated on- and off-balance sheet cash flows are subjected to a variety of Group-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group's ability to maintain sufficient liquidity under adverse conditions.

f) Maintaining adequate liquidity contingency plans or liquidity buffer;

Portfolios of highly marketable securities over and above regulatory and stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO defined limits on the basis of diversification and liquidity.

g) Short-term and long-term cash flow management;

Active liquidity and funding management is an integrated effort across a number of functional areas. Short- term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The Group's long term funding strategy is derived from the projected net asset growth which includes consideration of Personal & Business Banking and Corporate & Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenure and currency exposure, as well as the availability and pricing of alternative liquidity sources.

Liquidity contingency plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator process supported by a clear and decisive crisis response strategy. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

The cumulative impact of the above elements is monitored on a monthly basis by the Group's ALCO and the process is underpinned by a system of extensive internal and external controls. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

To ensure integrity of the process there is use of application of purpose built technology, documented processes and procedures; independent oversight by risk management and regular independent reviews and evaluations of the effectiveness of the system. The total amount of liquidity held is adequate to meet all internal stress tests as well as regulatory requirements.

Exposure to liquidity risk

The key measure by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and financial investment debt securities for which there is an active and liquid market less any deposits from Groups. Details of the reported Group's key subsidiary, Stanbic Bank Kenya Limited, ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2022 %	2021 %
At 31 December	**45.2**	44.2
Average for the year	**40.3**	51.5
Maximum for the year	**47.8**	59.8
Minimum for the year	**35.9**	43.3
Statutory minimum requirement	**20.0**	20.0

The tables below present the remaining contractual maturities of the Group's non-derivative financial liabilities; it includes a maturity analysis for financial assets that the Group holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities - Group

	Carrying value 2022 KShs Million	Gross nominal inflow/ (outflow) 2022 KShs Million	Redeemable on demand 2022 KShs Million	Maturing within 1 month 2022 KShs Million	Maturing after 1 month but within 6 months 2022 KShs Million	Maturing after 6 months but within 12 months 2022 KShs Million	Maturing after 12 months but within 5 years 2022 KShs Million	Maturing After 5 years 2022 KShs Million
Non-derivative financial assets								
Cash and balances to banks	20,771	20,771	20,771	-	-	-	-	-
Financial assets at FVTPL	25,126	25,659	-	-	25,000	-	22	638
Financial assets at FVOCI	32,136	32,340	-	10,600	16,001	-	5,739	-
Financial assets at amortised cost	26,289	26,157	-	-	500	-	18,857	6,800
Loans and advances to banks	30,962	31,332	8,659	18,913	332	398	2,709	321
Loans and advances to customers	235,867	334,022	15,155	5,854	29,991	35,123	216,645	31,254
Other assets	4,562	4,562	4,562	-	-	-	-	-
	375,713	474,843	49,147	35,367	71,824	35,521	243,972	39,013
Derivative assets:	2,259							
- Inflows		1,608	62	639	366	542	-	-
- Outflows		(744)	172	(398)	(440)	(57)	(21)	-
	2,259	865	234	240	(74)	485	(21)	-
Non-derivative financial liabilities								
Amounts due to other banks	(32,753)	(33,257)	(22,769)	(318)	(1,545)	(21)	(8,604)	-
Customer deposits	(271,564)	(274,541)	(169,077)	(84,261)	(17,265)	(3,332)	(578)	(28)
Financial liabilities	(8,001)	(7,944)	-	-	(1,727)	(149)	(5,418)	(650)
Borrowings	(10,141)	(13,956)	-	(162)	(808)	(969)	(7,753)	(4,264)
Other liabilities	(8,442)	(8,442)	(8,442)	-	-	-	-	-
	(330,901)	(338,140)	(200,288)	(84,741)	(21,345)	(4,471)	(22,353)	(4,942)
Derivative liabilities:	(1,687)							
- Inflows		32	(171)	240	(36)	(1)	-	-
- Outflows		(1,029)	(19)	(312)	(177)	(521)	-	-
	(1,687)	(997)	(190)	(72)	(213)	(523)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities - Group (continued)

	Carrying value 2021 KShs Million	Gross nominal inflow/ (outflow) 2021 KShs Million	Redeemable on demand 2021 KShs Million	Maturing within 1 month 2021 KShs Million	Maturing after 1 month but within 6 months 2021 KShs Million	Maturing after 6 months but within 12 months 2021 KShs Million	Maturing after 12 months but within 5 years 2021 KShs Million	Maturing After 5 years 2021 KShs Million
Non- derivative financial assets								
Cash and balances to banks	15,403	15,403	15,403	-	-	-	-	-
Financial assets at FVTPL	18,535	20,002	-	2,049	13,513	1,383	2,053	1,004
Financial assets at FVOCI	19,227	20,338	-	1,024	10,594	6,117	2,603	-
Financial assets at amortised cost	21,773	32,741	-	8	1,676	1,508	19,055	10,494
Loans and advances to banks	44,008	45,485	15,564	24,238	2,583	176	2,924	-
Loans and advances to customers	185,313	260,492	14,638	4,401	22,626	26,405	163,834	28,588
Other assets	3,032	3,032	3,032	-	-	-	-	-
	307,291	397,493	48,637	31,720	50,992	35,589	190,469	40,086
Derivative assets:	1,881							
- Inflows	-	(404)	-	(191)	(77)	(67)	(69)	-
- Outflows	-	7,844	-	516	3,908	2,344	1,076	-
	1,881	7,440	-	325	3,831	2,277	1,007	-
Non- derivative financial liabilities								
Amounts due to other banks	(12,243)	(12,423)	(2,577)	(58)	(149)	(410)	(7,442)	(1,787)
Customer deposits	(242,345)	(243,359)	(158,525)	(69,431)	(13,313)	(1,428)	(623)	(39)
Financial liabilities	(357)	475	-	-	19	19	437	-
Borrowings	(5,700)	(6,554)	-	(21)	(101)	(113)	(569)	(5,750)
Other liabilities	(5,453)	(5,453)	(5,453)	-	-	-	-	-
	(266,098)	(267,314)	(166,555)	(69,510)	(13,544)	(1,932)	(8,197)	(7,576)
Derivative liabilities:	(1,743)							
- Inflows	-	(11,947)	-	(327)	(7,333)	(3,737)	(550)	-
- Outflows	-	165	-	10	23	96	36	-
	(1,743)	(11,782)	-	(317)	(7,310)	(3,641)	(514)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities - Group (continued)

The amounts in the table above have been compiled as follows:

Type of financial	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows which include interest payments
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purpose	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprises cash and cash equivalents and debt securities issued by sovereigns which can be readily sold to meet liquidity requirements. In addition the Group maintains lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central bank.

The table below analyses the Company's non-derivative financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	0-3 MONTHS KShs Million
COMPANY	
At 31 December 2022	
Cash and balances to banks	**58**
Other liabilities	**(121)**
	(63)
At 31 December 2021	
Cash and balances to banks	117
Other liabilities	(129)
	(12)

4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar

The following table sets out the impact of offset, as well as financial assets and financial liabilities that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they have been offset in accordance with IAS 32, as required by IFRS 7.13C disclosure requirements. The gross amounts of financial asset and financial liabilities and their net amounts disclosed in the table below have been measured in the statement of financial position on the following bases:

- Derivative asset and liabilities – fair value;
- Loans and advances – amortised cost; and
- Customer deposits – amortised cost.

As at 31 December 2022, the Group had cash margins of KShs 2,993,000,000 (2021: KShs 1,470,000,000) held as collateral against loans and advances to customers. Therefore, the credit facilities secured by cash margins can be settled at net.

The ISDA* and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the bank or the counterparties following other predetermined events. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and the liabilities simultaneously.

The Group receives collateral in the form of cash in respect of lending.

The table below sets out the nature of agreement, and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement or similar agreement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4 Financial risk management (continued)

4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar (continued)

Financial instrument	Nature of agreement	Basis on which amounts are compiled
Derivative assets and liabilities	ISDA*	The agreement allows for offset in the event of default.
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default.
Loans and advances to banks	Banking Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to meeting Banking Act requirements.
Deposits and current accounts	Banking Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to meeting Banking Act requirements.

IFRS 9 Financial Instruments: requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

** An ISDA master agreement is a standard agreement used in over-the-counter derivatives transactions. The ISDA Master Agreement, published by the International Swaps and Derivatives Association (ISDA), is a document that outlines the terms applied to a derivatives transaction between two parties.*

4.7 Interest rate benchmarks and reference interest rate reform

The Financial Stability Board had initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The ICE Benchmark Administration Limited (IBA) had adopted a two-stage approach for the cession of the USD LIBOR rates with the one week and two month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, one month, three month, six month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the group is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON).

The group has several USD LIBOR linked contracts that extend beyond 30 June 2023 and focus in 2022 has been placed on the planning and transition of these exposures ahead of the cessation date. The group ceased booking new LIBOR linked exposures, apart from limited circumstances to align with industry guidance and best practice. New exposures are booked using the ARRs being SOFR, SONIA, ESTR, TONA and SARON. In certain instances, other suitable rates are used, such as Central Bank Policy Rates.

The Group's established steering committee and working group within treasury and capital management (TCM) continues to monitor the progression of the remaining USD LIBOR linked contracts (1-, 3-, 6- and 12-month tenor rates) to manage the transition to appropriate ARR ahead of cessation on 30 June 2023.

The steering committee tracks updates and best market practice recommendations emanating from official sector working groups established to catalyse transition in the relevant jurisdiction.

Communications to clients are ongoing via multiple platforms along with one-on-one engagements to discuss transition where exposed to USD LIBOR rates that mature post cessation date.

Financial instruments impacted by the reform which are yet to transition

	USD LIBOR 2022 KShs. Million	USD LIBOR 2021 KShs. Million
Total assets subject to IBOR reform	**28,596**	**37,767**
Derivative Assets[1]	-	559
Loans and Advances[2]	28,596	37,208
Total liabilities subject to IBOR reform	**(15,633)**	**(12,922)**
Derivative Liabilities[1]	-	(559)
Deposits and debt funding	(9,257)	(6,663)
Borrowings	(6,376)	(5,700)
Trading Liabilities	-	-
Total off balance sheet exposures subject to IBOR reform	-	-
Off balance sheet items	-	-

[1] These balances represent the notional amount directly impacted by the IBOR reform. Where the derivatives have both pay and receive legs with exposure to the benchmark reform such as cross currency swaps, the notional amount is disclosed for both legs.

[2]Gross carrying amount excluding allowances for expected credit losses (ECL).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5 Segment information

The Group is required to disclose information to the users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates in compliance with IFRS 8.

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Identification of segments and the measurement of segment results is based on the Group's internal reporting to management.

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive (CE) with the assistance of the Group's Leadership Council (KLC) and the Asset and Liability Committee (ALCO). Management considers the business from client turnover perspective.

The Group has therefore segmented its business as CHNW, BCC and CIB. This is in line with Group reporting and decision-making reports.

The geographical spread (across borders) is also used as a part of performance analysis. The Group's main subsidiary (Stanbic Bank Kenya Limited) operates one Branch in the Republic of South Sudan.

CHNW and BCC

CHNW and BCC provides banking services to individual customers and small to medium sized enterprises. The products offered include:

(i) Mortgage Lending – provides residential accommodation loans to individual customers.

(ii) Instalment Sales and Finance Leases – comprises two areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.

(iii) Card Products – provides card facilities to individuals and businesses.

(iv) Transactional and Lending Products – transactions in products associated with the various points of contact channels such as Automated Teller Machines (ATMs), Internet, and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.

Corporate and Investment Banking (CIB)

CIB provides commercial and investment banking services to larger corporates, financial institutions, and international counter-parties. The products offered include:

- Global Markets – includes foreign exchange and debt securities trading.
- Transactional products and services – includes transactional banking and investor services.
- Investment Banking – includes project finance, advisory, structured finance, structured trade finance, corporate lending, primary markets and property finance.

The Group does not have any customer that contributes more than 10% of its revenue nor a customer that constitutes more than 10% of deposits or loans (2021: None)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5 Segment information (continued)

5 (a) Results by business units

Statement of profit and loss	Total 2022 KShs Million	Total 2021 KShs Million	CIB 2022 KShs Million	CIB 2021 KShs Million	BCC 2022 KShs Million	BCC 2021 KShs Million	CHNW 2022 KShs Million	CHNW 2021 KShs Million
Interest income	26,087	20,567	15,935	11,150	3,846	3,591	6,306	5,826
Interest expense	(7,142)	(6,194)	(6,057)	(4,608)	412	166	(1,497)	(1,752)
Net interest income	18,945	14,373	9,878	6,542	4,258	3,757	4,809	4,074
Fees and commission revenue	5,100	4,872	2,828	2,715	1,234	1,167	1,038	990
Fees and commission expense	(947)	(740)	(193)	(213)	(224)	(226)	(530)	(301)
Net fees and commission income	4,153	4,132	2,635	2,502	1,010	941	508	689
Trading revenue	8,805	5,988	5,365	4,512	2,040	828	1,400	648
Net income from financial instruments at fair value through profit or loss	141	592	(53)	592	67	-	127	-
Other income	42	47	34	173	4	(138)	4	12
Other (losses)/gains on financial instruments	(2)	(143)	(2)	(143)	-	-	-	-
Trading and other income	8,986	6,484	5,344	5,134	2,111	690	1,531	660
Total income	32,084	24,989	17,857	14,178	7,379	5,388	6,848	5,423
Credit impairment losses	(4,944)	(2,524)	(1,738)	(326)	(1,338)	(953)	(1,868)	(1,245)
Net income before operating expenses	27,140	22,465	16,119	13,852	6,041	4,435	4,980	4,178
Employee benefits expense	(7,279)	(6,519)	(2,900)	(3,354)	(2,138)	(1,158)	(2,241)	(2,007)
Depreciation and amortisation expense	(748)	(813)	(227)	(413)	(261)	(121)	(260)	(279)
Depreciation on right-of use assets	(331)	(352)	(120)	(121)	(112)	(15)	(99)	(216)
Other operating expenses	(6,594)	(5,016)	(2,618)	(2,231)	(2,246)	(2,054)	(1,730)	(731)
Finance costs	(16)	(9)	(11)	(9)	-	-	(5)	-
Total operating expenses	(14,968)	(12,709)	(5,876)	(6,128)	(4,757)	(3,348)	(4,335)	(3,233)
Profit before income tax	12,172	9,756	10,243	7,724	1,284	1,087	645	945
Income tax expense	(3,112)	(2,548)	(2,589)	(1,745)	(410)	(417)	(113)	(386)
Profit for the year	9,060	7,208	7,654	5,979	874	670	532	559

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5 Segment information (continued)

5(a) Results by business units (continued)

Statement of financial position	Total 2022 KShs Million	Total 2021 KShs Million	CIB 2022 KShs Million	CIB 2021 KShs Million	BCC 2022 KShs Million	BCC 2021 KShs Million	CHNW 2022 KShs Million	CHNW 2021 KShs Million
Assets								
Cash and balances with Central Bank of Kenya	20,771	15,403	19,845	11,277	574	2,664	352	1,462
Financial assets – (FVTPL)	25,126	18,535	25,126	18,535	-	-	-	-
Financial assets – (FVOCI)	32,136	19,227	32,136	19,227	-	-	-	-
Financial assets – (amortised cost)	26,289	21,773	26,289	21,773	-	-	-	-
Derivative assets	2,259	1,881	2,259	1,881	-	-	-	-
Current tax asset	21	-	21	-	-	-	-	-
Loans and advances to banks	30,962	44,008	28,000	42,412	2,137	1,216	825	380
Loans and advances to customers	235,867	185,313	144,369	99,509	38,655	35,692	52,843	50,112
Other assets and prepayments	6,101	3,704	1,866	832	2,060	1,450	2,175	1,422
Investment in subsidiaries and other investments	18	18	11	10	3	4	4	4
Property and equipment	1,901	1,915	756	719	239	263	906	933
Right-of-use assets (buildings)	924	1,037	345	207	330	59	249	771
Right-of-use assets (leasehold land)	36	39	21	23	7	8	8	8
Other intangible assets	837	1,021	491	600	149	206	197	215
Intangible assets - goodwill	9,350	9,350	8,882	8,882	468	468	-	-
Deferred tax asset	7,232	5,648	4,746	3,731	1,161	876	1,325	1,041
Total assets	399,830	328,872	295,163	229,618	45,783	42,906	58,884	56,348
Liabilities								
Derivative liabilities	1,687	1,743	1,687	1,743	-	-	-	-
Financial liabilities – FVTPL	8,001	357	8,001	357	-	-	-	-
Current tax liability	1,430	1,751	936	1,048	199	246	295	457
Deposits from banks	32,753	12,243	32,753	12,243	-	-	-	-
Deposits from customers	271,564	242,345	132,511	113,340	65,371	56,467	73,682	72,538
Borrowings	10,141	5,700	6,050	3,318	1,921	1,164	2,170	1,218
Other liabilities and accrued expenses	10,899	7,149	7,469	5,724	574	48	2,856	1,377
Lease liabilities	1,157	1,132	643	373	75	105	439	654
Total liabilities	337,632	272,420	190,050	138,146	68,140	58,030	79,442	76,244
Equity	62,198	56,452	37,506	33,278	11,969	11,588	12,723	11,586
Funding	-	-	67,607	58,194	(34,326)	(26,712)	(33,281)	(31,482)
Total equity and liabilities	399,830	328,872	295,163	229,618	45,783	42,906	58,884	56,348

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

5 Segment information (continued)

5(b) Results by geographical area

Statement of profit and loss	Total 2022 KShs Million	Total 2021 KShs Million	Kenya 2022 KShs Million	Kenya 2021 KShs Million	South Sudan 2022 KShs Million	South Sudan 2021 KShs Million
Interest income	26,087	20,567	26,085	20,561	2	6
Interest expense	(7,142)	(6,194)	(7,113)	(6,089)	(29)	(105)
Net interest income	18,945	14,373	18,972	14,472	(27)	(99)
Fees and commission revenue	5,100	4,872	4,403	4,066	697	806
Fees and commission expense	(947)	(740)	(945)	(721)	(2)	(19)
Net fees and commission income	4,153	4,132	3,458	3,345	695	787
Trading revenue	8,805	5,988	8,151	5,222	654	766
Net income from financial instruments at fair value through profit or loss	141	592	141	592	-	-
Other income	42	47	42	46	-	1
Other losses on financial instruments	(2)	(143)	(2)	(143)	-	-
Trading and other income	8,986	6,484	8,332	5,717	654	767
Total income	32,084	24,989	30,762	23,534	1,322	1,455
Credit impairment losses	(4,944)	(2,524)	(4,945)	(2,523)	1	(1)
Net income before operating expenses	27,140	22,465	25,817	21,011	1,323	1,454
Employee benefits expense	(7,279)	(6,519)	(6,845)	(5,952)	(434)	(567)
Depreciation and amortisation expense	(748)	(813)	(730)	(784)	(18)	(29)
Depreciation on right-of use assets	(331)	(352)	(300)	(261)	(31)	(91)
Other operating expenses	(6,594)	(5,016)	(6,220)	(4,575)	(374)	(441)
Finance costs	(16)	(9)	(6)	(2)	(10)	(7)
Total operating expenses	(14,968)	(12,709)	(14,101)	(11,574)	(867)	(1,135)
Profit before income tax	12,172	9,756	11,716	9,437	456	319
Income tax expense	(3,112)	(2,548)	(2,963)	(2,483)	(149)	(65)
Profit for the year	9,060	7,208	8,753	6,954	307	254

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

5 Segment information (continued)

5(b) Results by geographical area (continued)

Statement of financial position Assets	Total 2022 KShs Million	Total 2021 KShs Million	Kenya 2022 KShs Million	Kenya 2021 KShs Million	South Sudan 2022 KShs Million	South Sudan 2021 KShs Million
Cash and balances with Central Bank of Kenya	20,771	15,403	14,300	10,719	6,471	4,684
Financial assets – (FVTPL)	25,126	18,535	25,126	18,535	-	-
Financial assets – (FVOCI)	32,136	19,227	32,136	19,227	-	-
Financial assets – (amortised cost)	26,289	21,773	26,289	21,773	-	-
Derivative assets	2,259	1,881	2,259	1,881	-	-
Current tax asset	21	-	-	-	21	-
Loans and advances to banks	30,962	44,008	13,186	31,649	17,776	12,359
Loans and advances to customers	235,867	185,313	235,858	185,293	9	20
Other assets and prepayments	6,101	3,704	6,092	3,690	9	14
Investment in subsidiaries and other investments	18	18	18	18	-	-
Property and equipment	1,901	1,915	1,840	1,785	61	130
Right-of-use assets (buildings)	924	1,037	839	805	85	232
Right-of-use assets (leasehold land)	36	39	36	39	-	-
Other intangible assets	837	1,021	829	1,015	8	6
Intangible assets - goodwill	9,350	9,350	9,350	9,350	-	-
Deferred tax asset	7,232	5,648	7,217	5,630	15	18
Total assets	399,830	328,872	375,375	311,409	24,455	17,463
Liabilities						
Derivative liabilities	1,687	1,743	1,687	1,743	-	-
Financial liabilities – FVTPL	8,001	357	8,001	357	-	-
Current tax liability	1,430	1,751	1,430	1,732	-	19
Deposits from banks	32,753	12,243	32,743	10,476	10	1,767
Deposits from customers	271,564	242,345	251,069	230,497	20,495	11,848
Borrowings	10,141	5,700	10,141	5,700	-	-
Other liabilities and accrued expenses	10,899	7,149	8,217	4,671	2,682	2,478
Lease liabilities	1,157	1,132	882	850	275	282
Total liabilities	337,632	272,420	314,170	256,026	23,462	16,394
Equity	62,198	56,452	61,205	55,383	993	1,069
Total equity and liabilities	399,830	328,872	375,375	311,409	24,455	17,463

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5 Segment information (continued)

5(b) Results by geographical area (continued)

Reconciliation of reportable assets and liabilities

	GROUP	
	2022 KShs Million	2021 KShs Million
Assets		
Total assets for reportable segments	426,267	350,330
Elimination of inter-branch balances with South Sudan	(26,437)	(21,458)
Entity's assets	399,830	328,872
Liabilities		
Total liabilities and equities for reportable segments	426,267	350,330
Elimination of inter-branch balances with South Sudan	(26,437)	(21,458)
Entity's liabilities and equities	399,830	328,872

6 Interest income

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Loans and advances to customers	19,898	15,524	-	-
Financial assets – (FVOCI)	2,480	2,131	-	-
Financial assets – (amortised cost)	2,706	2,493	-	-
Placements and other bank balances	1,003	419	6	4
	26,087	20,567	6	4

7 Interest expense

Current accounts	1,721	1,424	-	-
Savings and term deposit accounts	4,690	4,207	-	-
Deposits and placements from other banks	174	211	-	-
Interest on borrowed funds	443	242	-	-
Interest expense on lease liabilities (Note 31)	114	110	-	-
	7,142	6,194	-	-
Net interest income	18,945	14,373	6	4

All interest income reported above relates to financial assets not carried at fair value through profit or loss and all interest expense reported relates to financial liabilities not carried at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

8 Fees and commission revenue

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Account transaction fees	1,333	1,471	-	-
Knowledge based and client administration fees	1,402	1,251	-	-
Electronic banking fees	678	591	-	-
Foreign service fees	709	571	-	-
Documentation and administration fees	124	234	-	-
Brokerage commission	248	216	-	-
Other bank related fees and commission	606	538	-	-
	5,100	4,872	-	-

The net fees and commission earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers is KShs 356,199,136 (2021: KShs 332,403,182).

All net fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.

9 Fees and commission expense

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Card based commission expenses	346	218	-	-
Brokerage fees	30	43	-	-
Other bank related fees and commission expenses	571	479	-	-
	947	740	-	-

10 Trading revenue

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Net foreign exchange income	8,751	6,031	-	-
Gain/(loss) in monetary value	54	(43)	-	-
	8,805	5,988	-	-

11 (a) Net income from financial instruments at fair value through profit or loss

Fixed Income-financial assets-(FVTPL/ Held for trading)	141	592	-	-

11 (b) Other (losses)/gains on financial instruments

Net loss on disposal of financial assets - FVTPL	(2)	(143	-	-
	(2)	(143	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

	GROUP		COMPANY	
12 Other income	**2022 KShs Million**	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Gain on disposal of property and equipment	**7**	-	**-**	-
Dividend income	**-**	-	**2,920**	2,235
Other income	**35**	47	**-**	-
	42	47	**2,920**	2,235
13 Employee benefits expense				
Salaries and wages	**6,740**	6,027	**53**	34
Retirement benefit costs	**539**	492	**8**	2
	7,279	6,519	**61**	36
Included in retirement benefit costs are;				
Defined contribution scheme	**535**	488	**-**	-
National Social Security Fund	**4**	4	**-**	-
	539	492	**-**	-
Average staff numbers for the year;				
Management	**428**	399	**-**	-
Supervisory	**429**	420	**-**	-
Clerical and other categories	**280**	248	**-**	-
Total	**1,137**	1,067	**-**	-

14 Breakdown of expenses by nature		GROUP		COMPANY	
	Notes	**2022 KShs Million**	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Profit before tax has been arrived at after charging-;					
Employee benefits	13	**7,279**	6,519	**61**	36
Audit fees		**44**	41	**3**	3
Directors' fees	42(f)	**119**	83	**9**	9
Depreciation of property and equipment	26	**416**	498	**-**	-
Depreciation on right-of use assets	30	**331**	352	**-**	-
Amortisation of right-of-use leasehold land	27	**3**	3	**-**	-
Amortisation of intangible assets	28	**329**	312	**-**	-
Franchise fees	42 (i)	**944**	732	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

15 Finance costs

		GROUP		COMPANY	
	Notes	**2022 KShs Million**	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Bank charges		**16**	9	**-**	1
		16	9	**-**	1
16 Income tax expense					
Current income tax		**4,671**	3,356	**2**	7
Current year charge	37 (a)	**4,963**	3,356	**2**	7
Previous year current income tax over provision		**(292)**	-	**-**	-
Deferred income tax		**(1,559)**	(808)	**-**	-
Current year (credit)/charge Kenya operations	38 (a)	**(1,561)**	(789)		-
Current year (credit)/charge foreign operations	38 (b)	**2**	(19)	**-**	-
Income tax expense for the year		**3,112**	2,548	**2**	7

Reconciliation of tax expense to expected tax base based on accounting profit:
The tax on the profit before tax differs from the theoretical amount using the statutory income tax rate as follows:

	2022 KShs Million	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Profit before income tax	**12,172**	9,756	**2,837**	2,176
Tax at statutory tax rate of 30%	**3,655**	2,927	**851**	653
Tax effect of:				
Income not subjected to tax	**(519)**	(481)	**(876)**	(671)
Expenses not deductible for tax purposes	**310**	138	**27**	25
Previous year's current tax over provision	**(292)**	-	**-**	-
Effect of tax paid in other jurisdictions	**(42)**	(25)	**-**	-
Effect of different tax rate in South Sudan		(11)		
Income tax expense	**3,112**	2,548	**2**	7

17 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Earnings (Profit after tax)				
Earnings for the purposes of basic earnings per share (KShs Million)	**9,060**	7,208	**2,835**	2,169
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (in millions)	**395**	395	**395**	395
Earnings per share (KShs) basic and diluted	**22.92**	18.23	**7.17**	5.49

There were no dilutive potential ordinary shares as at 31 December 2022 or 31 December 2021. Therefore, diluted earnings per share are the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

18 Dividend

	GROUP AND COMPANY	
	2022	2021
The calculation of dividends per share is based on:		
Dividends for the year attributable to ordinary shareholders:		
Interim dividend paid (KShs 'millions)	-	672
Final dividend proposed (KShs 'millions)	4,981	2,886
	4,981	3,558
Number of ordinary shares at issue date (in millions)	395	395
Dividends per share – KShs	12.60	9.00

Proposed dividends are presented within retained earnings until they have been ratified at an Annual General Meeting. The prior year proposed dividends were shown separately on Statement of Changes in Equity and the Statement of Financial Position.

At the annual general meeting, a final dividend in respect of the year ended 31 December 2022 of KShs 12.60 (2021: KShs 7.30) per share amounting to a total of KShs 4,981,053,000 (2021: KShs 2,886,224,000) is to be proposed. These financial statements do not reflect these dividends as payable.

During the year an there was no interim dividend paid (2021: KShs 1.70 per share totalling to KShs 672,047,000 was paid).

Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 10% for non-resident shareholders. Dividend paid to resident shareholders who own more than 12.5% share-holding are exempt from withholding tax.

19 Cash and balances with Central Bank of Kenya

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Cash in hand	3,704	3,866	-	-
Balances with Central Bank of Kenya	17,067	11,537	-	-
	20,771	15,403	-	-

The Group's key subsidiary, Stanbic Bank Kenya Limited is required to maintain a prescribed minimum cash reserve ratio (CRR) including cash in hand and balances with Central Bank of Kenya. The minimum cash reserve is non-interest earning and is based on the value of deposits as adjusted for Central Bank of Kenya requirements. At 31 December 2022, the cash reserve requirement was 4.25% of the eligible deposits (2021: 4.25%).

The cash reserve requirement balance for the year ended 31 December 2022 is KShs. 10,111,774,505 (2021: KShs 9,547,857,985). The Central Bank allows a daily minimum of 3% (2021: 3%) of eligible deposits when the average total reserving for the month is above the CRR. The applicable daily minimum for the Bank therefore is KShs. 7,137,723,180 as at 31 December 2022 (2021: KShs 6,739,664,460). These balances are restricted. The Bank complied with the CRR requirement throughout the reporting period.

20 Financial assets and liabilities – FVTPL

20(a) Financial assets – (FVTPL)

	GROUP	
Debt securities	2022 KShs Million	2021 KShs Million
Government treasury bills and bonds	25,126	18,535
	25,126	18,535
Maturity analysis;		
Maturing within 1 month	143	2,951
Maturing after 1 months but within 6 months	24,321	12,194
Maturing after 6 months but within 12 months	-	1,279
Maturing after 12 months but within 5 years	30	1,575
Maturing after 5 years	632	536
	25,126	18,535

The maturities represent periods to contractual redemption of financial assets - FVPTL recorded. Financial assets - FVTPL had a redemption value at 31 December 2022 of KShs 25,713,346,000 (2021: KShs 18,562,735,000). The weighted average effective interest yield on debt securities held for trading at 31 December 2022 was 9.54% (2021: 9.11%).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

20 Financial assets and liabilities – FVTPL (continued)

20(b) Financial liabilities – FVTPL

	GROUP	
	2022 KShs Million	2021 KShs Million
Unlisted	8,001	357
Maturity analysis;		
Maturing within 1 month	-	-
Maturing within 1 month but within 6 months	1,741	-
Maturing after 6 months but within 12 months	135	-
Maturing after 12 months but within 5 years	5,474	-
Maturing after 5 years	651	357
	8,001	357

The maturities represent periods to contractual redemption of trading liabilities recorded. Dated trading liabilities had a redemption value at 31 December 2022 of KShs. 7,905,004,000 (2021: KShs 350,000,000). The weighted average effective interest cost on debt securities held for trading at 31 December 2022 was 11.33% (2021: 11.07%).

21 Financial assets – (FVOCI)

		GROUP	
	Notes	2022 KShs Million	2021 KShs Million
Financial assets – (FVOCI)	21 (a)	32,065	19,227
Pledged assets – (FVOCI)	21 (b)	71	-
		32,136	19,227

21 (a) Financial assets – (FVOCI)

	GROUP	
Debt securities – at fair value:	2022 KShs Million	2021 KShs Million
Listed	5,895	2,085
Unlisted	26,174	17,144
	32,069	19,229
Comprising:		
Government bonds	5,895	2,085
Government treasury bills	25,959	16,990
Corporate Bonds	215	154
	32,069	19,229
Allowances for impairments		
Expected credit loss for debt securities measured at fair value through OCI (IFRS 9)	(4)	(2)
Credit impairment losses	(4)	(2)
Net debt securities at FVOCI	32,065	19,227

	GROUP	
	2022 KShs Million	2021 KShs Million
Maturing within 1 month	16,001	2,987
Maturing after 1 month but within 6 months	10,252	8,345
Maturing after 6 months but within 12 months	-	5,673
Maturing after 12 months	5,812	2,222
	32,065	19,227

Financial investment securities had a redemption value at 31 December 2022 of KShs. 32,339,500,000 (2021: KShs 19,648,000,000).The weighted average effective interest cost on debt securities held for trading at 31 December 2022 was 9.84% (2021: 8.64%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

21 Financial assets – (FVOCI) (continued)

21 (b) Pledged assets – (FVOCI)

	GROUP	
	2022 KShs Million	2021 KShs Million
Fair value through OCI	**71**	-
	71	-
Maturity analysis		
Maturing after 1 month but within 6 months	**18**	-
Maturing after 12 months but within 5 years	**46**	-
Maturing after 5 years	**7**	-
	71	-

Dated pledged assets at fair value through OCI had a redemption value at 31 December 2022 of KShs. nil (2021: KShs. nil).

The weighted average effective interest yield on investment securities at FVOCI on 31 December 2022 was nil (2021: nil).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

21.1 Reconciliation of expected credit losses for debt financial assets measured at fair value through OCI:

GROUP	Opening ECL 1 Jan 2022 Kshs	Total transfers between stages Kshs	ECL on new exposure raised Kshs	Change in ECL due to modifi-cations KShs (Income statement movements)	Subsequent changes in ECL KShs (Income statement movements)	Change in ECL due to derecognition KShs (Income statement movements)	Net ECL raised/ (released)[1] KShs (Income statement movements)	Impair-ment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2022 KShs
Financial assets (Fair value through OCI)										
Debt securities	**2**	**-**	**5**	**-**	**(1)**	**(2)**	**2**	**-**	**-**	**4**
Stage 1	**2**	**-**	**5**	**-**	**(1)**	**(2)**	**2**	**-**	**-**	**4**
Total	**2**	**-**	**5**	**-**	**(1)**	**(2)**	**2**	**-**	**-**	**4**

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note)

GROUP	Opening ECL 1 Jan 2021 Kshs	Total transfers between stages Kshs	ECL on new exposure raised Kshs	Change in ECL due to modifi-cations KShs (Income statement movements)	Subsequent changes in ECL KShs (Income statement movements)	Change in ECL due to derecognition KShs (Income statement movements)	Net ECL raised/ (released)[1] KShs (Income statement movements)	Impair-ment accounts written- off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs
Financial assets (Fair value through OCI)										
Debt securities	4	-	2	-	1	(4)	(1)	-	(1)	2
Stage 1	4	-	2	-	1	(4)	(1)	-	(1)	2
Total	4	-	2	-	1	(4)	(1)	-	(1)	2

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

21 Financial assets – (FVOCI) (continued)

21.2 Reconciliation of fair value through OCI reserve for debt financial assets measured at fair value through OCI

	Balance at beginning of the year 2022 KShs	Reclassifica-tions KShs	Net change in fair value KShs	Realised fair value adjustments and reversal to profit or loss KShs	Net expected credit loss raised/ (released) during the period KShs	Exchange and other movements KShs	Balance at end of the year 2022 KShs
GROUP							
Debt securities	**(13)**	**-**	**58**	**-**	**58**	**-**	**45**
Total	**(13)**	**-**	**(58)**	**-**	**58**	**-**	**45**

	Balance at beginning of the year 2021 KShs	Reclassifica-tions KShs	Net change in fair value KShs	Realised fair value adjustments and reversal to profit or loss KShs	Net expected credit loss raised/ (released) during the period KShs	Exchange and other movements KShs	Balance at end of the year 2021 KShs
GROUP							
Debt securities	(1)	-	(13)	1	(12)	-	(13)
Total	(1)	-	(13)	1	(12)	-	(13)

22 Financial assets – (amortised cost)

	Notes	GROUP	
		2022 KShs Million	2021 KShs Million
Pledged assets – (amortised cost)	22 (a)	**3,497**	3,454
Financial assets – (amortised cost)	22 (b)	**22,792**	18,319
		26,289	21,773

22 (a) Pledged assets – (amortised cost)

	Notes	2022	2021
Amortised cost/held to collect debt securities		**3,498**	3,455
Gross pledged assets at amortised cost		**3,498**	3,455
Allowances for impairments			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	**(1)**	(1)
Credit impairment losses		**(1)**	(1)
Net pledged assets at amortised cost		**3,497**	3,454
Maturity analysis:			
Maturing after 1 months but within 6 months		**500**	509
Maturing after 6 months but within 12 months		**-**	389
Maturing after 12 months but within 5 years		**2,497**	2,556
Maturing after 5 years		**500**	-
		3,497	3,454

Dated pledged assets at amortized cost had a redemption value at 31 December 2022 of KShs. 3,500,000,000 (2021: KShs 3,370,000,000).

The weighted average effective interest yield on investment securities at FVOCI on 31 December 2022 was 11.49% (2021: 11.00%).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

22 Financial assets – (amortised cost) (continued)

22 (b) Financial assets – (amortised cost)

Debt securities:	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Listed		22,845	18,342
Unlisted		-	-
Gross financial assets at amortised cost		**22,845**	18,342
Allowances for impairments			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	(53)	(23)
Credit impairment losses		**(53)**	(23)
Net debt securities at amortised cost		**22,792**	18,319

Comprising:	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Government bonds		22,845	18,342
		22,845	18,342
Maturity analysis:			
Maturing within 1 month		-	-
Maturing after 1 month but within 6 months		-	11
Maturing after 6 months but within 12 months		-	-
Maturing after 12 months but within 5 years		16,498	10,567
Maturing after 5 years		6,347	7,764
		22,845	18,342

Dated held to collect assets had a redemption value at 31 December 2022 of KShs. 22,657,142,000 (2021: KShs 18,271,899,000).

The weighted average effective interest yield on held to collect investment securities at 31 December 2022 was 12.68% (2021: 11.29%).

22.1 Reconciliation of expected credit losses for debt financial assets measured at amortised cost

	Opening ECL 1 Jan 2022 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Change in ECL due to modifications KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/(released)[1] KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2022 KShs
Financial assets Amortised cost										
Sovereign - Debt securities	23	-	24	-	12	(6)	30	-	-	53
Stage 1	23	-	24	-	12	(6)	30	-	-	53
Pledged assets	1	-	-	-	-	-	-	-	-	1
Stage 1	1	-	-	-	-	-	-	-	-	1
Stage 2	-	-	-	-	-	-	-	-	-	-
Total	24	-	24	-	12	(6)	30	-	-	54

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

22 Financial assets – (amortised cost) (continued)

22.1 Reconciliation of expected credit losses for debt financial assets measured at amortised cost (continued)

	Opening ECL 1 Jan 2021 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Change in ECL due to modifications KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/(released)[1] KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs
Financial assets Amortised cost										
Sovereign - Debt securities	14	-	6	-	4	(1)	9	-	-	23
Stage 1	14	-	6	-	4	(1)	9	-	-	23
Pledged assets	1	-	-	-	-	-	-	-	-	1
Stage 1	1	-	-	-	-	-	-	-	-	1
Total	15	-	6	-	4	(1)	9	-	-	24

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

23 Loans and advances

23 (a) Loans and advances to banks

	Notes	GROUP 2022 KShs Million	GROUP 2021 KShs Million	COMPANY 2022 KShs Million	COMPANY 2021 KShs Million
Balances with banks		15,848	26,427	-	-
Balances due from Group banks	42 (a)	15,114	17,582	58	117
		30,962	44,009	58	117
Allowances for impairments					
Impairment Stages 1 & 2 (performing loans)		-	(1)	-	-
Impairment Stage 3 (non-performing loans)		-	-	-	-
Credit impairment allowances		-	(1)	-	-
Net loans and advances		**30,962**	44,008	**58**	117
Maturity analysis:					
Redeemable on demand		8,659	15,564	58	117
Maturing within 1 month		18,847	24,999	-	-
Maturing after 1 month but within 12 months		-	1,695	-	-
Maturing after 12 month but within 5 years		1,750	1,750	-	-
Maturing after 5 years		1,706	-	-	-
Net loans and advances to banks		**30,962**	44,008	**58**	117

23.1 Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost:

	Opening ECL 1 Jan 2022 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Change in ECL due to modifications KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/(released)[1] KShs	Impairment accounts writ-ten-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2022 KShs
BANKS										
Stage 1	1	-	-	-	-	-	-	-	(1)	-
Total	1	-	-	-	-	-	-	-	(1)	-

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

23 Loans and advances (continued)

23.1 Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost (continued)

	Opening ECL 1 January 2021	Total transfers between stages	Income statement movements: ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition	Net ECL raised/ (released)[1]	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2021
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
BANKS										
Stage 1	4	-	6	-	(9)	-	(3)	-	-	1
Total	4	-	6	-	(9)	-	(3)	-	-	1

23 Loans and advances (continued)

23(b) Loans and advances to customers

	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Mortgage lending		37,831	35,864
Vehicle and asset finance (note 23(e))		10,030	10,728
Overdraft and other demand lending		15,155	14,638
Term lending		192,725	139,089
Card lending		722	622
Gross loans and advances to customers		**256,463**	**200,941**
Allowances for impairments			
Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	23(c (i))	(20,596)	(15,628)
Credit impairment allowances		**(20,596)**	**(15,628)**
Net loans and advances		**235,867**	**185,313**
Maturity analysis:			
Redeemable on demand		17,683	16,154
Maturing within 1 month		26,279	16,609
Maturing after 1 month but within 6 months		51,253	30,146
Maturing after 6 months but within 12 months		7,234	6,864
Maturing after 12 months but within 5 years		75,485	73,889
Maturing after 5 years		57,933	41,651
Net loans and advances		**235,867**	**185,313**

The weighted average effective interest rate on loans and advances to customers as at 31 December 2022 was 9.70% (2021: 8.44%). The Group extends advances to personal, commercial and corporate sectors as well as to the public sector. Advances made to individuals are mostly in the form of mortgages, vehicle and asset finance, and overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

23 Loans and advances (continued)

23 (c) Allowances for Impairment

23(c (i)) Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost:

A reconciliation of the expected credit loss for loans and advances, by class:

	Opening ECL 1 Jan 2022 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/ (released)[1] KShs	Impairment accounts written- off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs	Interest in suspense KShs	Total KShs
Customers											
Mortgage loans	1,721	-	183	224	-	407	(51)	10	2,087	9	2,096
Stage 1	32	27	7	(32)	-	2	-	44	78	-	78
Stage 2	392	(29)	12	1	-	(16)	-	(57)	319	-	319
Stage 3	1,297	2	164	255	-	421	(51)	23	1,690	9	1,699
Vehicle and asset finance	2,397	-	216	(229)	-	(13)	(564)	(246)	1,574	(206)	1,368
Stage 1	77	39	30	(74)	-	(5)	-	(1)	71	-	71
Stage 2	368	(38)	24	(142)	-	(156)	-	23	235	-	235
Stage 3	1,952	(1)	162	(13)	-	148	(564)	(268)	1,268	(206)	1,062
Card debtors	61	-	3	28	-	31	(40)	6	58	-	58
Stage 1	22	14	2	(19)	-	(3)	-	(1)	18	-	18
Stage 2	51	(16)	1	(12)	-	(27)	-	(5)	19	-	19
Stage 3	(12)	2	-	59	-	61	(40)	12	21	-	21
Other loans and advances	6,063	-	2,526	449	-	2,975	(752)	399	8,685	146	8,831
Stage 1	389	41	234	(187)	-	88	-	(43)	434	-	434
Stage 2	952	(198)	193	429	-	424	-	(217)	1,159	-	1,159
Stage 3	4,722	157	2,099	207	-	2,463	(752)	659	7,092	146	7,238
Corporate	5,386	-	780	1,715	(617)	1,878	-	232	7,496	747	8,243
Stage 1	569	63	528	(9)	(362)	220	-	-	789	-	789
Stage 2	424	(17)	146	(322)	(221)	(414)	-	147	157	-	157
Stage 3	4,393	(46)	106	2,046	(34)	2,072	-	85	6,550	747	7,297
Total	15,628	-	3,708	2,187	(617)	5,278	(1,407)	401	19,900	696	20,596

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 23(d)).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

23 Loans and advances (continued)

23 (c) Allowances for Impairment

23(c (i)) Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost:

A reconciliation of the expected credit loss for loans and advances, by class:

	Opening ECL 1 Jan 2021 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Income statement movements: Subsequent changes in ECL KShs	Income statement movements: Change in ECL due to derecognition KShs	Net ECL raised/ (released)[1] KShs	Impairment accounts written- off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs	Interest in suspense KShs	Total KShs
Customers											
Mortgage loans	**1,510**	**-**	**12**	**361**	**-**	**373**	**(22)**	**(131)**	**1,730**	**(9)**	**1,721**
Stage 1	20	38	6	(32)	-	12	-	-	32	-	32
Stage 2	330	(26)	6	82	-	62	-	-	392	-	392
Stage 3	1,160	(12)	-	311	-	299	(22)	(131)	1,306	(9)	1,297
Vehicle and asset finance	**2,464**	**-**	**78**	**88**	**-**	**166**	**(83)**	**(235)**	**2,312**	**85**	**2,397**
Stage 1	77	13	30	(43)	-	-	-	-	77	-	77
Stage 2	439	(9)	25	(79)	-	(63)	-	(8)	368	-	368
Stage 3	1,948	(4)	23	210	-	229	(83)	(227)	1,867	85	1,952
Card debtors	**87**	**-**	**4**	**36**	**-**	**40**	**(37)**	**(29)**	**61**	**-**	**61**
Stage 1	26	15	2	(21)	-	(4)	-	-	22	-	22
Stage 2	35	(15)	2	29	-	16	-	-	51	-	51
Stage 3	26	-	-	28	-	28	(37)	(29)	(12)	-	(12)
Other loans and advances	**4,279**	**-**	**673**	**1,028**	**-**	**1,701**	**(480)**	**300**	**5,800**	**263**	**6,063**
Stage 1	366	61	247	(285)	-	23	-	-	389	-	389
Stage 2	920	(136)	189	(21)	-	32	-	-	952	-	952
Stage 3	2,993	75	237	1,334	-	1,646	(480)	300	4,459	263	4,722
Corporate	**10,075**	**-**	**562**	**321**	**(247)**	**636**	**(3,540)**	**184**	**7,355**	**(1,969)**	**5,386**
Stage 1	560	48	283	(82)	(158)	91	-	(82)	569	-	569
Stage 2	336	(51)	58	16	(232)	(209)	-	297	424	-	424
Stage 3	9,179	3	221	387	143	754	(3,540)	(31)	6,362	(1,969)	4,393
Total	**18,415**	**-**	**1,329**	**1,834**	**(247)**	**2,916**	**(4,162)**	**89**	**17,258**	**(1,630)**	**15,628**

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 23(d)).

23 Loans and advances (continued)

23(d) Credit impairment losses

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Loans impairment (credit)/charge for financial assets	32	8
Loans impairment for customer loans	5,278	2,916
Loans impairment charge/(credit) for performing bank loans	(1)	(3)
Loans impairment for non-performing off balance sheet Letters of credit and guarantees	(40)	39
Loans impairment for performing off balance sheet Letters of credit and guarantees	(3)	(10)
Amounts recovered during the year	(322)	(426)
Net credit impairment losses	**4,944**	**2,524**

The Directors are of the opinion that net recoverable amounts are reasonable and are expected to be realised based on past experience.

23 (e) Vehicle and asset finance

The Group holds contracts with customers where the Group finances the purchase of assets under a series of contracts which transfer title to the Group as security for the loan. The Group receives the loan repayments and sets off the repayments against the principal loan and interest.

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Maturity analysis:		
Not later than 1 year	1,390	2,046
Later than 1 year and not later than 5 years	8,334	8,536
Later than 5 years	306	146
	10,030	10,728

23 (f) Loans to employees

The aggregate amount of loans and advances to employees on the statement of financial position is:

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
At start of year	4,204	3,798
New loans issued	1,377	1,635
Interest on loan	518	470
Loan repayments	(1,809)	(1,699)
At end of year	**4,290**	**4,204**

24 Other assets and prepayments

	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million	COMPANY 2022 KShs Million	COMPANY 2021 KShs Million
Uncleared effects		4,139	1,942	20	21
Off market loan adjustment		672	651	-	-
Trade receivables and prepayments		1,093	824	-	-
Due from related companies	42 (g)	167	259	-	-
Others		30	28	-	-
		6,101	3,704	20	21

The off-market adjustment relates to the prepaid benefit granted to staff, being the difference between the fair value of the loan and the initial cash outflow. The fair value of future cash flows is discounted at a market related rate. The asset represents the group's right to receive future service from employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

25 Investment in subsidiaries and other investments

25 (a) Investment in subsidiaries

	Company			
Company	**Beneficial ownership**	**Country of Incorporation**	**2022 KShs Million**	2021 KShs Million
Stanbic Bank Kenya Limited	**100%**	**Kenya**	**18,010**	18,010
SBG Securities Limited	**100%**	**Kenya**	**166**	166
SBG Securities Limited	**100%**	**Kenya**	**42**	42
Stanbic Insurance Agency Limited	**100%**	**Kenya**	**-**	-
			18,218	18,218

All subsidiary entities are incorporated and domiciled in Kenya. The consolidated financial statements are available to the public and can be accessed on http://www.stanbicbank.co.ke/kenya/About-Us/Investor-

The principal place of business for the subsidiaries is Stanbic Bank Centre, Chiromo Road.

There were no significant restrictions on the company's ability to access the assets and settle liabilities of the subsidiaries. The total amount disclosed as investment in subsidiaries is a non-current asset.

25 (b) Other investments

	GROUP		COMPANY	
Unquoted:	**2022 KShs Million**	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Equity investment at fair value through profit and loss default	**18**	18	**-**	-
At 31 December	**18**	18	**-**	-

The investment is in Anglo African Property Holding Limited where the Group holds a beneficial interest of 1%.

The investment is unquoted and its carrying amount (cost) approximates its fair value.

26 Property and equipment

26 (a)

	GROUP				
	Land and premises KShs Million	**Equipment, furniture & fittings KShs Million**	**Motor vehicles KShs Million**	**Work in progress KShs Million**	**Total KShs Million**
Year ended 31 December 2022					
Cost					
At 1 January 2022	**385**	**4,763**	**153**	**50**	**5,351**
Additions	**-**	**454**	**23**	**-**	**477**
Disposals/retirement	**-**	**(11)**	**(18)**	**-**	**(29)**
Transfers from work in progress	**-**	**-**	**-**	**(9)**	**(9)**
Transfer from intangible assets (Note 28)	**-**	**29**	**-**	**(29)**	**-**
Foreign exchange revaluation		**(63)**	**(2)**	**(1)**	**(66)**
Hyperinflation adjustment	**-**	**2**	**-**	**-**	**2**
At 31 December 2022	**385**	**5,174**	**156**	**11**	**5,726**
Depreciation					
At 1 January 2022	**(164)**	**(3,135)**	**(137)**	**-**	**(3,436)**
Depreciation for the year	**(13)**	**(393)**	**(10)**	**-**	**(416)**
Disposals/ Retirement	**-**	**9**	**18**	**-**	**27**
At 31 December 2022	**(177)**	**(3,519)**	**(129)**	**-**	**(3,825)**
Carrying amount at 31 December 2022	**208**	**1,655**	**27**	**11**	**1,901**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

26 Property and equipment (continued)

26 a)

	GROUP				
	Land and premises KShs Million	Equipment, furniture & fittings KShs Million	Motor vehicles KShs Million	Work in progress KShs Million	Total KShs Million
Year ended 31 December 2021					
Cost					
At 1 January 2021	385	5,242	159	112	5,898
Additions	-	225	7	32	264
Disposals/retirement	-	(705)	(13)	-	(718)
Transfers from work in progress	-	99	-	(99)	-
Transfer to intangible assets (Note 28)	-	-	-	5	5
Foreign exchange revaluation	-	(22)	-	-	(22)
Hyperinflation adjustment	-	(76)	-	-	(76)
At 31 December 2021	**385**	**4,763**	**153**	**50**	**5,351**
Depreciation					
At 1 January 2021	(151)	(3,371)	(134)	-	(3,656)
Depreciation for the year	(13)	(469)	(16)	-	(498)
Disposals/ Retirement	-	705	13	-	718
At 31 December 2021	**(164)**	**(3,135)**	**(137)**	**-**	**(3,436)**
Carrying amount at 31 December 2021	**221**	**1,628**	**16**	**50**	**1,915**

26 (b) COMPANY

	Computer Equipment	
	2022 KShs Million	2021 KShs Million
Cost		
At 1 January	**2**	2
At 31 December	**2**	2
Depreciation		
At 1 January	**(2)**	(2)
Charge for the year	**-**	-
At 31 December	**(2)**	(2)
Carrying amount at 31 December	**-**	-

The Group's work in progress is composed of refurbishments and equipment for branches and projects that had not been completed as at year end. The total amount disclosed as property and equipment is non-current.

As at 31 December 2022 and 31 December 2021, there were no items of property and equipment pledged by the Group and Company to secure liabilities. No items of property and equipment were obtained from borrowed funds hence no capitalization of borrowing costs.

Revaluation of land and buildings

The revaluation reserve in equity relates to the value of the Stanbic office in Chiromo at the point of merger between CFC Bank and Stanbic Bank in 2008. The fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer were based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

As the functional currency of Stanbic South Sudan is the currency of a hyperinflationary economy, property, plant and equipment relating to this Branch is restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Depreciation relating to the property, plant and equipment of Stanbic South Sudan is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

27 Right-of-use leasehold land

	GROUP	
	2022 KShs Million	2021 KShs Million
Cost		
At 1 January	**85**	85
At 31 December	**85**	85
Amortisation		
At 1 January	**(46)**	(43)
Charge for the year	**(3)**	(3)
At 31 December	**(49)**	(46)
Carrying amount at 31 December	**36**	39

This relates to land leased by the Group from the Government of Kenya for a lease term period of 99 years. The total amount disclosed as prepaid operating lease in the Group is non-current.

28 Other Intangible assets

	GROUP			
Year ended 31 December 2022	**Work in progress KShs Million**	**Software KShs Million**	**Other intangible assets KShs Million**	**Total KShs Million**
Cost				
At 1 January 2022	**397**	**3,416**	**1,099**	**4,912**
Additions	**14**	**131**	**-**	**145**
Transfer from work in progress	**(310)**	**310**	**-**	**-**
At 31 December 2022	**101**	**3,857**	**1,099**	**5,057**
Amortisation				
At 1 January 2022	**-**	**(2,856)**	**(1,035)**	**(3,891)**
Amortisation charge for the year	**-**	**(284)**	**(45)**	**(329)**
At 31 December 2022	**-**	**(3,140)**	**(1,080)**	**(4,220)**
Carrying amount at 31 December 2022	**101**	**717**	**19**	**837**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

28 Other Intangible assets (continued)

	GROUP			
	Work in progress KShs Million	Software KShs Million	Other intangible assets KShs Million	Total KShs Million
Year ended 31 December 2021				
Cost				
At 1 January 2021	19	3,325	1,099	4,443
Additions	409	65		474
Transfer from work in progress	(31)	31		-
Transfer to property and equipment (Note 26)	-	(5)	-	(5)
At 31 December 2021	397	3,416	1,099	4,912
Amortisation				
At 1 January 2021	-	(2,590)	(989)	(3,579)
Amortisation charge for the year	-	(266)	(46)	(312)
At 31 December 2021	-	(2,856)	(1,035)	(3,891)
Carrying amount at 31 December 2021	397	560	64	1,021

As the functional currency of Stanbic Bank South Sudan Branch is the currency of a hyperinflationary economy, intangible assets relating to this Branch are hyperinflated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation relating to intangible assets of Stanbic Bank South Sudan Branch is based on the hyperinflated amounts, which have been adjusted for the effects of hyperinflation.

The total amount disclosed as intangible assets is non-current and relates to computer software. Work in progress relates to computer software for upgrades and development of banking systems that had not been completed as at year end.

As at 31 December 2022, the intangible assets had an average remaining useful life of 3 years.

The intangible assets arising from the business combination comprise of the following:

	Cost KShs Million	**Useful life Years**
Trade names	**260**	15
Customer relationships	**475**	5 - 15
Others	**364**	2 - 5
	1,099	

29 Intangible assets - goodwill

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	**2022 KShs Million**	2021 KShs Million
Cost				
At 1 January and 31st December	**9,350**	9,350	**-**	-

Goodwill arose from the merger between CfC Bank and Stanbic Bank in 2008.

Goodwill relating to Stanbic Holdings Plc was tested for impairment on 31 December 2022. The recoverable amount was determined to be the value in use. Unless indicated otherwise, the value in use in 2021 was determined in a manner consistent with that used in prior years. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use.

(a) Future cash flows

The forecast periods adopted reflect a set of cash flows that based on management judgement and expected market conditions could be sustainably generated over such a period. A ten-year forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 8.7% (2021: 10.1%). These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, no impairment was identified.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

29 Intangible assets - goodwill (continued)

(b) Discount rate

The pre-tax discount rate used was based on an assessment of the risks applicable to the Stanbic Holdings Plc. The cost of equity discount rate calculated for the forecast years was 20.18% per annum (2021: 16.31%). The cost of equity assigned to the cash-generating unit and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is derived from an equity pricing model deemed appropriate based on the entity under review. The risk-free rate used to determine the cost of equity has been derived from the 10-year US Dollar government bonds adjusted for inflation differential and country risk yield.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. 95% of the goodwill has been allocated to Corporate and Investment Banking CGU and the remaining 5% has been allocated to Business and Commercial Clients CGU.

30 Right-of-use assets (buildings)

	Buildings KShs Million	Branches KShs Million	ATM Space KShs Million	Others KShs Million	Total KShs Million
Year ended 31 December 2022					
Cost					
At start of year	228	1,615	76	167	2,086
Additions and modifications	-	324	20	-	344
Disposals and terminations	-	(17)	(5)	-	(22)
Translation difference	-	(149)	-	-	(149)
	228	1,773	91	167	2,259
Depreciation					
At start of year	126	797	45	81	1,049
Depreciation charge for the year	39	246	18	28	331
Disposals and terminations	-	(11)	(4)	-	(15)
Translation difference	-	(30)	-	-	(30)
	165	1,002	59	109	1,335
At end of year	63	771	32	58	924
Year ended 31 December 2021					
Cost					
At start of year	245	1,859	57	112	2,273
Additions and modifications	-	46	19	55	120
Disposals and terminations	(17)	-	-	-	(17)
Translation difference	-	(290)	-	-	(290)
	228	1,615	76	167	2,086
Depreciation					
At start of year	99	615	27	53	794
Depreciation charge for the year	43	263	18	28	352
Disposals and terminations	(16)	-	-	-	(16)
Translation difference	-	(81)	-	-	(81)
	126	797	45	81	1,049
At end of year	102	818	31	86	1,037

The Group leases property for use as branches, offices, ATMs and parking spaces. The leases of offices and ATM spaces are typically for periods of between 2 and 30 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

31 Lease liabilities

	2022 KShs Million	2021 KShs Million
Non-current	721	842
Current	436	290
	1,157	1,132

Reconciliation of lease liabilities arising from financing activities:

	Buildings KShs Million	Branches KShs Million	ATM Space KShs Million	Others KShs Million	Total KShs Million
Year ended 31 December 2022					
At start of year	135	861	43	93	1,132
Additions and modifications	-	322	20	-	342
Interest charged to profit or loss	10	91	5	8	114
Foreign exchange revaluation	-	19	1	-	20
Cash flows:					
- Operating activities (interest paid	(10)	(91)	(5)	(8)	(114)
- Payments under leases	(40)	(253)	(17)	(27)	(337)
At end of year	95	949	47	66	1,157

	Buildings KShs Million	Branches KShs Million	ATM Space KShs Million	Others KShs Million	Total KShs Million
Year ended 31 December 2021					
At start of year	175	1,109	36	66	1,386
Additions and modifications	-	46	19	55	120
Interest charged to profit or loss	13	82	5	10	110
Foreign exchange revaluation	-	3	-	-	3
Cash flows:					
- Operating activities (interest paid	(13)	(82)	(5)	(10)	(110)
- Payments under leases	(40)	(297)	(12)	(28)	(377)
At end of year	135	861	43	93	1,132

	2022 %	2021 %
Weighted average effective interest rates at the reporting date was:	11.61	9.44

	GROUP	
	2022 KShs Million	2021 KShs Million
Maturity analysis of lease liabilities is as follows:		
Within 1 year	138	318
From 1 year to 5 years	1,003	825
More than 5 years	185	-
	1,326	1,143

The maturity analysis disclosed refers to undiscounted amounts as required by IFRS 7.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

32 Ordinary share capital and share premium

	2022 Number of shares (millions)	2022 Share capital KShs Million	2021 Number of shares (millions)	2021 Share capital KShs Million
32 (a) Authorised share capital				
Balance as at 1 January and 31 December	**474**	**2,368**	474	2,368

	2022 Number of shares (millions)	2022 Share capital KShs Million	2021 Number of shares (millions)	2021 Share capital KShs Million
32 (b) Issued share capital				
Balance as at 1 January and 31 December	**395**	**1,977**	395	1,977
Unissued shares	**79**	**391**	79	391

	2022 KShs Million	2021 KShs Million
32 (c) Ordinary share premium		
At 1 January and 31 December	**16,897**	16,897

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

33 Derivative assets and derivative liabilities

All derivatives are classified as fair value through profit or loss (FVTPL).

33.1 Use and measurement of derivative instruments

In the normal course of business, the Group enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation and for credit exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swap transactions undertaken by the Bank are as follows:

a) Interest rate swap contracts which generally entail the contractual exchange of fixed and floating interest payments in a single currency, based on a notional amount and an interest reference rate.

b) Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded Over The Counter (OTC) or on a regulated exchange.

c) Forwards and futures are contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated

33.2 Derivatives held-for-trading

The Group transacts derivative contracts to address client demand both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The Group also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

33 Derivative assets and derivative liabilities (continued)

33.2 Derivatives held-for-trading (continued)

30.2.1 Foreign exchange derivatives

Foreign exchange derivatives are primarily used to economically address foreign currency risks on behalf of clients and for the bank's own positions. Foreign exchange derivatives primarily consist of foreign exchange forwards and swaps, foreign exchange futures and foreign exchange options.

30.2.2 Interest rate derivatives

Interest rate derivatives are primarily used to modify the volatility and interest rate characteristics of interest- earning assets and interest-bearing liabilities on behalf of clients and for the Group's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, forwards, options, swaps and swap options.

33.3 Day one profit or loss

Where the fair value of an instrument differs from the transaction price, and the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation model whose variables include only data from observable markets, the difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If the fair value of the financial instrument cannot be evidenced by comparison with other observable current market transactions in the same instrument or non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the valuation model is deferred and subsequently recognised in accordance with the Group's accounting policies (refer to accounting policy 2.6 – Financial instruments).

33.4 Fair values

The fair value of a derivative financial instrument represents, for quoted instruments in an active market, the quoted market price and, for an unquoted instrument, the present value of the positive and/or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at the reporting date.

33.5 Notional amount

The contract/notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing exchange rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Group's participation in derivative contracts.

	GROUP					
	2022 Fair values			2021 Fair values		
	Notional contract amount KShs Million	Assets KShs Million	Liabilities KShs Million	Notional contract amount KShs Million	Assets KShs Million	Liabilities KShs Million
Foreign exchange derivatives						
Currency forwards	**41,133**	**938**	**854**	50,619	825	821
Currency swaps	**43,988**	**488**	**217**	54,689	161	90
Currency options	**8,025**	**290**	**37**	8,675	182	48
Total OTC derivatives	**93,146**	**1,716**	**1,108**	113,983	1,168	959
Interest rate derivatives						
Cross currency interest rate swaps	**38,617**	**543**	**579**	31,749	713	784
Total OTC derivatives	**38,617**	**543**	**579**	31,749	713	784
Total derivative assets held for trading	**131,763**	**2,259**	**1,687**	145,732	1,881	1,743
Current	**99,905**	**1,673**	**1,259**	111,141	1,084	1,000
Non-current	**31,858**	**586**	**428**	34,591	797	743
Total	**131,763**	**2,259**	**1,687**	145,732	1,881	1,743

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

34 Deposits and current accounts from banks and customers

34 (a) Deposits from banks

	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Deposits from banks		10,241	2,424
Deposits due to Group banks	42 (b)	22,512	9,819
Total deposits from banks		**32,753**	**12,243**

Maturity analysis of deposits from banks

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Repayable on demand	22,769	2,259
Maturing within 1 month	318	318
Maturing after 1 month but within 6 months	1,526	1,526
Maturing after 6 months but within 12 months	21	21
Maturing after 12 months	8,119	8,119
	32,753	12,243

Included in balances due to group companies are borrowings of KShs. 21,070,138,680 (2021: KShs. 8,328,303,025). The average interest rate for these borrowings is 4.61% (2021: 4.07%).

34 (b) Deposits from customers

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Current accounts	168,513	151,164
Call deposits	8,221	7,310
Savings accounts	65,256	63,400
Term deposits	23,997	15,541
LC acceptances	5,577	4,930
Total deposits from customers	**271,564**	**242,345**
Total deposits from banks and customers	**304,317**	**254,588**

Maturity analysis of deposits from customers

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Repayable on demand	169,100	150,948
Maturing within 1 month	81,930	71,649
Maturing after 1 month but within 6 months	16,787	17,683
Maturing after 6 months but within 12 months	3,240	1,423
Maturing after 12 months	507	642
	271,564	242,345

Deposit products include current accounts, savings accounts, call deposits and fixed deposits. The weighted average effective interest rate on customer deposits as at 31 December 2022 was 1.79% (2021: 1.34%).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

35 Borrowings

	Notional value KShs Million	Carrying amounts KShs Million	Interest Rate	Date of Issue	Maturity date
At 31 December 2022					
Subordinated debt - USD 30M	3,762	3,793	8.85%	28-Feb-18	28-Feb-28
Subordinated debt - USD 20M	2,508	2,583	7.74%	30-Jan-19	12-Dec-28
Subordinated debt - USD 30M	3,762	3,765	9.38%	28-Sep-22	30-Sep-32
Total	**10,032**	**10,141**			
At 31 December 2021					
Subordinated debt - USD 30M	3,389	3,402	4.29%	28-Feb-18	28-Feb-28
Subordinated debt - USD 20M	2,259	2,298	4.91%	30-Jan-19	12-Dec-28
Total	5,648	5,700			

There were no charges placed on any of the Group's assets in relation to these borrowings. The borrowings are unsecured subordinated debt instruments.

The difference between the carrying and notional value represents, accrued interest and the unamortised issue costs.

Interest expense incurred in the above borrowings was KShs. 439,573,819 (2021: KShs 241,772,253). The weighted average effective interest rate on borrowings as at 31 December 2022 was 4.57% (2021: 4.40%).

The Group has not had any defaults of principal, interest or other breaches with regard to any borrowings during 2022 and 2021. The borrowings are payable on their maturity dates at the notional value.

Counterparties and covenants to the subordinated debt facilities are as follows:

a) USD 30 million obtained from Standard Bank of South Africa in 2018.There are no covenants relating to this financing.

b) USD 20 million obtained from the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) in 2019. The Group has complied with all covenants throughout the reporting year.

c) USD 30 million obtained from Standard Bank of South Africa in 2022. There are no covenants relating to this financing.

	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Reconciliation of liabilities arising from financing activities:		
At start of year	5,700	5,504
Interest charged to profit or loss	3,762	-
Foreign exchange loss/(gain)	440	242
Cash flows:	630	197
- Operating activities (Interest paid)	(391)	(243)
At end of year	**10,141**	5,700

36 Other liabilities and accrued expenses

36 (a) Other liabilities and accrued expenses

	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million	COMPANY 2022 KShs Million	COMPANY 2021 KShs Million
Accruals		3,354	2,909	29	15
Deferred bonus scheme	36 (b)	139	103	-	-
Unpresented bank drafts		67	73	-	-
Margin on guarantees and letters of credit		2,820	1,287	-	-
Items in transit		326	194	-	-
Due to group companies	42 (h)	898	934	-	-
Sundry creditors		3,180	1,491	92	114
Expected credit losses on off balance sheet items	43 (c)	115	158	-	-
		10,899	7,149	121	129

Sundry creditors relate to accounts payable, credits in transit, PAYE and VAT payables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

36 Other liabilities and accrued expenses (continued)

36 (b) Deferred bonus scheme (DBS)

It is essential for the Group to retain key skills over the longer term. This is done particularly through share- based incentive plans. The purpose of these plans is to align the interests of the Group and employees, as well as to attract and retain skilled, competent people.

The Group has implemented a scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to Standard Bank Group's (SBG) share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to SBG's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to KShs 138,449,362 at 31 December 2022 (2021: KShs 102,865,749) and the amount charged for the year was KShs 122,495,123 (2021: KShs 108,203,400).

	Units 2022	Units 2021
Reconciliation		
Units outstanding at beginning of the year	27,495	66,834
Granted	32,333	8,294
Exercised	(6,420)	(16,304)
Lapsed	-	-
Transfers	-	(31,329)
Units outstanding at end of the year	53,408	27,495
Weighted average fair value at grant date (ZAR)*	146.12	142.00
Expected life (years)	2.51	2.51

* South African Rand

37 Current income tax asset/ (liability)

The current income tax payable and current income tax receivable have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off current tax.

The tax receivable/(payable) from the tax authorities in the jurisdictions of operations are highlighted below;

		GROUP	
	Note	2022 KShs Million	2021 KShs Million
Kenya operations	37 (a)	(1,430)	(1,732)
Foreign operations	37 (b)	21	(19)
As at 31 December		(1,409)	(1,751)

37 (a) Current income tax asset/ (liability)

		GROUP		COMPANY	
	Note	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
At 1 January		(1,751)	(395)	9	16
Exchange difference on translation		-	7	-	-
Current income tax charge	16	(4,963)	(3,356)	(2)	(7)
Income tax paid		4,992	2,012	3	-
South sudan tax receivable	37 (b)	21	(19)	-	-
Prior year over-provision		292	-	-	-
		(1,409)	(1,751)	10	9
Made up of:					
Tax payable		(1,430)	(1,751)	-	-
Tax recoverable		21	-	10	9
		(1,409)	(1,751)	10	9

The Group and Company amount above relates to current income tax receivable/ (payable) from the Kenyan tax authority and is current.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

37 Current income tax asset/ (liability) (continued)

37 (b) Current income tax asset/ (liability)

		GROUP	
	Note	2022 KShs Million	2021 KShs Million
Foreign operations			
As at 1 January		-	-
Current tax charge		(21)	19
Transfer to tax payable account	37 (a)	21	(19)
As at 31 December		-	-

The Group has operations in South Sudan. The amount above relates to current income tax payable in South Sudan.

38 Deferred income tax asset/ (liability)

38 (a) Deferred income tax asset/ (liability)

The deferred tax liability and asset have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off tax.

Kenya operations		GROUP		COMPANY	
	Notes	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
At start of year		5,648	4,847	-	-
Credit /debit to statement of profit or loss	16	1,561	789	-	-
Credit /debit to statement of profit or loss - Foreign operations	38 (b)	(2)	19	-	-
Credit/ debit to OCI		29	-	-	-
Exchange difference on translation		(4)	(7)	-	-
At 31 December		7,232	5,648	-	-

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

	1.1.2022 KShs Million	(Credited)/ charged to statement of profit or loss KShs Million	Charge to SOCI KShs Million	Translation difference KShs Million	31.12.2022 KShs Million
Year ended 31 December 2022					
Arising from:					
Property and equipment	210	335	-	-	545
Unrealised gain on bonds- FVOCI	4		29	-	33
Unrealised gain on bonds- FVTPL	(146)	106	-	-	(40)
Right-of-use assets	46	(16)	-	-	30
Impairment charges on loans and advances	4,129	837	-	-	4,966
Other provisions	1,475	285	-	-	1,760
Group intangible assets	(90)	14	-	-	(76)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	(5)	-	-	(2)	(7)
South Sudan deffered tax asset	33	(2)	-	(2)	29
Net deferred asset	5,648	1,559	29	(4)	7,232

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

38 Deferred income tax asset/ (liability)

38 (a) Deferred income tax asset/ (liability) (continued)

	1.1.2021 KShs Million	(Charge)/ Credited to statement of profit or loss KShs Million	Charge to SOCI KShs Million	Translation movement KShs Million	31.12.2021 KShs Million
Year ended 31 December 2021					
Arising from:					
Property and equipment	88	122	-	-	210
Unrealised gain on bonds- FVOCI	4	-	-	-	4
Unrealised gain on bonds- FVTPL	(133)	(13)	-	-	(146)
Right-of-use assets	26	20	-		46
Impairment charges on loans and advances	3,700	429	-	-	4,129
Other provisions	1,244	231	-	-	1,475
Group intangible assets	(90)	-	-	-	(90)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	2	-	-	(7)	(5)
South Sudan deffered tax asset	14	19	-	-	33
Net deferred asset	4,847	808	-	(7)	5,648

The total amount disclosed as deferred income tax asset is non-current.

38 Deferred income tax asset/ (liability)

38 (b) Deferred income tax asset/ (liability)

	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million
Foreign operations			
At start of year		18	(1)
Debit/(credit) to statement of profit or loss	16	(2)	19
Debit to other comprehensive income		-	-
Exchange difference on translation		(2)	-
At end of year		14	18

The total amount disclosed as deferred income tax liability is a non-current liability.

As the functional currency of Stanbic Bank South Sudan branch is the currency of a hyperinflationary economy, deferred tax relating to this branch is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Year ended 31 December 2022	GROUP 01.01.2022	GROUP (Credited)/ charged to statement of profit or loss	GROUP Translation difference	GROUP 31.12.2022
Arising from:				
Property and equipment	(1)	2	-	1
Effect of tax rate change	-	3	-	3
Exchange difference on translation	-	(2)	-	(2)
Other provisions	7	11	-	18
Right-of-use assets	12	(18)	-	(6)
Net deferred income tax asset	18	(4)	-	14

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2022

38 Deferred income tax asset/ (liability) (continued)

38 (b) Deferred income tax asset/ (liability) (continued)

	GROUP 01.01.2021	GROUP (Credited)/ charged to statement of profit or loss	GROUP Credited to OCI	GROUP 31.12.2021
Year ended 31 December 2021				
Arising from:				
Property and equipment	(3)	2	-	(1)
Other provisions	-	7	-	7
Right-of-use assets	2	10	-	12
Net deferred income tax liability	(1)	19	-	18

39 Notes to the cash flow statement

39 (a) Reconciliation of profit before income tax to net cash generated from operating activities

	Note	GROUP 2022 KShs Million	GROUP 2021 KShs Million	COMPANY 2022 KShs Million	COMPANY 2021 KShs Million
Net profit before income tax		12,172	9,756	2,837	2,176
Adjusted for:					
Depreciation - property and equipment	26	416	498	-	-
Amortisation of intangible assets	28	329	312	-	-
Amortisation of ROU assets - leasehold land/ prepaid operating lease	27	3	3	-	-
Depreciation on right-of use assets (buildings)	30	331	352	-	-
Change in fair value of derivatives		(434)	217	-	-
Interest charged on borrowings	35	440	242	-	-
Changes in operating assets and liabilities held-for-sale		-	69	-	-
Previous year deferred income tax over provision		(7)	-	-	-
Cash flows from operating activities		13,250	11,449	2,837	2,176

39 (b) Analysis of balances of cash and cash equivalents as shown in the statement of cash flows

	GROUP 2022 KShs Million	GROUP 2021 KShs Million	COMPANY 2022 KShs Million	COMPANY 2021 KShs Million
Unrestricted cash and balances with CBK	10,659	5,855	-	-
Treasury bills	37,940	17,858	-	-
Loans and advances to banks	27,453	41,087	58	117
Amounts due to other banks	(6,863)	(2,201)	-	-
Cash and cash equivalents at the end of the year	69,189	62,599	58	117

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

40 Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below categorises the Group's assets and liabilities as at 31 December 2022 between those that are financial and non-financial.

All financial assets and liabilities have been classified according to their measurement category with disclosure and their fair value

	Fair value through profit or loss - default KShs Million	Fair value through profit or loss - designated KShs Million	Amortised cost KShs Million	Fair value through OCI KShs Million	Other non-financial assets/ liabilities	Total carrying amount KShs Million	Fair value KShs Million
Year ended 31 December 2022							
Assets							
Cash and balances with Central Bank of Kenya	12,385	-	8,386	-	-	20,771	20,771
Financial assets – held for trading	25,126	-	-	-	-	25,126	25,126
Financial assets – FVOCI	-	-	-	32,136	-	32,136	32,136
Financial assets – amortised cost	-	-	26,289	-	-	26,289	17,941
Derivative assets	2,259	-	-	-	-	2,259	2,259
Loans and advances to banks	-	-	30,962	-	-	30,962	26,178
Loans and advances to customers	-	-	235,867	-	-	235,867	222,903
Other financial assets	-	-	4,562	-	-	4,562	4,562
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	21,840	21,840	-
	39,788	-	306,066	32,136	21,840	399,830	351,894
Liabilities							
Deposits from customers	-	-	(271,564)	-	-	(271,564)	(240,922)
Deposits from banks	-	-	(32,753)	-	-	(32,753)	(27,777)
Derivative liabilities	(1,687)	-	-	-	-	(1,687)	(1,687)
Trading liabilities	(8,001)	-	-	-	-	(8,001)	(8,001)
Borrowings	-	-	(10,141)	-	-	(10,141)	(8,875)
Other financial liabilities	-	-	(8,442)	-	-	(8,442)	(8,442)
Other non - financial liabilities	-	-	-	-	(5,044)	(5,044)	-
	(9,688)	-	(322,900)	-	(5,044)	(337,632)	(295,704)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

40 Classification of assets and liabilities (continued)

Accounting classifications and fair values of assets and liabilities (continued)

	Fair value through profit or loss - default KShs Million	Fair value through profit or loss - designated KShs Million	Amortised cost KShs Million	Fair value through OCI KShs Million	Other non-financial assets/ liabilities KShs Million	Total carrying amount KShs Million	Fair value KShs Million
Year ended 31 December 2021							
Assets							
Cash and balances with Central Bank of Kenya	11,317	-	4,086	-	-	15,403	15,403
Financial assets – held for trading	18,535	-	-	-	-	18,535	18,535
Financial assets – FVOCI	-	-	-	19,227	-	19,227	19,227
Financial assets – amortised cost	-	-	21,773	-	-	21,773	24,471
Derivative assets	1,881	-	-	-	-	1,881	1,881
Loans and advances to banks	-	-	44,008	-	-	44,008	39,861
Loans and advances to customers	-	-	185,313	-	-	185,313	189,903
Other financial assets	-	-	3,032	-	-	3,032	3,032
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	19,682	19,682	-
	31,751	-	258,212	19,227	19,682	328,872	312,331
Liabilities							
Deposits from customers	-	-	(242,345)	-	-	(242,345)	(220,440)
Deposits from banks	-	-	(12,243)	-	-	(12,243)	(9,298)
Derivative liabilities	(1,743)	-	-	-	-	(1,743)	(1,743)
Trading liabilities	(357)	-	-	-	-	(357)	(357)
Borrowings	-	-	(5,700)	-	-	(5,700)	(4,361)
Other financial liabilities	-	-	(5,453)	-	-	(5,453)	(5,453)
Other non - financial liabilities	-	-	-	-	(4,579)	(4,579)	-
	(2,100)	-	(265,741)	-	(4,579)	(272,420)	(241,652)

41 Fair value of financial instruments

Valuation process

All financial instruments carried at fair value, regardless of classification, are marked to market using models that have been validated independently by the Group's model validation unit and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the market risk unit. Such price validation is performed on at least a monthly basis and daily where possible given the liquidity of the underlying price inputs. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to market, are carefully validated and tabled at the monthly price validation forum to ensure these are reasonable and used consistently. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed monthly to the market risk committee and ALCO.

Level hierarchy

The table that follows analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

41 Fair value of financial instruments (continued)

Valuation process

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the assets and liabilities.

Significant unobservable inputs

The fair value of level 3 assets and liabilities is determined using valuation techniques that include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. These inputs include credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates and other illiquid risk drivers. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing this exposure on a regular basis

41 (a) Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy:

Financial instruments measured at fair value on a recurring basis

	Note	Level 1 KShs Million	Level 2 KShs Million	Level 3 KShs Million	Total KShs Million
At 31 December 2022					
Assets					
Cash and balances with Central Bank of Kenya (minimum regulatory reserve)		12,385	-	-	12,385
Financial assets – FVTPL	20(a)	-	25,126	-	25,126
Financial assets – FVOCI	21	-	32,136	-	32,136
Equity investments	25(b)	-	-	18	18
Derivative assets	33	-	2,259	-	2,259
		12,385	59,521	18	71,924
Liabilities					
Financial liabilities – FVTPL	20(b)	-	8,001	-	8,001
Derivative liabilities	33	-	1,687	-	1,687
		-	9,688	-	9,688

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

41 Fair value of financial instruments (continued)

41 (a) Financial instruments measured at fair value (continued)

	Note	Level 1 KShsMillion	Level 2 KShsMillion	Level 3 KShsMillion	Total KShsMillion
At 31 December 2021					
Assets					
Cash and balances with Central Bank of Kenya (minimum regulatory reserve)		11,317	-	-	11,317
Financial assets – FVTPL	20(a)	-	18,535	-	18,535
Financial assets – FVOCI	21	-	19,227	-	19,227
Equity investments	25(b)	-	-	18	18
Derivative assets	33	-	1,881	-	1,881
		11,317	39,643	18	50,978
Liabilities					
Financial liabilities – FVTPL	20(b)	-	357	-	357
Derivative liabilities	33	-	1,743	-	1,743
		-	2,100	-	2,100

There were no transfers between levels in 2022 and 2021.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of cash and subordinated debt listed on the Nairobi Securities Exchange (NSE).

Sensitivity of fair value of level 2 financial instruments

The fair value of level 2 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

Level 2 financial assets and financial liabilities

	Valuation basis/technique	Main assumptions[1]
Derivative instruments	Discounted cash flow model	Discount rate
	Black-Scholes model	Risk-free rate, volatility rate
	Multiple valuation technique	Valuation multiples
Trading assets	Discounted cash flow model	Discount rate, liquidity discount rate
	Black-Scholes model	Risk-free rate, volatility rate
Financial assets	Discounted cash flow model	Discount rate, liquidity discount rate
	Multiple valuation technique	Valuation multiples
	Quoted exit price adjusted for notice period	Discount rate
Loans and advances to customers	Discounted cash flow model	Discount rate, liquidity discount rate
Financial liabilities	Discounted cash flow model	Discount rate, liquidity discount rate
Deposits from Banks	Discounted cash flow model	Discount rate, liquidity discount rate
Deposits from customers	Discounted cash flow model	Discount rate, liquidity discount rate
Other financial liabilities	Discounted cash flow model	Discount rate, liquidity discount rate
Cash with Central Bank of Kenya	Prevailing exchange rate	Exchange rate
Investment in equities	Sale price	Discount rate

[1]The main assumptions for all instruments include applicable credit spreads.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

41 Fair value of financial instruments (continued)

41 (b) Financial instruments not measured at fair value

Financial assets and Financial liabilities

Assets and liabilities not measured at fair value for which fair value is disclosed is as shown in the table below:

	Level 1 KShs Million	Level 2 KShs Million	Level 3 KShs Million	Fair value KShs '000	Carrying amount KShs Million
At 31 December 2022					
Assets					
Cash and balances with the Central Bank of Kenya	8,386	-	-	8,386	8,386
Loans and advances to banks	-	-	26,178	26,178	30,962
Loans and advances to customers	-	-	222,903	222,903	235,867
Financial assets - amortised cost	-	17,941	-	17,941	26,289
Other assets	-	-	4,562	4,562	4,562
	8,386	17,941	253,643	279,970	306,066
Liabilities					
Deposits from banks	-	-	(27,777)	(27,777)	(32,753)
Deposits from customers	-	-	(240,922)	(240,922)	(271,564)
Borrowings	-	-	(8,875)	(8,875)	(10,141)
Other liabilities	-	-	(8,442)	(8,442)	(8,442)
	-	-	(286,016)	(286,016)	(322,900)
At 31 December 2021					
Assets					
Cash and balances with the Central Bank of Kenya	4,086	-	-	4,086	4,086
Loans and advances to banks	-	-	39,861	39,861	44,008
Loans and advances to customers	-	-	189,903	189,903	185,313
Financial assets - amortised cost	-	24,471	-	24,471	21,773
Other investments	-	-	-	-	-
Other assets	-	-	3,032	3,032	3,032
	4,086	24,471	232,796	261,353	258,212
Liabilities					
Deposits from banks	-	-	(9,298)	(9,298)	(12,243)
Deposits from customers	-	-	(220,440)	(220,440)	(242,345)
Borrowings	-	-	(4,361)	(4,361)	(5,700)
Other liabilities	-	-	(5,453)	(5,453)	(5,453)
	-	**-**	**(239,552)**	**(239,552)**	**(265,741)**

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2 and level 3.

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 2 and level 3 assets and liabilities not measured at fair value but for which fair value is disclosed in table 41 (b) above:

2022	Valuation basis/technique	Main assumptions
Loans and advances to Banks **Loans and advances to Customers** **Deposits from banks** **Customer deposits** **Subordinated debt** **Other financial assets and liabilities**	Discounted cash flow model	Discount rate, liquidity discount rate

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

42 Related party transactions

Stanbic Holdings Plc is a subsidiary of Stanbic Africa Holdings Limited (SAHL), incorporated in the United Kingdom. The ultimate parent of SAHL is Standard Bank Group Limited, which is incorporated in South Africa.

There are other companies which are related to Stanbic Holdings Plc through common shareholdings or common directorships.

In the normal course of business, nostro and vostro accounts are operated and placings of both foreign and local currencies are made with the parent company and other group companies at interest rates in line with the market. The relevant balances are as shown below;

For the year ended 31 December 2022, the Group has made provision for doubtful debts relating to long outstanding amounts owed by related parties KShs 289,174,000 (2021: KShs 286,384,000) as indicated on Note 42 (g).

42 (a) Loans due from group banks

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Stanbic Bank Kenya Limited	-	-	58	117
Stanbic Bank Uganda Limited	274	446	-	-
Stanbic Bank Tanzania Limited	65	14	-	-
Standard Bank of South Africa Limited	3,727	2,405	-	-
Standard Bank Isle of Man Limited	11,048	14,717	-	-
	15,114	17,582	58	117
Interest income earned on the above is:	400	296	6	4

42 (b) Deposits due to group banks

	GROUP	
	2022 KShs Million	2021 KShs Million
Standard Bank of South Africa Limited	519	580
Stanbic Bank Uganda Limited	1,248	899
Stanbic Bank Zambia Limited	3	1
Stanbic Bank Zimbabwe Limited	1	1
Stanbic Bank Botswana Limited	2	2
Standard Bank (Mauritius) Limited	4,567	497
Standard Bank Isle of Man Limited	16,130	7,832
Stanbic Bank Tanzania Limited	42	7
	22,512	9,819
Interest expense incurred on the above is:	559	232

The weighted average effective interest rate on loans and advances to group companies as at 31 December 2022 is 4.85% (2021: 1.22%) and on amounts due to group companies was 5.74% (2021:1.97%).

42 (c) Deposits due to group companies non-bank

	GROUP	
	2022 KShs Million	2021 KShs Million
The Heritage Insurance Company Limited	141	297
Stanbic Africa Holdings Limited	9	-
Liberty Life Assurance Kenya Ltd	226	164
Liberty Kenya Holdings Limited	-	10
	376	471

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

42 Related party transactions (continued)

42 (d) Key management compensation

Key management personnel include: the members of the Stanbic Holdings Plc Board of Directors and prescribed officers effective for 2022 and 2021. Non-executive directors are included in the definition of key management personnel as required by IAS 24 Related Party Disclosures. The definition of key management includes the close family members of key management personnel and any entity over which key management exercise control or joint control. Close members of family are those family members who may be expected to influence, or be influenced by that person in their dealings with the Group. They include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

Key management have transacted with the Group as indicated in note 42 (e) and 42 (f);

42 (e) Loans and advances

Included in loans and advances are amounts advanced to certain companies in which directors are involved either as shareholders or directors (associated companies). In addition, there are contingent liabilities including guarantees and letters of credit, which have been issued to associated companies. The balances as at 31 December 2022 and 31 December 2021 are as shown below:

Loans and advances to key management

The aggregate amount of loans to directors, affiliates and their families on the statement of financial position is Kshs 24 million (2021: KShs 18 million).

No specific credit impairments have been recognised in respect of loans granted to key management (2021: KShs nil). The mortgage loans and, vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.

42 (f) Key management compensation

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Fees for services as a director	119	83	9	9
Salaries and other short-term employment benefits	125	131	-	-
Post-employment pension	10	4	6	-
Share-based payments	25	27	4	-
	279	245	19	9

42 (g) Amounts due from related companies

	GROUP	
	2022 KShs Million	2021 KShs Million
Standard Bank Jersey Limited	1	1
Stanbic Bank Tanzania Limited	297	297
Standard Bank of South Africa Limited	129	234
SBSA Dubai Branch	1	-
Standard Bank Malawi Limited	2	-
Stanbic Uganda Holdings Limited	11	-
Standard Bank Isle of Man Limited	-	-
Standard Bank Swaziland Limited	-	-
Standard Bank de Angola S.A.	14	13
	456	545
Provisions on regional costs balances	(289)	(286)
	167	259
Movement analysis		
At 1 January	545	605
Additions	875	824
Receipts	(964)	(884)
Closing Balance	456	545
Provisions on regional costs balances	(289)	(286)
At 31 December	167	259

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

42 Related party transactions (continued)

42 (h) Other payables due to related companies

	GROUP		COMPANY	
	2022 KShs Million	2021 KShs Million	2022 KShs Million	2021 KShs Million
Standard Bank of South Africa Limited	889	927	-	-
Stanbic Bank Uganda Limited	6	7		
Stanbic Bank Malawi Limited	3	-	-	-
	898	934	-	-

There is no interest accruing for these outstanding liabilities

42 (i) Related party expenses

The Group incurred the following related party expenses payable to Standard Bank of South Africa:

	GROUP	
	2022 KShs Million	2021 KShs Million
Franchise fees	944	732
Information technology	595	574
Other operating costs	387	149
	1,926	1,455

43 Contingent liabilities - Group

	2022 KShs Million	2021 KShs Million
Commitments were with respect to:		
Letters of credit and acceptances	3,033	3,919
Guarantees	73,632	74,998
Unutilised facilities	17,581	14,468
	94,246	93,385

Contingent liabilities - maturity analysis

31 December 2022	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Total carrying value
Letters of credit and acceptances	804	302	1,477	450	-	-	3,033
Guarantees	4	9,137	19,399	27,157	17,626	309	73,632
Unutilised facilities	-	750	12,760	4,070	1	-	17,581
	808	10,189	33,636	31,677	17,627	309	94,246
31 December 2021							
Letters of credit and acceptances	384	1,020	1,825	690	-	-	3,919
Guarantees	4	1,210	14,294	27,749	31,464	277	74,998
Unutilised facilities	-	2,291	8,214	3,947	16	-	14,468
	388	4,521	24,333	32,386	31,480	277	93,385

43 (a) Nature of contingent liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

43 Contingent liabilities - Group (continued)

43 (b) Segmental analysis of off-balance sheet liabilities

	2022		2021	
	KShs Million	%	KShs Million	%
Agriculture	**5,083**	**5%**	2,269	2%
Manufacturing	**3,450**	**4%**	5,736	6%
Construction	**19,866**	**21%**	21,612	23%
Energy	**727**	**1%**	890	1%
Transport and communication	**2,544**	**3%**	1,658	2%
Distribution/wholesale	**20,942**	**22%**	15,750	17%
Financial Services	**38,239**	**41%**	44,958	48%
Tourism	**76**	**0%**	-	0%
Other activities and social service	**3,319**	**4%**	512	1%
	94,246	**100%**	93,385	100%

43 (c) Reconciliation of expected credit losses for off balance sheet facilities measured at amortised cost

The off balance sheet facilities are classified based on their credit quality as determined using the Bank's internal credit rating and scoring models.

Income statement movements

	Opening ECL 1 Jan 2022 KShs	Total transfers between stages KShs	ECL on new exposure raised KShs	Derecognition KShs	Subsequent changes in ECL KShs	Net ECL raised/ (released)1 KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2022 KShs
Off balance sheet									
Stage 1	**91**	**20**	**30**	**(18)**	**(29)**	**(17)**	**-**	**1**	**95**
Letters of credit	**12**	**-**	**4**	**(4)**	**5**	**5**	**-**	**-**	**17**
Guarantees	**79**	**20**	**26**	**(14)**	**(34)**	**(22)**	**-**	**1**	**78**
Stage 2	**28**	**(15)**	**16**	**(1)**	**(5)**	**10**	**-**	**(2)**	**21**
Letters of credit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Guarantees	**28**	**(15)**	**16**	**(1)**	**(5)**	**10**	**-**	**(2)**	**21**
Stage 3	**39**	**(6)**	**-**	**(34)**	**(2)**	**(36)**	**-**	**2**	**(1)**
Letters of credit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Guarantees	**39**	**(6)**	**-**	**(34)**	**(2)**	**(36)**	**-**	**2**	**(1)**
Total ECL	**158**	**(1)**	**46**	**(53)**	**(36)**	**(43)**	**-**	**1**	**115**

Income statement movements

	Opening ECL 1 Jan 2021 KShs	Total transfers between stages KShs	ECL on new exposure raised KShs	Derecognition KShs	Subsequent changes in ECL KShs	Net ECL raised/ (released)1 KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs
Off balance sheet									
Stage 1	123	(1)	36	(37)	(26)	(27)	-	(4)	91
Letters of credit	15	-	5	(8)	4	1	-	(4)	12
Guarantees	108	(1)	31	(29)	(30)	(28)	-	-	79
Stage 2	18	1	26	(9)	-	17	-	(8)	28
Letters of credit	5	-	-	-	-	-	-	(5)	-
Guarantees	13	1	26	(9)	-	17	-	(3)	28
Stage 2	-	-	-	-	39	39	-	-	39
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	-	-	-	-	39	39	-	-	39
Total ECL	141	-	62	(46)	13	29	-	(12)	158

43 (d) Legal proceedings

In the conduct of its ordinary course of business, the Group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims arising, that the Bank has adequate insurance programmes and provisions in place to meet such claims. The amounts provided for in other liabilities are KShs 521,000,000 (2021: KShs 265,000,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

44 Other reserves

For the year ended 31 December 2022	**Pre-acquisition reserve KShs Million**	**Revaluation of financial assets-at FVOCI KShs Million**	**Regulatory credit risk reserve KShs Million**	**Revaluation reserve on buildings KShs Million**	**Share-based payment reserve KShs Million**	**Foreign currency translation reserve KShs Million**	**Total KShs Million**
At 1 January 2022	**(126)**	**12**	**5**	**99**	**-**	**(1,654)**	**(1,664)**
Total comprehensive income for the year	**-**	**(58)**	**-**	**(8)**	**-**	**(370)**	**(436)**
Currency translation difference for foreign operations	**-**	**-**	**-**	**-**	**-**	**(370)**	**(370)**
Transfer of revaluation reserves	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**
Realised fair value adjustment on financial assets - Fair value through OCI transferred to profit or loss	**-**	**(58)**	**-**	**-**	**-**	**-**	**(58)**
Transfer of statutory credit risk reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group							
Share based payment reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners of the Group	**-**		**-**	**-**	**-**	**-**	**-**
At 31 December 2022	**(126)**	**(46)**	**5**	**91**	**-**	**(2,024)**	**(2,100)**
For the year ended 31 December 2021							
At 1 January 2021	(126)	-	-	107	-	(1,330)	(1,349)
Total comprehensive income for the year	-	12	-	(8)	-	(324)	(320)
Currency translation difference for foreign operations	-	-	-	-	-	(324)	(324)
Transfer of revaluation reserves	-	-	-	(8)	-	-	(8)
Realised fair value adjustment on financial assets - Fair value through OCI transferred to profit or loss	-	12	-	-	-	-	12
Transfer of statutory credit risk reserve	-	-	5	-	-	-	5
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group							
Share based payment reserve	-	-	-	-	-	-	-
Total transactions with owners of the Group	-	-	-	-	-	-	-
At 31 December 2021	(126)	12	5	99	-	(1,654)	(1,664)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

44 Other reserves (continued)

	Note	GROUP 2022 KShs Million	2021 KShs Million
Pre-acquisition reserve		(126)	(126)
Revaluation of financial assets- Fair value		(46)	12
Regulatory credit risk reserve		5	5
Revaluation reserve on buildings		91	99
Foreign currency translation reserve		(2,024)	(1,654)
At end of year		(2,100)	(1,664)

The pre-acquisition reserve solely represents the deficit on the available for sale reserve and regulatory credit risk reserve from the merger of CfC Bank Limited and Stanbic Bank Kenya Limited in 2008. The Group has not revalued the reserve since the merger. The pre-acquisition reserve is non-distributable.

Fair value reserve represents the surplus or losses arising on fair valuation of FVOCI financial instruments and is non-distributable.

The Regulatory credit risk reserve represents an appropriation from retained earnings to comply with the Central Bank of Kenya's Prudential Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with the Prudential Regulations over the impairment provisions recognised in accordance with the Company's accounting policy. The reserve is not distributable.

The revaluation reserve on buildings solely represents the surplus on the revaluation of buildings and freehold land net of deferred income tax. The revaluation reserve arose from the merger of CfC Bank Limited and Stanbic Bank Kenya Limited in 2008. The Group policy was adopted to state all its assets using the historical cost model. No revaluation has been undertaken since the merger. The revaluation reserve is non-distributable.

Share-based payment reserve represents the Group's share incentive scheme which enables key management personnel and senior employees of the Group to benefit from the performance of Standard Bank Group (SBG) shares.

Foreign currency translation reserve represents exchange differences arising on the translation of the net investment in foreign entities and is non-distributable.

45 Share-based payment reserve (continued)

The Group's share incentive scheme enables key management personnel and senior employees of the Group to benefit from the performance of Standard Bank Group (SBG) shares.

The Group has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. The share appreciation rights granted during the year were valued using Black Scholes pricing model. Each grant was valued separately.

At 31 December 2022, the total amount included in staff costs for Group Share Incentive Scheme was KShs nil (2021: KShs nil) and for Equity Growth Scheme was KShs nil (2021: KShs nil).

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 Years
Type B	5, 6, 7	50, 75, 100	10 Years
Type C	2, 3, 4	50, 75, 100	10 Years
Type D	2, 3, 4	33, 67, 100	10 Years
Type E	3, 4, 5	33, 67, 100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

Group Share Incentive Scheme	Option price range (ZAR) 2022	Number of options 2022	2021
Options outstanding at beginning of the year		20,187	20,000
Granted		-	-
Transfers		-	187-
Exercised	98.8-111.94	-	-
Lapsed		-	-
Options outstanding at end of the year		20,187	20,187

The weighted average SBG share price for the year to 31 December 2022 was ZAR 146.55 (2021: ZAR 131.30).

The following options granted to employees had not been exercised at 31 December 2022:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

45 Share-based payment reserve (continued)

The following options granted to employees had not been exercised at 31 December 2022:

Number of ordinary shares	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
187	98.8	98.8	Year to 31 December 2023
20,000	107.55	107.55	Year to 31December 2023
20,187			

The following options granted to employees had not been exercised at 31 December 2021:

Number of ordinary shares	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
187	98.8	98.8	Year to 31 December 2023
20,187	10.55	107.55	Year to 31 December 2023
20,374			

	Number of rights 2022	2021
Equity Growth Scheme		
Rights outstanding at beginning of the year	43,037	5,375
Transfers	2,500	37,662
Exercised	(6,035)	-
Lapsed	-	-
Rights outstanding at end of the year	39,502	43,037

At 31 December 2022 the Bank would need to issue 8,711 (2021: 6,125) SBG shares to settle the outstanding appreciated rights value.

All rights granted to employees have been exercised as at 31 December 2022.

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
1,251	96.68	96.68	Year to 31 December 2023
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
39,502			

The following rights granted to employees had not been exercised at 31 December 2021:

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
1,785	98.8	98.8	Year to 31 December 2023
1	98.8	98.8	Year to 31 December 2023
3,000	96.68	96.68	Year to 31 December 2023
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
43,037			

46 Capital commitments

Capital commitments for the acquisition of property and equipment are summarised below:

	2022 KShs Million	2021 KShs Million
Authorised and contracted for	143	261
Authorised but not contracted for	1,900	1,156

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

47 Operating leases

The Group has entered into a number of low value and short term leases that it has elected not to apply the requirements of IFRS 16. There are no restrictions placed upon the lessee by entering into these leases such as those concerning dividends or additional debt.

At 31 December, the future minimum lease payments under non-cancellable operating leases were payable as follows;

	2022 KShs Million	2021 KShs Million
Less than one year	27	18
Between one and five years	41	3
	68	21

48 Fiduciary activities

The assets held on behalf of individuals, trusts, retirement benefit plans and other institutions:

	2022 KShs Million	2021 KShs Million
Assets held on behalf of individual's trusts and other institutions	457,825	429,329

49 Subsequent event

There have been no other events or transactions subsequent to 31 December 2022 to the date of these financial statements that would have a material effect on the financial statements at that date or for the year then ended and would require adjustment of, or disclosure in the financial statements or notes thereto in accordance with *IAS 10 Events After the Balance Sheet Date.*

ADDITIONAL INFORMATION

KENYA/SOUTH SUDAN
IS OUR HOME,
WE DRIVE HER GROWTH

Group Shareholding

Shares Distribution Statistics as at 31 December 2022			
Range	**Records**	**Range Total**	**Percentage**
1. 1 to 500	1,914	304,064	.08%
2. 501 to 1000	473	392,202	.10%
3. 1001 to 5000	746	1,782,173	.45%
4. 5001 to 10000	338	2,478,069	.63%
5. 10001 to 50000	302	6,486,603	1.64%
6. 50001 to 100000	66	4,587,625	1.16%
7. 100001 to 500000	71	16,920,394	4.28%
8. 500001 to 1000000	18	12,995,111	3.29%
9. 1000001 to 2000000000	21	349,375,397	88.38%
	3,949	**395,321,638**	**100.00%**

Top 10 Investors as at 31 December 2022			
Range	**Records**	**Range Total**	**Percentage**
STANBIC NOMINEES LTD A/C NR00901	P.o. Box 30550-00100 Nairobi	296,188,531	74.92
Standard Chartered Nominees Non-Resd A/C KE11663	PO Box 40984-00100 Nairobi	13,484,381	3.41
Standard Chartered Nominees Non-Resd A/C 9866	PO Box 40984-00100 Nairobi	5,688,422	1.44
Standard Chartered Nominees Non-Resd A/C KE9053	PO Box 40984-00100 Nairobi	5,680,033	1.44
The Permanent Secretary to the Treasury of Kenya	On behalf of the Government of Kenya Treasury Building Kenya	4,342,548	1.10
ICEA Lion Life Assurance Company Limited – Pooled	PO Box 46143-00100 Nairobi	2,603,453	0.66
Kenya Commercial Bank Nominees Limited A/C915B Kenya Commercial Bank Nominees Limited A/C 915B	PO Box 30664-00100 Nairobi	2,137,651	0.54
Kingsway Nominees Limited	PO Box 42841-00100 Nairobi	1,987,300	0.50
Standard Chartered Nominees A/C 9187	PO Box 40984-00100 Nairobi	1,779,405	0.45
Kenya Commercial Bank Nominees Limited A/C 1065B	30664-00100 Nairobi	1,691,722	0.43
Others		61 197 190	15.48
	Grand totals	**395,321,638**	**100.00**

Notice of Annual General Meeting

NOTICE is hereby given to Shareholders that, in accordance with Articles 71(A), 71(B), 71(C) and 71(D) of the Stanbic Holdings Plc's Articles of Association, the 68th Annual General Meeting (AGM) of the Company will be held as a virtual meeting by electronic means on **Thursday 18th May 2023** at 11:00 a.m. to transact the following business:

1. The Secretary to read the notice convening the meeting and confirm the presence of a quorum.
2. To receive and adopt the Audited Financial Statements for the year ended **31st December 2022**, and the Directors' and Auditor's Report thereon.
3. To consider and if thought fit, approve the recommendation by the Board for payment of a final dividend of Kshs 12.60 per ordinary share, for the year ended **31st December 2022.** The published book closure date is 19th May 2023 and if the final dividend is approved by the Company's shareholders, the payment of a final dividend will be made on or about 6th June 2023.

4 To elect Directors:

  i) In accordance with Articles 104 and 106 of the Company's Articles of Association, Mr. Joseph Lloyd Omondi Muganda retires by rotation and being eligible, offers himself for re-election.

  ii) In accordance with Articles 104 and 106 of the Company's Articles of Association, Mr. Peter Nderitu Gethi retires by rotation and being eligible, offers himself for re-election.

  iii) In accordance with Articles 104 and 106 of the Company's Articles of Association, Mr. Samuel Nderitu Gikandi retires by rotation and though eligible, does not offer himself for re-election.

5. To pass an ordinary resolution pursuant to Section 681(1) of the Companies Act, 2015, approving the Directors' remuneration report for the year ended 31st December 2022 as provided in the Audited Financial Statements.
6. To consider and if thought fit, to pass an ordinary resolution approving the Directors' remuneration policy.
7. To pass an ordinary resolution pursuant to Section 721(4) of the Companies Act, 2015, to appoint Messrs KPMG as auditors of the Company.
8. To pass an ordinary resolution pursuant to Section 724(1) of the Companies Act, 2015, authorising the Directors to fix the remuneration of the appointed auditors.
9. To consider and if though fit, to pass an ordinary resolution pursuant to Section 769(1) of the Companies Act, 2015, to appoint the following members of the Board Audit Committee:
   i) Ms Dorcas Florence Kombo.
   ii) Ms Rose Bosibori Osoro.
   iii) Mr Joseph Lloyd Omondi Muganda.

10 Any other business for which due notice has been given.

Appointment of Proxy:

A member entitled to participate and vote may appoint a proxy to participate and vote on his/her behalf in the manner prescribed in the proxy form. A proxy need not be a shareholder of the Company.

BY ORDER OF THE BOARD

Nancy Kiruki
Company Secretary
19th April 2023

Notes:

1. Any shareholder wishing to participate in the meeting should register for the Annual General Meeting (AGM) by dialing *483*824# for all networks and following the various prompts regarding the registration process. In order to complete the registration process, Shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number to hand. For assistance, Shareholders should dial the following helpline number: 0709170025 from 8 a.m. to 5 p.m. on a working day
2. Registration for the AGM opens on Monday 24th April 2023 at 9:00 a.m. and will close on Tuesday 16th May 2023 at 11:00 a.m.
3. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.stanbicbank.co.ke (i) a copy of this Notice; (ii) the Company's audited financial statements for the year 2022; (iii) the Company's Annual Integrated Report; and (iv) the Proxy form.
4. Shareholders wishing to raise any questions or request clarification regarding the resolutions to be passed at the AGM may do so by: (i) sending their written questions by email to SBK_Questions.AGM@stanbic.com or (ii) Shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (ask Question) on the prompts or (iii) to the extent possible, physically delivering their written questions providing their ID numbers and contact details, including a return postal address, physical address or email address to the Company's Shares Registrar's, Image Registrars Ltd, offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; or (iv) sending their written questions with a return postal address, physical address or email address by registered post to Image Registrars' postal address at P.O. Box 9287- 00100 GPO, Nairobi or (v) registering to speak at the AGM. For this option, shareholders will receive an SMS prompt to register via the USSD code.
5. Shareholders must provide their full details (full names, Kenyan national identity card/Passport Number/CDSC Account Number) when submitting their questions and clarifications. All questions and requests for clarification must reach the Company or its Shares Registrars on or before Wednesday 17th May 2023 at 11:00 a.m.
6. In accordance with Section 298(1) and (2) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. A proxy form is available on the Company's website www.stanbicbank.co.ke. Physical copies of the proxy form are also available at Image Registrars Limited offices. Shareholders wishing to receive a proxy form and/or a copy of the Annual Report by e-mail may send a request, quoting their full name and CDSC account number to stanbicagm@image.co.ke
7. A completed form of proxy should be emailed to stanbicagm@image.co.ke or delivered to Image Registrars Limited offices or posted to the postal address of Image Registrars Limited no later than 48 hours before the date of the AGM.
8. Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to Propose and Second the resolutions put forward in the notice.
9. The AGM will be streamed live via a link which shall be provided to all Shareholders who will have registered to participate in the AGM. Duly registered Shareholders and proxies will receive a short message service (SMS)/USSD prompt on their registered mobile numbers, 24 hours prior to the start of the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hour's time and providing a link to the livestream.
10. Duly registered Shareholders and proxies may access the agenda and follow the proceedings of the AGM using the livestream platform. Duly registered Shareholders and proxies may vote (when prompted by the chairman) on the USSD platform by following the SMS prompts.
11. A poll shall be conducted for all the resolutions put forward in the notice.
12. Results of the voting on resolutions at the AGM shall be published within 48 hours following conclusion of the AGM on the Company's website.

Proxy Form

To: The Company Secretary
Stanbic Holdings Plc

Proxy Form for 2023 Annual General Meeting (AGM) for Stanbic Holdings Plc

(Please complete form in block letters)
CDSC A/c No:
Shareholder No:
ID/Registration/Passport No:

I/We, ... ,

of .... ,

being a member of STANBIC HOLDINGS PLC hereby appoint..

of ....

or failing him..

of ....

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 18th May 2023 and at any adjournment thereof.

Mobile Number (of the proxy holder):..

Dated this ....day of.. 2022

Full name: ....

....

....

Signature: ....

Note: The proxy form should be completed and returned to reach the Company's shares registrar, Image Registrars Limited, not later than 48 hours before the meeting or any adjournment thereof, using either of the addresses provided below:

1. Image Registrars Ltd, offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, Kenya
2. Image Registrars Ltd, P.O. Box 9287- 00100 GPO, Nairobi, Kenya
3. stanbicagm@image.co.ke

ELECTRONIC REGISTRATION CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of member(s): ....

....

....

Address: ....

....

....

Mobile Number: ....

Date: ....

Signature: ....

Please tick the boxes below and return to Image Registrars at P.O. Box 9287 – 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Consent to Registration

I/WE consent to registration to participate in the virtual Annual General Meeting for Stanbic Holdings Plc to be held on 18th May 2023.

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of electronic voting at the AGM

The voting follows the following steps:

STEP 1

The Company, through Image Registrars, will send an SMS to shareholders on the day and start time of the AGM inviting them to vote using the USSD platform. The SMS will read:

*Dear Shareholder, you can now vote on the Stanbic Holdings Plc 2023 Annual General Meeting Resolutions by dialing *483*824#. This is a free service.*

STEP 2

Shareholder responds by dialing the USSD Code:

STEP 3

The Shareholder MSISDN* will be compared against the ones in the database. If the shareholder exists in the database and has not voted before, they are presented with a Menu to Vote or else will receive the message below:

Dear esteemed shareholder, you have already voted before. Thanks.

Only individual shareholders whose MSISDN numbers have been verified will be allowed to vote. For companies and self-help groups, a nominated number must be registered with Image Registrars at least a day before the AGM date.

If the MSISDN cannot be found on the system, the USSD session ends with the shareholder receiving the message below:

Sorry, your Mobile Number is not currently registered to vote. Please contact Image Registrars to register.

STEP 4

The first question (I adopt the audited Financial Statements for the year ended 31 December 2022 together with the Chairman's, Directors' and Auditors' reports thereon) is then presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 5

The second question (I approve a first and final dividend of Kshs 12.60 per ordinary share for the Financial Year ended 31 December 2022 as recommended by the Directors) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 6

The third question (I re-elect Mr Joseph Lloyd Omondi Muganda who retires at the end of this meeting in accordance with provisions of Articles 104 and 106 of the Company's Articles of Association, and, being eligible has offered himself for re-election) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 7

The fourth question (I re-elect Mr. Peter Nderitu Gethi who retires at the end of this meeting in accordance with provisions of Articles 104 and 106 of the Company's Articles of Association, and, being eligible has offered himself for re-election) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 8

The fifth question (In accordance with the provisions of Section 681(1) of the Companies Act, 2015, I approve the Directors' remuneration report contained in in the Audited Financial Statements for the year ended 31 December 2022) as presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 9

The sixth question (I approve the Directors' Remuneration Policy contained in the Audited Financial Statements for the year ended 31 December 2022) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 10

The seventh question (I approve the appointment of Messrs KMPG as the Auditor of the Company for the year 2023 pursuant to Section 721(4) of the Companies Act, 2015) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 11

The eighth question (I authorise the Directors to fix the Auditor's remuneration for the year 2023 pursuant to Section 724(1) of the Companies Act, 2015) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 12

The ninth question (I approve the appointment of the proposed members of the Board Audit Committee pursuant to Section 769(1) of the Companies Act, 2015) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 13

The shareholder is presented with a Submit Response option or Go back to edit the responses. On hitting submit, the shareholder register is updated using an application programming interface (API).

STEP 14

An SMS to confirm the successful voting is sent to the shareholder.

Thank You for voting. The final results of the voting will be published on the Company's website within 48 hours after the Annual General Meeting. The results will also be sent via SMS to shareholders.