



STANBIC HOLDINGS PLC

ANNUAL INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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stanbicbank.co.ke

ENHANCING SHARED VALUE







2023 HIGHLIGHTS







A centre of talent and diversity

-  **Our People, our Strength: 1,129** empowered workforce
-  Equal opportunity employer: Male to Female ratio **52:48**
-  **Inclusive way of work:** Differently abled staff – **6**
-  Agile and youthful: **33%** of employee compliment are youth
-  Skilled manpower: **KShs. 58m** invested in training our employees

Investing in the future of our communities

-  **Fulfilling home ownership dreams: KShs. 830m** advanced in affordable housing loans since 2021
-  Safeguarding lives: **4,705 people** screened for cancer **free of charge** (over 36k people since 2020)
-  Empowering future generations: **116 students** sponsored through secondary school
-  Enhancing quality education: Supplied meals to **1,529 pupils** daily, over **231k** meals served

Propelling inclusive economic growth

-  Facilitating trade: **KShs. 95.7b** worth of trade facilitated
-  Inclusive finance: **KShs. 19.3b** loans issued to D.A.D.As (women)
-  Inclusive sourcing: **6.54%** of procurement spend to women-owned vendors
-  Driving the growth of small businesses: **KShs. 51.8m** in grants and catalytic funding to MSME; **KShs. 208m** since 2020
-  Unlocking value: **Facilitated the largest share transfer** transaction in the history of the NSE
-  Improving economic well being : **Financed Nairobi Expressway**, Road Annuity program

Advancing sustainable finance agenda

-  Sector expertise: **Lead arranger** in a consortium of three banks that facilitated the largest ESG-linked facility (**KShs. 15bn**) in East Africa
-  Sustainable lending: **USD 122m** mobilised for green or sustainability linked facilities

Driving Efficiency for Our Clients

-  Digital transformation: **93%** of transactions processed digitally
-  Always on, Always Secure: **99.7%** System uptime

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

We are purpose-led and deliberate in executing our strategy to create value for our stakeholders over the long term.

ABOUT OUR REPORT

Our integrated report is the primary report of Stanbic Holdings Plc, which together with its subsidiaries is known as the Group. It provides material information that our stakeholders need to assess the opportunities, risks and relationships influencing the Group's ability to create and preserve sustainable value. It describes the progress the Group is making in executing its strategy and its performance in the past year, as measured by the leading and lagging indicators associated with its strategic value drivers. It also explains the Group's governance and risk approach and the work the Group does to guard against value erosion.

Scope and reporting boundary

This report covers the period 1 January 2023 to 31 December 2023.

Information carried in this report – both financial and non-financial – pertains to Stanbic Holdings Group as the reporting entity, including all entities over which the Group has control or significant influence. Certain metrics, however, relate to specific categories of activity only and are clearly noted as such.

The reporting boundary includes the strategic narrative pertaining to the Group's business model, strategy, performance and prospects. The risks, opportunities and outcomes arising from entities and stakeholders over which the Group does not have control or significant influence are included where they affect the Group's ability to create and preserve value, and mitigate its erosion. Financial information has been prepared on an IFRS basis, unless otherwise specified, and therefore includes the consolidation of all entities in the Group.

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 International Integrated Reporting Council (IIRC) framework.

The Board further believes that the report fairly represents the Group's material matters and that it offers a balanced view of its strategy and value-creation model.

ABOUT OUR REPORT

OUR CAPITALS

<p>Financial Capital</p> <p>The pool of funds obtained through financing, such as debt, equity, or grants, or generated through operations or investments and available for the use in service to clients and stakeholders.</p>	<p>Intellectual Capital</p> <p>The knowledge-based intangibles, including intellectual property, such as patents, copyrights, and licences brand and reputation, processes and procedures, information technology and innovation capability.</p>	<p>Human Capital</p> <p>The employees' skills, capabilities, knowledge and experience, including management and leadership as well as employees' motivation to innovate.</p>
<p>Manufactured Capital</p> <p>Manufactured physical objects available for use in the provision of products and services to clients, including branches and network as well as information technology infrastructure.</p>	<p>Social & Relationship Capital</p> <p>The relationships with stakeholders and the communities and the banking licenses which allow the Group to operate in compliance with all regulatory requirements.</p>	<p>Natural Capital</p> <p>Comprise renewable and non-renewable environmental stocks including greenhouse emissions, water and energy consumption and green investments, which aim to support the sustainability of the organisation.</p>

OUR REPORTING FRAMEWORKS

The 2023 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 Framework.

<p>The International Integrated Reporting Framework (2021)</p> <p>Companies Act, Kenya, 2015</p> <p>Nairobi Securities Exchange Guidelines on ESG Reporting</p> <p>King IV Code on Corporate Governance South Africa</p> <p>Base I & II</p>	<p>Equator Principles</p> <p>Insurance Act</p> <p>CBK Prudential Guidelines</p> <p>International Financial Reporting Standards (IFRS)</p> <p>Banking Act, Kenya</p>	<p>Global Reporting Initiative Standards (GRI)</p> <p>Capital Markets Authority Code of Corporate Governance, 2015</p> <p>IRA Guidelines</p> <p>Taskforce on Climate-Related Financial Disclosures (TCFD)</p>
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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.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements in respect to the Group's 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 the actual results, performance, or achievements to be different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Section divider photos courtesy of Freepik

OUR REPORTING LANDSCAPE

Our full set 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.

<p>Our Annual Integrated Report</p> <p>Provides an outline of our ability to create and preserve value, and guard against value erosion in the short, medium and long term. While intended for providers of financial capital, it contains information which may be of interest to other stakeholders.</p>	<p>Sustainability Report</p> <p>This is a separate report which contains an assessment of our positive impacts in the five areas in which we believe we have the greatest impact and opportunity.</p> <p>It is also an assessment of our approach to Environmental Social Governance Risk Management, including approach to climate risk management. This is carried in a separate standalone report that we publish annually. Refer to www.stanbicbank.co.ke</p>
<p>Annual Financial Statements</p> <p>These set out the Group's full audited annual financial statements, including the report of the Group Audit Committee.</p>	
<p>Oversight</p> <p>The Board Audit Committee is responsible for providing oversight of the financial reporting process.</p>	
<p>The Group is aligned to the UN SDGs with priority given to the selected goals below:</p> <p>SUSTAINABLE DEVELOPMENT GOALS</p>	










Feedback

We welcome the views of our stakeholders on this report. Please contact our **Investor Relations Team** at InvestorRelationsKenya@stanbic.com with your feedback.



HOW TO READ OUR REPORT

SECTIONS	COMMENTARY	KEY HIGHLIGHTS	FRAMEWORKS APPLIED
<p>1 Our Business</p> <p>Read more from page 12 to 23</p> 	<p>This section provides information on who we are, our values, our purpose and our vision statement. It also details the financial highlights for 2023</p>	<ul style="list-style-type: none"> Our Business Structure How We Serve Our Clients Our Values Our Values-Driven Culture What Sets Us Apart Our Leadership Team 2023 Financial Highlights 	<ul style="list-style-type: none"> King IV™ Code <IR> Framework
<p>2 Reflections from Our Leadership</p> <p>Read more from page 26 to 43</p> 	<p>This section contains messages from the Chairman and Chief Executives as well as the Chief Finance and Value Officer's report.</p>	<ul style="list-style-type: none"> Chairman's Statement Group Chief Executive Officer Statement Stanbic Bank Kenya & South Sudan Chief Executive Officer Statement Chief Finance and Value Officer Report 	<ul style="list-style-type: none"> IFRS Companies Act Banking Act CBK Prudential Guidelines King IV™ Code Equator Principles CMA Guidelines Insurance Act IRA Guidelines <IR> Framework
<p>3 How We Create Value</p> <p>Read more from page 46 to 67</p> 	<p>This section provides information on our value-creation model, our strategy, and details on how we use our capitals and distribute value to our stakeholders.</p> <p>It provides a holistic assessment of the Group's ability to create value. It considers the issues that are material to our commercial viability and social relevance, which are required to achieve our strategy in the medium to long term.</p> <p>These include the macroeconomic and socio-political environment in which we operate.</p>	<ul style="list-style-type: none"> Our Operating Context Our Approach to Value-Creation Our Stakeholders & Material Issues Our Strategy Our Delivery Model How We Allocate Our Resources Our Three Year Strategic Journey Looking Ahead 	<ul style="list-style-type: none"> King IV™ Code <IR> Framework
<p>4 The Value We Created in 2023</p> <p>Read more from page 70 to 103</p> 	<p>This section provides a comprehensive overview of how the organization delivered value based on its strategic value drivers and impact on stakeholders and the broader society.</p>	<ul style="list-style-type: none"> Client Focus Employee Engagement Risk and Conduct Operational Excellence Positive Impact 	<ul style="list-style-type: none"> IFRS Companies Act Banking Act CBK Prudential Guidelines King IV™ Code Equator Principles CMA Guidelines Insurance Act IRA Guidelines <IR> Framework

SECTIONS	COMMENTARY	KEY HIGHLIGHTS	FRAMEWORKS APPLIED
<p>5 How We Safeguard Value</p> <p>Read more from page 106 to 147</p> 	<p>This section provides a detailed corporate governance and remuneration practices, including the Group's remuneration policy</p>	<ul style="list-style-type: none"> Risk Management Board of Directors Corporate Governance Statement Governance Auditor's Report 	<ul style="list-style-type: none"> Basel II Companies Act Banking Act CBK Prudential Guidelines King IV™ Code <IR> Framework IFRS
<p>6 Annual Financial Statements</p> <p>Read more from page 150 to 317</p> 	<p>This section sets out the Group's full audited annual financial statements.</p>	<ul style="list-style-type: none"> Corporate Information Report of the Directors Statement of Directors' Responsibilities Directors' Remuneration Report Independent Auditors Report Annual Financial Statements 	<ul style="list-style-type: none"> IFRS Companies Act CBK Risk Management Guidelines Banking Act CBK Prudential Guidelines <p>Assurance</p> <ul style="list-style-type: none"> Unmodified audit opinion expressed by KPMG Kenya
<p>7 Additional Information</p> <p>Read more from page 320 to 325</p> 	<p>This section includes other documents such as the Annual General Meeting (AGM) Notice and the Proxy Form</p>	<ul style="list-style-type: none"> Group Shareholding Notice of Annual General Meeting Proxy Form 	<ul style="list-style-type: none"> Companies Act CMA Guidelines

DEFINITIONS:

- Banking Act** – Banking (Amendment) Act of 2016.
- CBK Prudential Guidelines** – Central Bank of Kenya Prudential Guidelines of 2013.
- CBK Risk Management Guidelines** – CBK Risk Management Guidelines of 2013.
- CMA Guidelines** – Capital Markets Authority Guidelines.
- Companies Act** – Kenya Companies (Amendment) Act of 2017.
- IFRS** – International Financial Reporting Standards.
- IRA Guidelines** – Insurance Regulatory Authority Guidelines.
- King IV™** – King Report on Corporate Governance.
- The Group** – Stanbic Holdings Plc



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ABOUT US

OUR BUSINESS STRUCTURE



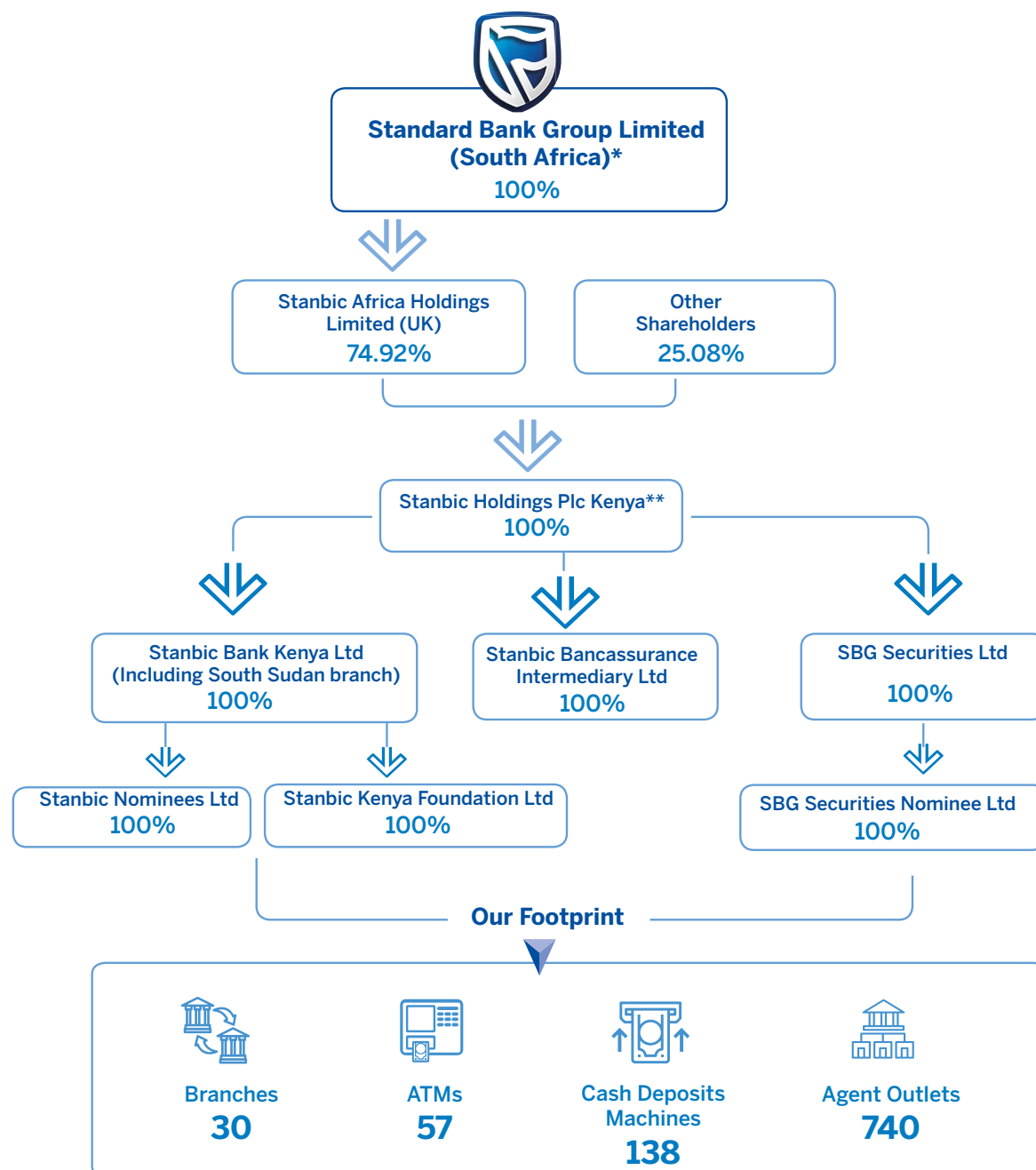
STANBIC AT A GLANCE; Founded on a solid legacy that spans over 100 years, we are a leading financial services organisation with an on-the-ground presence in Kenya and South Sudan. Stanbic is a member of the Standard Bank Group Limited, Africa's leading bank and financial services group, which operates in 20 countries.

Our Purpose

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

Our Vision

TO BE A LEADING FINANCIAL SERVICES ORGANISATION IN KENYA AND SOUTH SUDAN, DELIVERING EXCEPTIONAL CLIENT EXPERIENCES AND SUPERIOR VALUE



* Listed on the Johannesburg Stock Exchange.

** Listed on the Nairobi Securities Exchange.

HOW WE SERVE OUR CLIENTS

OUR BUSINESS UNITS

We are a one stop shop trading as Stanbic Bank Kenya Limited (including South Sudan branch), Stanbic Bancassurance Intermediary Limited and SBG Securities Limited, which make up Stanbic Holdings PLC Kenya. Our operating model is organised around our business units, which are in charge of developing and implementing the client value proposition and driving positive impact in the communities in which we operate. These business units enable us to provide integrated and seamless financial services that meet the needs of individual businesses and corporate clients, reducing the time and cost of serving them while also innovating more quickly and efficiently.

In line with our purpose, we offer a wide array of products and services to our clients through the following business units.

1. Personal and Private Banking (PPB)

Read more on [pg 76](#)

We offer a wide range of financial services to our private and personal banking clients.

Whether you need to finance a home, grow your personal wealth, or simply need a card for your day-to-day transactions, we help you find the perfect product.

What we offer:

- Convenient:** Transactional accounts that give you the most convenient access to your funds.
- Grow Your Wealth:** Save your money in an investment account to keep it safe while it earns exceptional interest.
- Banking 24/7:** Transact and access accounts online anywhere, any-time.
- Borrow For Your Needs:** We help our clients finance their dreams.

2. Business and Commercial Banking (BCB)


Read more on [pg 74](#)

We have a proud history of supporting Kenyan businesses (including SMEs) and commercial clients with a full portfolio of banking services.

What we offer:

- Business current account:** A flexible account for businesses of all sizes that want more from a bank account than paying and receiving funds.
- Business Overdraft:** Offered to businesses seeking to finance working capital gaps in instances of shortfalls.
- SME Bizna loan:** Designed with the needs of small business people in mind to supply them with a short-term financing facility for working capital needs.
- Corporate and Business Insurance:** Wide range of insurance products including business, commercial motor, stock and stock in transit insurance.
- Bill AVALISATION:** Undertaking on behalf of the importer to honour payments of Bills of Exchange from the supplier for both domestic and international trade.

3. Corporate and Investment Banking (CIB)


Read more on [pg 72](#) 

We offer a range of bespoke innovative products, services and solutions to our diverse client base in Kenya, South Sudan and the broader Group.

What we offer:





-  **Transaction Banking:** We provide a comprehensive suite of innovative solutions designed for simplicity and processing excellence and geared towards driving sustainable value creation.
-  **Global Markets:** We offer structured and innovative solutions across multiple asset classes offering comprehensive currency solutions and products to drive the success of our client's businesses across Africa and beyond.
-  **Investment Banking:** We leverage on our deep insights into local markets and Global Sector expertise across our global presence to offer long – term financing and value solutions aimed at supporting our clients' holistic growth ambitions.
-  **Sector expertise:** We connect valuable insights and foster lasting relationships by developing and implementing our client strategies by continuously building and harnessing our capabilities and sector expertise in key sectors driving our economy's growth.

4. Insurance and Asset Management (IAM)

Read more on [pg 78](#) 


The insurance and asset management business provides non-banking financial solutions to our clients.

What we offer:

-  **Insurance Solutions:** We distribute life and general Insurance solutions to clients across the Group
-  **Investments in equities and fixed income products**
-  **Financial Literacy:** Training through the Financial Fitness Academies (FFAs)
-  **Chama Solution:** Focusing on group and informal savings





OUR SUBSIDIARIES

1. SBG Securities Ltd (SBGS)


Read more on [pg 79](#) 

SBG Securities is a licensed investment company supporting our clients in their investment journey.

What we offer:




-  **Equities trading:** We support clients to trade in shares of listed companies
-  **Fixed-income trading:** We facilitate clients to invest in fixed-income securities like bonds
-  **Investment research:** Through research, we guide our clients to make informed investment decisions
-  **Investment banking advisory services:** We help our clients secure funds in the capital markets

2. Stanbic Bancassurance Intermediary Limited (SBIL)


Read more on [pg 78](#) 

We partner with leading underwriters and insurance service providers to offer our clients a wide range of insurance solutions.

What we offer:





-  **Short-term terms insurance solutions:** Medical insurance, motor insurance, personal accident, marine insurance, fire, theft, liability covers, etc.
-  **Life solutions:** Individual life products, Group life insurance, pension, last/funeral expense cover
-  Superior policy servicing and claims processing from our dedicated team

3. Stanbic Kenya Foundation Ltd

Read more on [pg 92](#) 

Stanbic Foundation was established with a broad mandate of catalyzing inclusive social economic growth in the Kenya and South Sudan economies in line with the Sustainable Development Goals.

Key focus areas

-  **Economic Empowerment:** Entrepreneurship support, access to markets and finance, skills development and youth empowerment
-  **Education:** Provide access to quality education and literacy
-  **Health:** Medical camps, investment in sustainable health infrastructure, cancer screening and fostering partnerships for long-term health solutions
-  **Partnerships:** Strategic partnerships and corporate volunteerism

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** 

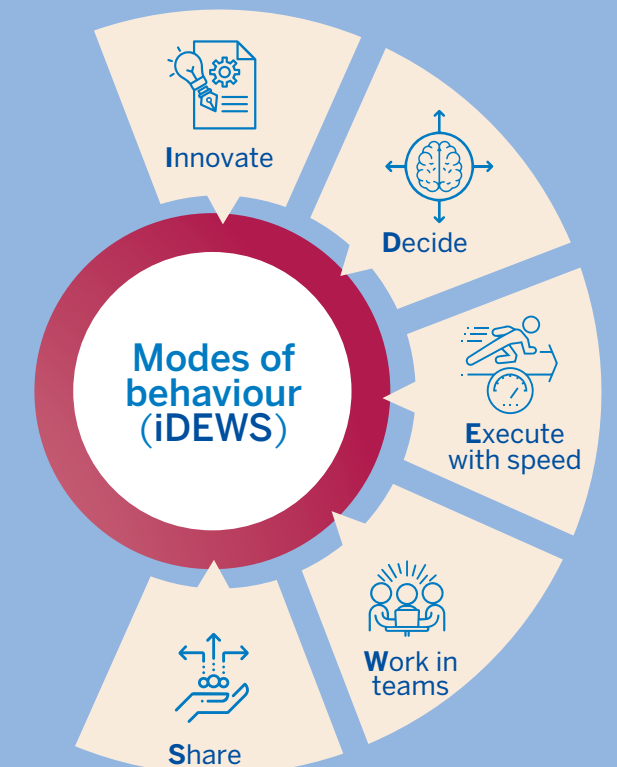
Our entire **business model is based on trust and integrity** as perceived by our stakeholders, especially our clients.
- 8 CONSTANTLY RAISING THE BAR** 

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 culture 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 Culture Principles (5Cs)



WHAT SETS US APART



“The ever-evolving reporting landscape demands that we go beyond traditional financial metrics and disclose non-financial information, such as employee diversity, supply chain practices, and the social, economic and environmental impact we have within the communities where we operate. Through this integrated report, we seek to present a holistic view of Stanbic’s value creation process by integrating financial and non-financial information into a single, cohesive document. This approach enables our stakeholders to more accurately evaluate our overall performance, risks, and prospects.”

Priscilla Were - Head, Investor Relations

WHAT WE ARE KNOWN FOR

We are part of the largest financial services group in Africa

<p>Making our presence felt</p> <ul style="list-style-type: none"> • 113 years of serving our clients (Established in 1911) • A member of Standard Bank Group • 74.92% owned by Standard Bank • 6th largest bank by assets in Kenya • Universal bank 	<p>Some of our accolades</p> <ul style="list-style-type: none"> • Best Investment Bank in Kenya 2013-2023 • 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 	<p>2023 ACCOLADES</p> <ul style="list-style-type: none"> BEST INVESTMENT BANK AWARD 2023 ACCOLADES WORLD'S BEST INVESTMENT BANK IN KENYA 2023 Global Finance WORLD'S BEST SUB-CUSTODIAN BANK IN KENYA 2023 Global Finance DEAL MAKERS AFRICA 2023 MERGERS & ACQUISITIONS FINANCIAL ADVISERS (DEAL FLOW) EAST AFRICA Deal Makers Africa award EUROMONEY AWARDS FOR EXCELLENCE 2023 BEST INVESTMENT BANK IN KENYA Euromoney Awards for Excellence 2023 BONDS, LOANS & ESG CAPITAL MARKETS EAST AFRICA 2023 EAST AFRICA INVESTMENT BANK OF THE YEAR Bonds, Loans & ESG Capital Markets Africa Awards FORBES WORLD BEST EMPLOYERS Forbes 2023 DIAR AWARDS 2023 BEST IMPACT INVESTING INITIATIVE (D.A.D.A BY STANBIC) DIAR 2023 awards
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ICBC Strategic co-operation with the largest bank in the world

OUR LEADERSHIP TEAM

Patrick Mweheire
Group Chief Executive Officer



Dr. Joshua Oigara
Chief Executive Officer (Bank)



Dennis Musau
Chief Finance and Value Officer



Edwin Mucai
Chief Risk Officer



Abraham Ongenge
Head, Personal and Private Banking



Florence Wanja
Head, Business and Commercial Banking



Alakh Kohli
Head, Corporate and Investment Banking



Anjali Harkoo
Head, Insurance and Asset Management



Alex Siboe
Head, Technology



Charles Odawo
Head, Operations



Neema Onsongo
Head, People and Culture



Lilian Onyach
Head, Brand and Marketing



Janet Kabiru
Head, Legal



Mary Runana
Head, Compliance



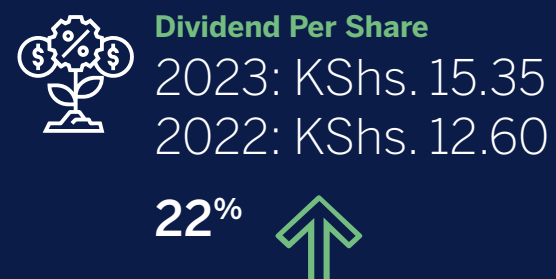
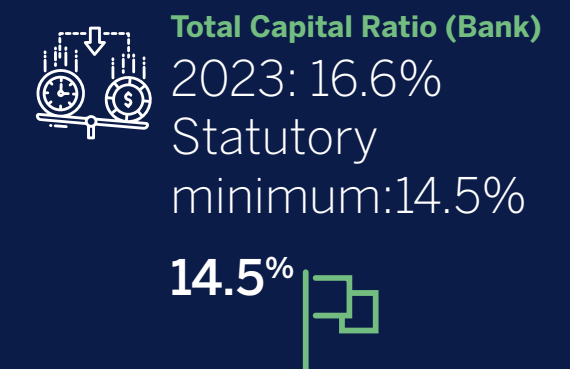
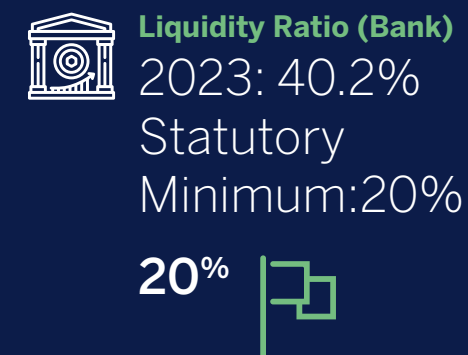
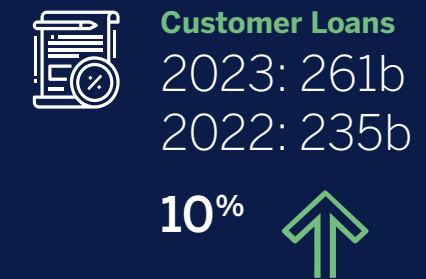
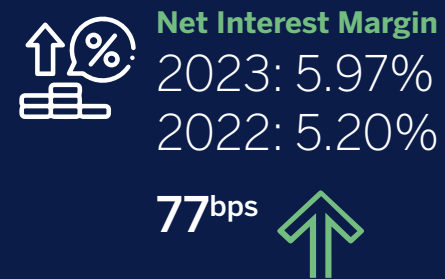
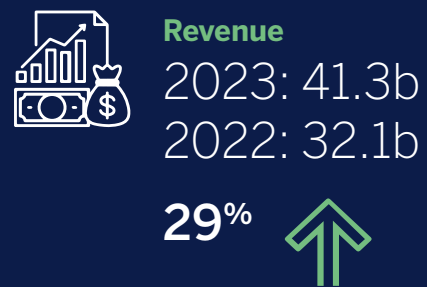
Nancy Kiruki
Head, Governance



Joshua Ndung'u
Head, Internal Audit



2023 FINANCIAL HIGHLIGHTS





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CHAIRMAN'S STATEMENT



Joseph Muganda

A Year of Resilience and Shared Value Creation

On behalf of the Board of Directors, I am pleased to present Stanbic Holdings Plc's 2023 Integrated Report. This year marks a significant transition, with my appointment as Chairman and the retirement of Mr. Kitili Mbathi.

I extend my sincere gratitude to Mr. Mbathi for his exemplary leadership and service. I also wish to thank Mr. Samuel Gikandi who retired from the Board in May 2023 for his unwavering dedication and commitment to the company's success.

Navigating a Challenging Landscape, Delivering Strong Results

The financial year under review presented both economic opportunities and headwinds arising from rising interest rates, weakening local currency against global currencies and subdued consumer spending. Navigating the unpredictable operating environment was challenging, requiring intricate choices in balancing our risk appetite with the need to continue supporting our clients during difficult times. We significantly expanded our loan book while actively managing default risks through deeper engagements with our clients in all business segments.

Performance Highlights:

- **Revenues: KShs. 41.3bn**, up from KShs. 32.1bn in 2022 (29% growth)
- **Return on Equity: 18.6%**, up 333 bps from 15.3% in 2022
- **Earnings Per Share: KShs. 30.75**, up from KShs. 22.92 in 2022 (34% growth)
- **Dividend per share: KShs. 15.35**, up from KShs. 12.60 in 2022 (22% growth)

Dividend and Annual General Meeting

Based on the Group's improved performance, the Board of Directors recommends a dividend of KShs. 15.35 per share, up from KShs. 12.60 in 2022, demonstrating its commitment to increasing shareholder value. The dividend is subject to shareholders' approval.

Beyond Financials: Creating Shared Value

Stanbic recognizes its responsibility to extend a positive impact beyond financial performance. In 2023, we made significant strides in creating shared value for stakeholders as detailed in Section Four of this report.

Innovation and Client Focus: The Competitive Edge

Stanbic distinguishes itself by understanding its diverse clientele and providing innovative solutions. As a result, we are accelerating our digital journey to ensure efficient service delivery and meet changing customer needs. The Board and management are aware of the enormous opportunity in harnessing technology and retaining our customer base, so we must ensure that our systems are fit and proper for the emerging digital opportunity.

Building a Sustainable Future: ESG at the Forefront

Sustainability is woven into the fabric of Stanbic's operations. As such, the Board of Directors continued to play an important role in guiding the Groups' sustainability strategy. Throughout the year, the Board received regular updates from management and closely monitored the Group's progress toward its sustainability/ESG goals.

In 2023, the Group made significant progress in this area. Among other things, the Group implemented ESG Standards and Policies, as well as Climate Risk Management, which was integrated into stress testing and simulations. Furthermore, managing ESG risks is critical for responsible lending practices, as well as for societal impact. The Group's ESG approach is thus consistent with the organization's Positive Impact agenda and overall strategy.

Strong Governance: A Foundation for Success

Operating in a highly regulated environment, Stanbic is committed to best-practice governance. We adhere to Kenyan regulations and the Standard Bank Group risk framework.

The Board has continued to implement clear policies and guidelines to address material risks facing our business. In 2023, we successfully fulfilled several key governance commitments that we set out to. These commitments, including revisions to Board committee mandates and enhanced director training programs, resulted in a more robust risk management framework and improved reporting practices.

In addition, the Board actively engages with management to ensure these best practices are translated into effective action and continuous improvement. This collaborative approach fosters a strong risk management culture within the Group, proactively identifying, assessing, and mitigating potential risks.

Strategic Evolution

We successfully implemented our 2021-2023 strategy, with notable accomplishments.

As we embark on our new strategic journey for the period 2024-2026 under the theme "One Stanbic," I am confident that we will be able to consolidate our progress and success in creating a truly outstanding bank. I want to assure all of our stakeholders that they will continue to be an important part of this journey, and that everything we do will be in their best interests.

Looking Forward: Building a More Significant Bank

With a projected 5% growth for the Kenyan economy in 2024, we see opportunities in innovative financial services, particularly digital lending and Small and Medium Enterprises banking. We also anticipate sustained growth in the East African region powered by strong intra-regional trade and infrastructure development.

Appreciation

I express my deepest gratitude to the Board, the management team, our dedicated employees, and all our stakeholders for their unwavering support throughout the year. Together, we are confident in Stanbic's future success.

GROUP CHIEF EXECUTIVE STATEMENT

Patrick Mweheire



2023 was a good year for Stanbic Holdings Plc. The Group recorded impressive performance and achieved good strategic progress, sustainable growth and shared value through excellent execution of the business strategy.

During the year under review, the Group set a good tempo for momentum in 2024 and beyond, imbued with a laser-like focus on our key strategic pillars: transforming the client experience, executing with excellence, and driving sustainable growth and value, underpinned by the six value drivers: client focus, employee engagement, operational excellence, managing risk and conduct, financial outcomes and sustainable growth and positive impact on society.

The Group was able to grow its business and support its customers against the backdrop of a challenging operating environment. This required remaining steadfast to the Group's commitment to do better and to walk the journey with our stakeholders in creating opportunities for mutual prosperity.

Success on these fronts is evident in the robust financial performance recorded during the year, reflecting double-digit revenue growth. Profit after tax grew by 34% year-on-year. Return on equity rose over 300 basis points to 18.6%, compared to 15% the previous year.

The Group's share price appreciated by 7% year on year underscoring growth in shareholder and market value. Cost discipline resulted in cost to income ratio reducing to 44% although there is ample headroom to trim this further across the Group's operations.

REGIONAL LANDSCAPE



Stanbic Holdings Plc is a subsidiary of Standard Bank Group whose business in the region continued to thrive in spite of constraints emanating from global, regional and domestic economic and political factors. Geopolitical disruptions in the Horn of Africa, notably the war in Sudan, Ethiopia and Somalia impacted economies and businesses in the region. In Kenya, high interest rates, inflationary pressure, currency volatility and escalating cost of living were notable macro-economic trends.

That said, the underlying economic fundamentals, notably, intra-regional trade, remain strong. Additionally, the East African Community (EAC) is one of the fastest growing trading blocs in the world. For these reasons, we see immense opportunity in positioning ourselves as the leading financial services organisation supporting trade, investment and business across the region.

The Standard Bank Group (SBG) is heavily invested in the success of East Africa. Some of the areas SBG sees huge opportunities include oil and gas, telecoms, consumer retail and logistics, with financial services supporting activity and growth in each of these sectors.

Surmounting challenges, tapping opportunities

Accelerated regional integration coupled with substantial growth in intra-regional trade makes a compelling case for cross-border banking. Standard Bank Group's focus has been on integrating the Bank and infusing collaboration across its footprint in Kenya, Uganda and Tanzania.

However, technology was initially a challenge considering all the countries were not on the same core banking platform hence the need to build a solution that integrates the different platforms.

In 2023, we completed a major milestone in the quest to provide border-less solutions by integrating Kenya, Uganda and Tanzania operations. South Sudan is already integrated to Kenya. As such, we eliminated the need for physical cash transit across the borders, thus minimising risks. The value we give clients with border-less banking is the transparency and financial freedom they need to explore opportunities beyond borders.

Our goal is to have one face to the Bank as opposed to multiple interactions in the different countries, thus making it as seamless as possible.

This enhances our ability to support regional transactions, increase our share of financial flows and enables innovation of products that meet our customer's needs across the various business segments.

Another major challenge was responding to the pace, volume and scale of regulatory flux we face as a business. The financial services sector is a highly regulated space and countries in East Africa are no exception. We had to continuously evaluate our regulatory positioning to meet compliance requirements but also do that in a profitable and sustainable manner. We have embraced constructive engagements with regulators including discussions on best practice.

Creating value through a Sound Strategy

As an organisation, we recognise the urgency of climate change and its potential impact on our business, communities, and the planet. That's why **we are committed to integrating environmental sustainability into every aspect of our operations**, aligning with the Central Bank of Kenya's guidelines and the Task Force on Climate-Related Financial Disclosures (TCFD) principles.

In 2023, the Group stepped up value creation across the client experience, operational excellence and doing the right business the right way and sustainably. Our Net-Promoter-Score, a measure of how well we meet our client's expectations, improved to 41 compared to 38 the previous year.

We also recognise that happy clients are delivered by engaged employees and as such, we strive to immerse our employees in the client experience. The Group is investing in further strengthening its internal capacity to respond to the evolving needs of its clients. Digitalisation is integral to enhancing the client on-boarding experience and ensuring access to credit.

When we talk of executing with excellence, we envisage a Bank that is efficient and resilient. On operational excellence, we made strides toward significantly reducing the cost-to-serve while ensuring system security and stability. Cost reduction remains a priority as we continue to harness digital technology to drive efficiencies and optimize our processes.

Effectively managing Risk and Conduct entails ensuring appropriateness and adequacy of Group credit metrics. We take a holistic view in identifying the risks we face, threats and opportunities in our operating environment as guided by our robust governance frameworks. In 2023, a lot of work went into optimizing our loan book.

Our Non-Performing Loan (NPL) ratio is now in the single digit level, below industry average.

Driving sustainable growth and value is another core imperative. As a Pan-African financial services institution with representation across 20 countries, Standard Bank Group's sustainability agenda is anchored on its purpose: **"Africa is our home, we drive her growth."** Closer home, our purpose is **"Kenya/South Sudan is our home, we drive her growth."**

Everything we do is built on that purpose. Our commitment is to go beyond providing financial services to being a catalyst of economic and social transformation, by creating value that benefits society, in our chosen impact areas: financial inclusion; enterprise growth & job creation; infrastructure & integrated energy, climate resilience, corporate social investment (education and health).

Regionally, we are working on a common approach to our sustainability initiatives in order to maximize impact.

Corporate and Investment Banking (CIB) accounts for a significant share of the Group's profitability. We want to grow Business and Commercial Banking (BCB) and Personal and Private Banking (PPB) to boost our market share in these segments.



Strategic Transition

2023 marked the third and final year of the 2020-2023 strategy. We closed the year on a high note across multiple metrics upon which our performance is measured. As we transition to the "One Stanbic" strategy (2024-2026), we are optimistic that we have built a solid foundation for even greater success in the coming years as we position ourselves to influence more delivery and outcomes, and remain a significant Bank within East Africa.

Looking Ahead



We shall relentlessly double down on our areas of strength and marshal all our efforts on the few areas where we believe we can create utmost value for our stakeholders. This will include sharpening our capabilities as a regional bank especially in delivering borderless banking solutions driven by our purpose.

We will build on existing partnerships where we are not particularly strong while focusing on taking our client experience to greater heights. That way, we shall be **the Bank that everybody in the region wants to partner and do business with.**



Stanbic Bank



4 countries One Bank Borderless Banking

Start Borderless Banking Today!

- Experience **real-time inter-account and intra-account** digital transfers.
- Withdraw or deposit into your account **anywhere in Africa.**
- Enjoy **negotiated** withdrawal, deposit & transfer fees.

*Terms & Conditions Apply



STANBIC BANK KENYA & SOUTH SUDAN CHIEF EXECUTIVE STATEMENT

Dr. Joshua Oigara



The Context

We are delighted to present an excellent set of results for the financial year ending December 2023. While the global landscape in 2023 presented its share of complexities, including geopolitical tensions and regional conflicts, the Group remained steadfast in its commitment to supporting the Kenyan and South Sudan economies and our clients. Locally, inflationary pressures and exchange rate volatility tested our adaptability, but we leveraged this environment as an opportunity to demonstrate our resilience and unwavering support.

The Group continued to provide access to vital financial services, facilitated trade, and invested in key sectors. As a result, during the year, we saw significant growth in both top-line revenue and bottom-line income, as well as strong growth in balance sheet, improved client satisfaction, and growth in employee complement in line with the Group's overall business growth. We maintained above-industry cost efficiency while keeping NPLs below the sector average. Assets growth was 15%, while customer loans and deposits grew by 10% and 18% respectively.

From a bottom-line perspective, profit after tax was up 34 % largely driven by improvements in income streams resulting from significant growth in the loan book and improved margins as well as non-funded income driven by increased trading volumes and growing transactional revenues resulting from the Group's digital transformation agenda. Top line revenue grew by 29%, balanced between net-interest income which grew by 35%, and non-interest income which was up 19%.

Competitive Landscape

The banking sector remained stable and resilient in the year under review, with strong liquidity and capital adequacy ratios. At the same time, the industry

continued to exhibit dynamism and competitiveness. Among others, we witnessed strong growth, ongoing innovation in digital banking solutions, and increased competition from traditional players and new entrants.

The Group maintained its competitive advantage by taking a client-centric approach, upscaling internal operating efficiencies, enhancing risk management and upholding a laser focus on sustaining returns. The double-digit growth in our profitability reflects positively on the diligent execution of our strategy. We remain committed to our purpose of driving Kenya and South Sudan's growth, more so as we transition to our new 3-year strategy.

Regulatory Developments

From a regulatory standpoint, the landscape continued to evolve, with a focus on promoting financial inclusion, consumer and personal data protection, and environmental sustainability. In one of the major developments aimed at enhancing the efficiency and smooth operation of the foreign exchange (FX) market, the Central Bank of Kenya introduced electronic trading in the interbank FX market through Electronic Matching Systems (EMS) allowing market participants to buy and sell FX at freely negotiated rates.

Additionally, the Monetary Policy Committee (MPC) established a 250 basis point interest rate corridor around the Central Bank Rate (CBR) to manage short-term interest rates. To increase access to the Discount Window, the applicable interest rate was reduced from 600 basis points above CBR to 400 basis points above CBR.

The Group actively engaged with regulators and ensured adherence to all applicable laws and regulations. These developments presented opportunities to further refine our offerings and contribute to a more robust financial sector in Kenya.

Delivering on Strategy

The execution of the three-year strategy has been driven by a client-centric focus underpinned by operational excellence to deliver value for stakeholders. Investment in technology to improve customer experience and improve both customer-facing and middle-to-back-end operations continued to be our focus in 2023. By integrating several operations with core banking system, we were able to deliver efficiencies across most of our business units and supporting functions. These included account opening and maintenance, as well as the introduction of a Till to Bank solution to ensure the efficiency of our client's banking experience.

Employee Engagement

Our strategy execution continues to be team-led and I am proud of my team and what they have been able to achieve collectively, and individually. The team embraced the Group's ambition which saw us grow the business across all units, enhance our client experience and engagement, and deliver sustainable value. A section of our employees were also involved in national transformational projects that contributed to our vision of driving Kenya's and South Sudan's growth. Beyond delivering enhanced client experience, our employees also participated in supporting the communities we operate in through selfless volunteerism, as well as through our Stanbic Kenya Foundation and the Rotary Club of Nairobi Samawati, which is comprised of Stanbic employees who volunteer their time, talents and treasures for the good of the community.

Impacting Communities

At Stanbic, we believe our success is deeply intertwined with the well-being of the communities we serve. Through the Stanbic Kenya Foundation, we are committed to driving positive change and creating lasting impact. With a focus on economic and

environmental empowerment, the Foundation tackles crucial challenges in areas such as education, health, and entrepreneurship.

In 2023, we recorded remarkable progress. Over the last three years of our strategy, several strategic initiatives have empowered over **1,600 SMEs** with affordable credit and capacity building, fostering job creation and enterprise growth. In education, we have reached over **150,000 students** with digital skills training and computer donations, bridging the digital divide and equipping young minds for the future. Our preventive healthcare initiatives, on the other hand, including cancer screenings for over **30,000 individuals**, have helped to promote healthier communities.



We believe in collaboration. By partnering with diverse stakeholders, including the government, international agencies and local organizations, we amplify our reach and impact. This collaborative spirit extends to supporting the blue economy, where we help businesses related to oceans thrive sustainably.

The Stanbic Kenya Foundation's work is not just about philanthropy; it's about investing in a brighter future for Kenya and South Sudan. By empowering individuals, fostering economic growth, and promoting environmental sustainability, we are building a future where everyone can thrive. This is the true essence of our purpose as a Group.

We are making significant strides in reducing our environmental footprint. **We currently recycle 95% of our waste**, have transitioned to **energy-efficient LED lighting** across our real estate for responsible energy use.



As we anticipate robust GDP growth exceeding 5% in Kenya, particularly in sectors vital to our clients, we are steadfast in our commitment to positioning the Group as a catalyst for economic growth, and innovation.



Climate Risk

As an organization, we also recognize the urgency of climate change and its potential impact on our business, communities, and the planet. That's why we are committed to integrating environmental sustainability into every aspect of our operations. In this regard, we are making significant strides in reducing our environmental footprint. We currently recycle 95% of our waste, have transitioned to energy-efficient LED lighting across our real estate, and utilize motion sensors for responsible energy use. We have also eliminated bottled water, opting for in-office Ultraviolet water treatment, and are exploring further water efficiency enhancements through advanced treatment solutions.

Recognizing the potential of renewable energy, we are investing in solar power adoption across our branches. These initiatives not only benefit the environment but also translate to operational cost savings, demonstrating the strong link between sustainability and responsible business practices. Our commitment extends beyond internal operations. We also actively support clients in the transition to sustainable practices and by financing green projects. We believe that by working together, we can build a more resilient and sustainable future for Kenya and beyond.

Setting Our Sight on the Future: A Forward Look at our new strategy

Despite the unprecedented challenges of the past three years, I remain firmly optimistic about the future of our organisation. We have weathered global tensions, economic headwinds, and even a global pandemic, emerging stronger and more resilient than ever. This resilience is built on the foundation of our strong and sustainable growth, delivered by our dedicated team organized in four key business units.

Looking ahead, we are charting a clear course towards further success with our new One Stanbic strategy. This strategy goes beyond financial performance, prioritizing exceptional client experiences, empowered employees, and sustainable value creation. It envisions a future where the Group becomes a seamless, one-stop financial services shop that transcends borders across the region, truly embodying the essence of One Stanbic.

As we anticipate robust GDP growth exceeding 5% in Kenya, particularly in sectors vital to our clients, we are steadfast in our commitment to positioning the Group as a catalyst for economic growth, and innovation, and a trusted partner in the financial journeys of our clients and stakeholders. In South Sudan, the Group is committed to being a long-term partner for South Sudan's development. So far, the Group has made great strides in introducing innovative solutions like mobile banking and fostering operational excellence.

The Group will continue to proactively manage risks inherent in the operating environment in South Sudan while ensuring that it supports clients in their foreign exchange needs, payments and collections. Through customer-centricity, technological advancements, and an unwavering focus on sustainability, we look ahead with confidence, poised for a future defined by shared success and continued value creation.



Stanbic Bank



Making dreams possible

Personal Loan | Car Loan | Home Loan | Business Loan

CHIEF FINANCE AND VALUE OFFICER'S REPORT



Dennis Musau

Strategic Focus

In 2023, the Group remained steadfast in its commitment to its strategy, centered on transforming the client experience, executing with excellence, and sustaining returns while creating value for all stakeholders. The strategic focus on these pillars guided the actions and decisions throughout the year.

Financial Performance

I am pleased to report that the Group delivered exceptional financial results in the year under review. The Group, comprising Stanbic Bank Kenya, South Sudan branch, SBG Securities, and Stanbic Bancassurance Intermediary Ltd, achieved a profit after tax of KShs. 12.2 billion, marking a remarkable 34% growth from the previous financial year. This represented one of the fastest profitability growth in the industry and underscored the Group's resilience in navigating a tough operating environment.



Strong growth in 2023

The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Bancassurance Intermediary Ltd) reported a profit after tax of **KShs. 12.2 billion**, a **34% growth** from the last financial year.

Key financial metrics depict strength, resilience, growth, efficiency and better return

	Dec 2023 KShs. m	Dec 2022 KShs. m	% Change
Net interest income	25,648	18,945	35%
Non-interest revenue	15,669	13,139	19%
Total income	41,317	32,084	29%
Operating expenses	(17,987)	(14,968)	20%
Pre-provision profit	23,330	17,116	36%
Credit impairment charges	(6,236)	(4,944)	26%
Profit before tax	17,094	12,172	40%
Tax	(4,936)	(3,112)	59%
Profit after tax	12,158	9,060	34%

Key Drivers of Performance:



- Steady growth in all income lines with double digits growth in net interest income and non-interest revenue
- Pressure on credit risk leading to higher loan loss provisions
- Double digit in customer loans and deposits
- Improved cost to income ratio underpinned by continued focus on efficiencies in the business.
- Prudence in financial capital and quality management.
- Continued support to clients through credit accommodation and trade facilitation.

Value Added Statement

The value added statement relates to the Group's strategic value driver for financial outcomes and depicts the value created by the Group through the effective acquisition, deployment, and management of its financial, human, intellectual, social and relationship, manufactured, and natural capitals. It reflects the subsequent distribution of value to the stakeholders, and it outlines the Group's commitment to creating stakeholder value through its business model and sound business practices.

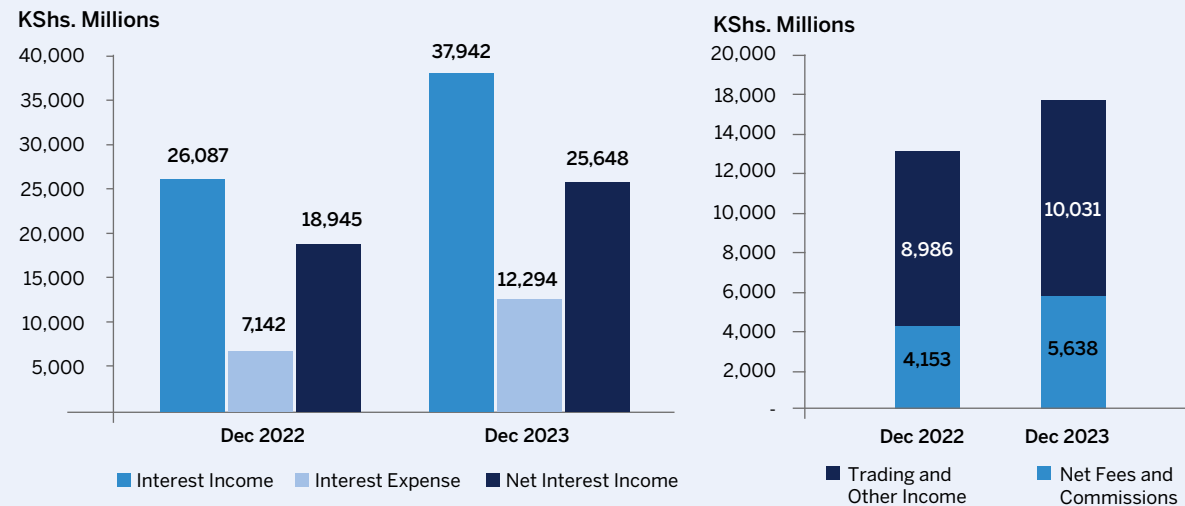
Stanbic Holdings Plc	2023 KShs. millions	2022 KShs. millions	2021 KShs. millions	2020 KShs. millions	2019 KShs. millions
Interest income, fees and commission and other income	54,643	40,173	31,923	31,326	32,939
Interest paid to depositors and other costs	(26,849)	(19,161)	(13,496)	(17,311)	(16,673)
Interest paid on borrowings	(964)	(391)	(243)	(547)	(849)
	26,830	20,621	18,184	13,468	15,417
Employee benefits	(8,656)	(7,279)	(6,519)	(5,929)	(6,632)
Government Tax	(4,936)	(3,112)	(2,455)	(1,035)	(1,329)
Dividends to shareholders	(5,436)	(4,983)	(3,558)	(1,502)	(2,787)
Retained earnings	(6,722)	(4,077)	(4,322)	(3,690)	(3,594)
Depreciations and amortisation	(958)	(1,079)	(1,165)	(1,262)	(1,062)
Social Capital - CSI	(122)	(91)	(72)	(50)	(13)
	(26,830)	(20,621)	(18,091)	(13,468)	(15,417)



The impressive 2023 financial performance represented one of the fastest profitability growth in the industry showcasing the Group's resilience in navigating a challenging operating environment.

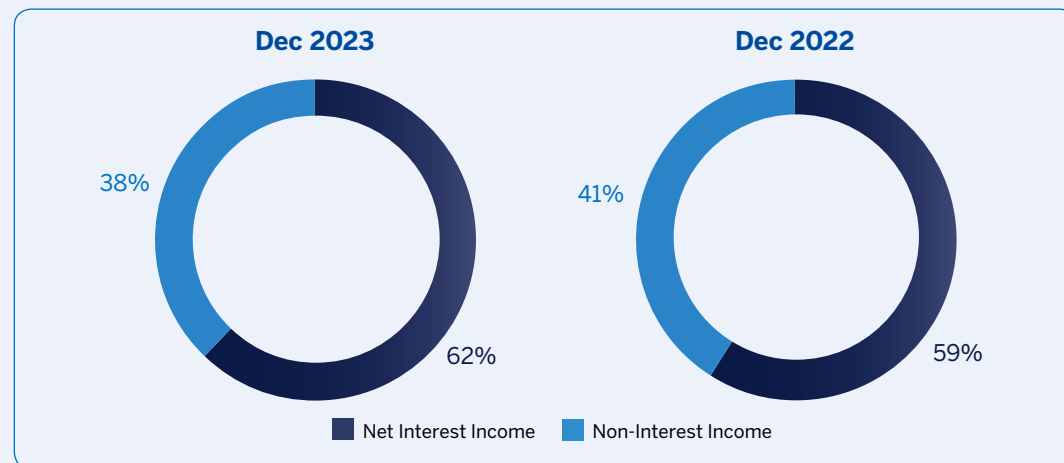


STEADY GROWTH IN ALL INCOME LINES



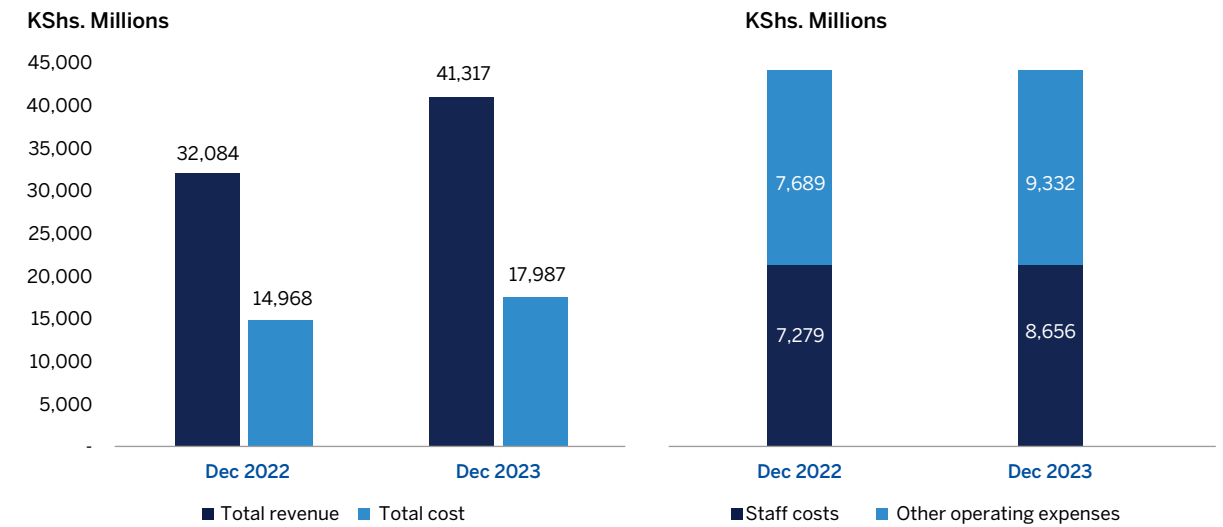
Income generation for the financial year 2023 reflected robust growth across all income lines. Net interest income grew significantly, driven by a healthy balance sheet growth and favorable margins on interest-earning assets. Non-interest income saw substantial growth, propelled by increased foreign exchange revenue resulting from higher volumes and improved margins, alongside notable contributions from investment banking and mobile money fees.

These positive trends across income lines demonstrate the Group's ability to leverage on emerging opportunities while effectively managing risks, ultimately delivering value to stakeholders amidst a dynamic operating environment.



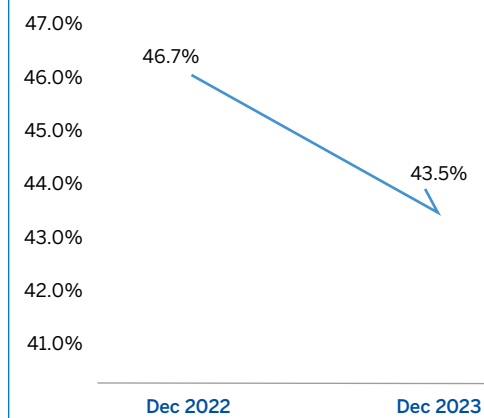
Revenue diversification supported sustained earnings.

GAINS IN OPERATIONAL EFFICIENCIES DESPITE PRESSURES FROM CREDIT RISK AND OPERATING COSTS

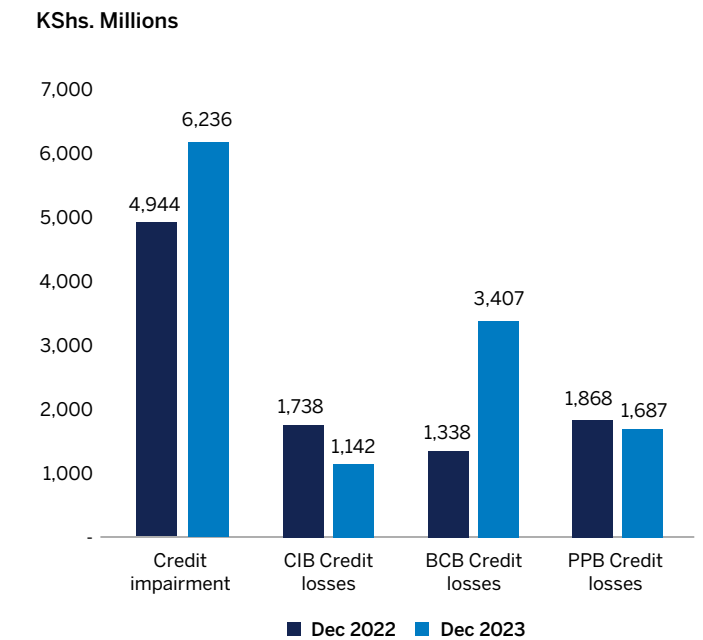


Investment in strategic growth initiatives & inflationary pressures led to near term pressure on costs.

Cost to income

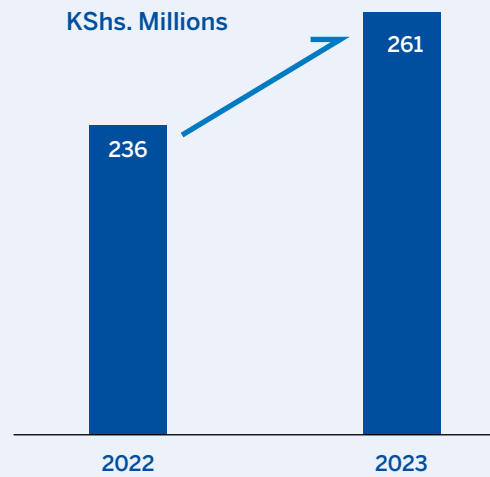


Decline in cost to income ratio due to revenue growing faster than costs.



Growth in impairment charges mainly within Business and Commercial banking segment.

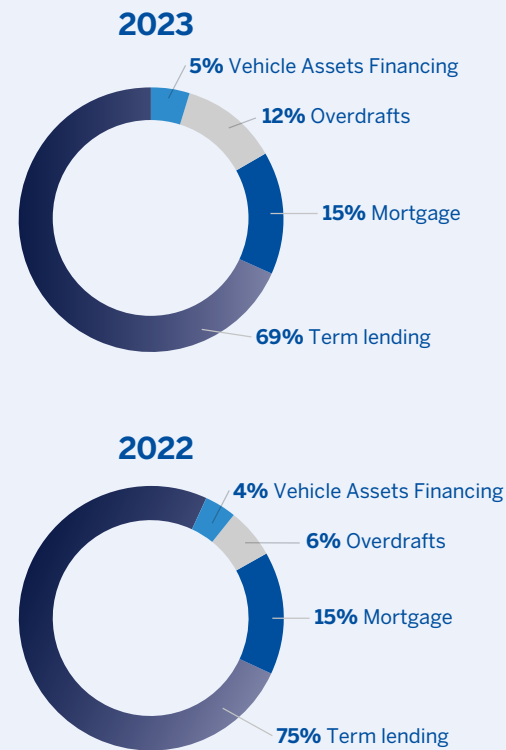
DOUBLE DIGIT LOAN BOOK GROWTH



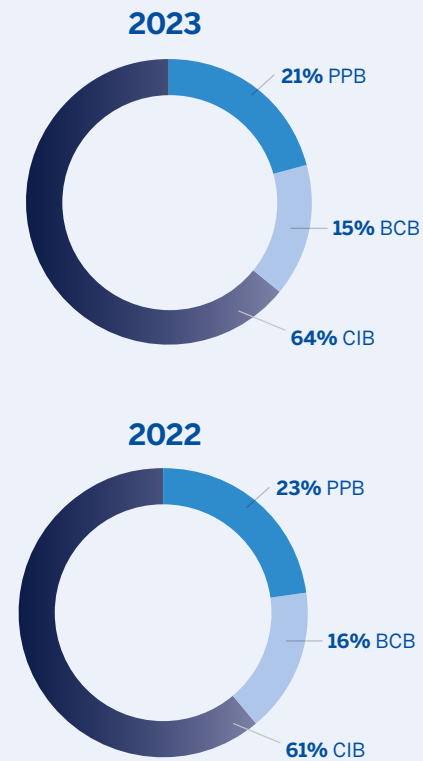
The 2023 balance sheet reflects the success of the Group's strategy, with strategic asset allocation leading to healthy balance sheet growth over the last three years.

This growth, coupled with improved margins on interest-earning assets, has contributed to the strong financial performance witnessed in the financial year under review. The Group has also maintained a focus on responsible financial management, ensuring continued capital optimisation and navigating potential risks effectively.

Loans and advances by product



Loans and advances by business unit



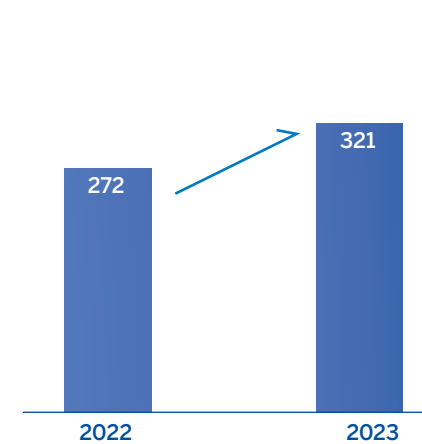
Loan growth mainly from short-term lending.

CUSTOMER DEPOSITS GROWTH AND RETENTION EFFORTS ARE DRIVING LIABILITIES MOBILISATION

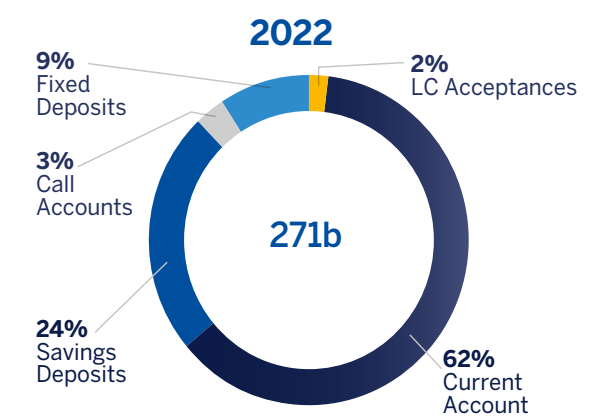
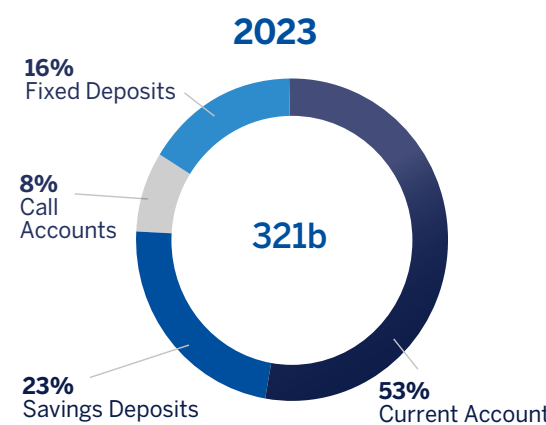
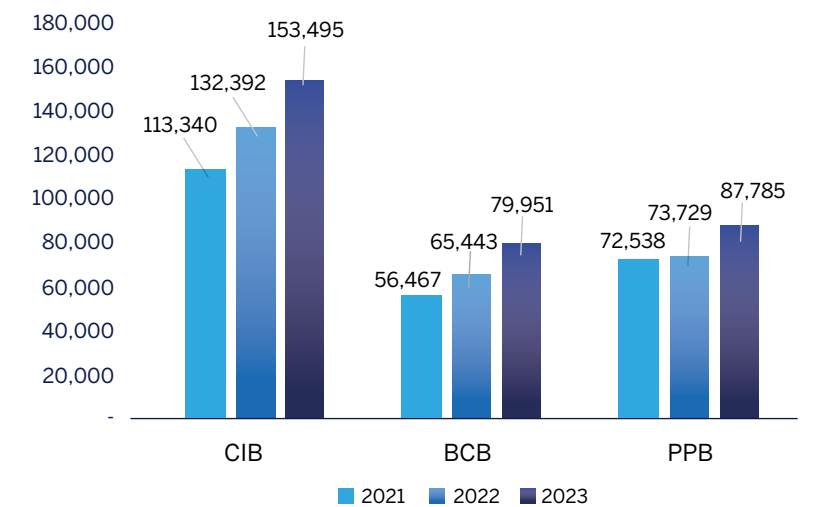
Customer confidence in the Group remained high in 2023, reflected in the positive growth of customer deposits, as has been the case for the last three years (see chart below) of the last strategy horizon.

The strong deposit base is a testament to the trust clients place in the Group and provides a solid foundation for future growth. The Group is committed to continuously enhancing client experience and in developing innovative financial solutions to meet their evolving needs.

KShs. billions



KShs. Millions



Consistent growth in customer deposits over the years.



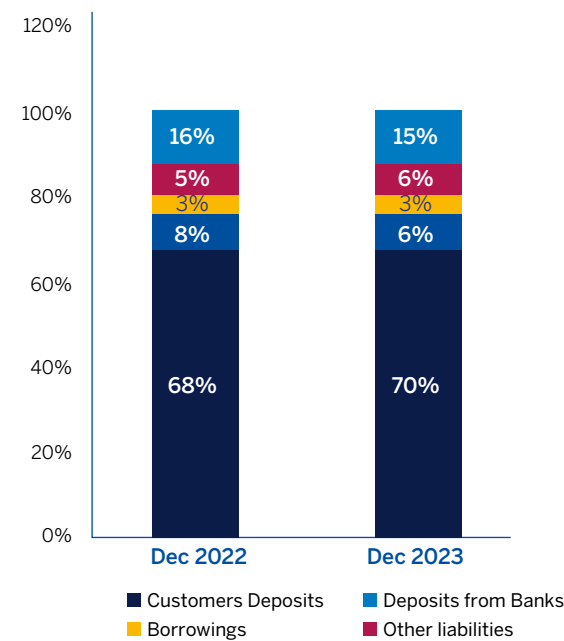
Stanbic Bank

FUNDING AND CAPITAL CONSTRAINED BY THE TIGHT LIQUIDITY IN THE MARKET. HOWEVER, SUFFICIENT TO SUPPORT BUSINESS GROWTH

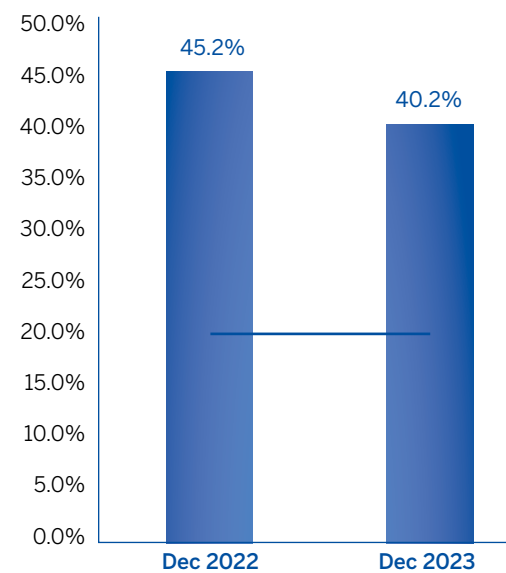
In 2023, the Group navigated an environment where funding and capital were constrained by tight liquidity conditions in the market. Despite these challenges, the Group maintained sufficient resources to support its business growth initiatives and meet regulatory requirements.

By prioritising prudent financial management and strategic allocation of resources, the Group ensured that it remained resilient and well-positioned to seize opportunities while managing risks effectively.

Funding



Liquidity Ratio (Bank only)



Conclusion

Overall, the exceptional financial results achieved in 2023 highlighted the Group's resilience and ability to thrive in a dynamic environment. The Group's unwavering commitment to executing its strategy with diligence and prudence enabled it to deliver sustainable growth and value creation for its shareholders, employees, and communities.

Looking Ahead

As we look ahead, the Group remains focused on driving innovation, fostering strategic partnerships, and embracing opportunities that enable it to further advance its mission of empowering progress in Kenya, South Sudan and beyond.



Ignite your
SME growth
with Stanbic Bank



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OUR OPERATING CONTEXT



KENYA

Review of 2023

Gross Domestic Product (GDP) growth rebounded in 2023, after moderate growth of 4.7% year on year in 2022. In Q3 2023, GDP growth increased to 5.9%, from an average of 5.5% in the first half of 2023, mainly driven by favourable weather conditions for most of the year supporting a rebound in agricultural activities. A strong performance from the services sector and resilience from the industrial sector too supported growth in 2023. In addition, private sector credit growth that averaged 12.34% in 2023, in turn supported growth in aggregate demand.

Growth:

Private sector credit growth averaged **12.34%** in the first 9 months of 2023.



The Central Bank of Kenya (CBK) hiked the policy rate by 375 basis points cummulative in 2023. Of note was the 100 basis point hike in June and 200 basis point hike in December that lifted the policy rate to 12.5%, with the intention of lowering inflation and anchoring inflation expectations that had breached the CBK's upper target band. Inflation averaged 7.7% in 2023 from 7.6% in 2022, as the effects of the severe drought of 2022 and geopolitical tensions that caused a spike in energy prices began to unwind.

During the year, the government continued its fiscal consolidation path despite facing difficult global financing conditions throughout the year and challenges in tax mobilisation in the first half of the year. On the tax revenue front, the government introduced the medium-term revenue strategy to reform the tax system with the goal of enhancing tax revenues to GDP over the next three year. The introduction of the Housing Levy was among a raft of tax measures intended to increase tax revenue collection.

Kenya's debt remained at a high risk of distress with public debt estimated to have reached 73% of GDP and debt service consuming about 55% of revenues. The government's domestic borrowing was concentrated at the short end of the yield curve, which subsequently flattened, reflecting near-term inflationary and financing pressures. Yields rose at the front end of curve in line with the tightening stance. Plans to tap the Eurobond market were shelved owing to significantly elevated yields during the year. Positively, the government appointed liability managers to advise it ahead of maturity of the USD 2 billion in the year ahead.

The Kenyan Shilling had its worst year since the global financial crisis of 2008, depreciating against the USD due to aggressive monetary policy tightening in advanced economies, sustained current account deficit, USD liquidity constrains in the foreign exchange market, and increased external debt repayments by the government. During the year, there were notable positive interventions by the government, such as the government-to-government oil importation arrangement and reforms by the CBK to revive the foreign exchange interbank market. These included a review of the limit of tenor of swaps for non-resident banks to six months, from one year, and overnight the tenor of swaps between residents, including residents within the East Africa Community (EAC), introduction of an electronic matching system and the removal of the 20 cents bid-offer spread in December 2023, which impelled a narrowing of the spread between the screen price and interbank for exchange rate.

Outlook for 2024

We expect growth of 5.1% in 2024, with broad based growth from all sectors expected to contribute to growth this year. Aggregate domestic demand could decline, thereby diminishing output in the services and industrial sub-sectors. Further, increases in taxation and levies, as well as higher interest rates, might constrain private consumption expenditure. Other notable risks to the growth outlook include sustained USD liquidity shortages which may restrain industrial sector outputs.

In addition, the government is focusing on fiscal consolidation to restore debt sustainability over the next few years, with postponing non-priority infrastructure projects a likely key strategy. Thus, lower infrastructure spend may weigh down growth in the near term. In addition, the large stock of arrears and pending bills owed to the private sector may constrain underlying economic activity if they are not cleared over the near term.

Inflation is likely to soften further as the year progresses. On the same breath, the Kenya shilling is seen stabilising following a strong rally in the first quarter of 2024. Foreign portfolio investors are back investing again in our bond and stock markets as short-term interest rates have risen considerably.

The government also issued an infrastructure bond at attractive interest rates in February 2024, following Kenya's successful return to the international capital markets to refinance its Eurobond.

Kenya's economy is expected to grow by **5.1%** in **2024**.





SOUTH SUDAN

Review of 2023

On the political front, South Sudan has achieved modest progress on the peace agreement, with the election timelines now set for December 2024 and the term of the transitional government extended to February 2025. The authorities have continued to make progress in the implementation of the Revitalized Peace Agreement signed in September 2018.

South Sudan's economy is exceptionally reliant on oil, with oil exports accounting for nearly all exports and over 90% of government revenue.

In 2023, oil exports increased from **3.37 million barrels** per month to **4.68 million** per month.

While the peace agreement still holds, communal tensions and sporadic fighting between security forces and groups that did not sign the peace accord continue to present obstacles. While capacity constraints have slowed some measures, the authorities will need to work towards discussions on election budgets and the passing of a national elections act, important institutions including the National Elections Commission and political party registration system ahead of elections. Meanwhile, authorities continue to ensure that any risks to the peace agreement are solved, and measures are taken to reduce uncertainty and create a conducive environment for economic development.

During the year, the country faced significant headwinds related to the internal conflict in its neighbour Sudan. According to the government, over 466,000 people have crossed into the country since April 2023 when the conflict broke out, exacerbating the humanitarian situation. Despite this, the South Sudan economy remains stable due to prudent fiscal and monetary policies. The economy is exceptionally reliant on oil, with oil exports accounting for nearly all exports and over 90% of government revenue. In 2023, oil exports increased from 3.37 million barrels per month in the first half of the year to 4.68 million barrels per month in the second half of the year. Diversification of the economy will be crucial in the medium term to achieving sustainable economic growth.

Inflation was mixed throughout the year with periods of elevated inflation and about four months of deflation noted in 2023. The inflation rate ended the year at 5.8% with the clearance of several months of salary arrears putting pressure on prices. Overall inflation averaged 2.7% in 2023. Following the foreign exchange (FX) reforms initiated under the IMF Staff Monitored Program (SMP) that started in March 2021, regular FX auctions using funds received from the IMF have helped alleviate FX liquidity issues and stabilised the South Sudan Pound (SSP) in 2023. Nonetheless, the SSP depreciated against the USD in 2023.

The IMF provided further support through the Program Monitoring with Board Involvement (PMB) in February 2023 to help encourage a more balanced approach to the allocation of government spending and improve transparency of the use of oil revenues. As a result, the government published a budget execution report for FY2022/23 and for the first quarter of FY2023/24.

Outlook for 2024

Ahead of the 2024 elections scheduled for December, political tensions could increase and a potential violent spillover from Sudan could undermine oil exports and likely trigger another regional humanitarian disaster. Current geopolitical tension in the Red Sea has affected oil exports, which declined in December 2023 to 156k bbl/d from 180k bbl/d in November. Oil production is expected to drop to around 124k bbl/d in 2024 as part of its agreement with OPEC+.

South Sudan's economy is expected to grow by **4.6%** in **2023/24**.



South Sudan's economy is expected to grow by 4.6% in 2023/24. A rebound is anticipated this year since the economy has been in a recession since 2020.

Oil exports will be the primary driver of the increase in economic activity. Domestic demand will be supported by public consumption and investment as expenditure picks up in the run-up to the general elections in December. Additionally, the government plans to continue its efforts to diversify away from oil in the near to medium term. The authorities are expected to maintain prudent macroeconomic policies in 2024 that ensure macroeconomic stability in alignment with commitments with the IMF and other development partners.

Inflation is expected to moderate in 2024 as a result of the reforms and commitment to maintaining a consistent level of reserve money. Adverse weather, Sudan's instability, and insecurity along the Red Sea, combined with rising wages and faster depreciation, pose a medium-term inflation risk.



"South Sudan gained independence in 2011, so it is still a relatively new country. We see significant opportunities not only in the oil sector, but also in agriculture, fishing, and tourism. The country has enormous potential when viewed over the next 5-10 years. As a trusted financial services brand, there is much more we can do in the country, not just financially, but also in terms of assisting the regulator in improving governance, establishing financial markets, and introducing new products to the market, and we will continue to play our rightful role in that economy."

Fredrick Ouko, Head of South Sudan

OUR APPROACH TO VALUE CREATION

How we create, sustain and prevent erosion of value as a business is defined by our Purpose and guided by our strategy.

Our stakeholders – clients, partners, employees, regulators, communities – are at the heart of our decision-making. Therefore, everything we do in terms of value creation must meet the threshold of what is good for our stakeholders and for the society. Responsibly managing risk and conducting our business ethically and sustainably is paramount to this endeavour.

In addition, our stakeholders are critical in framing our value conversation, especially identifying issues of material concern to them (and the business), and responding appropriately to meet and surpass their needs and expectations, while driving sustainable growth. In driving value, we are fully accountable to our stakeholders. Since our business is client-led, our value creation process is anchored on our client segments - namely, Corporate and Investment Banking (CIB), Business and Commercial Banking (BCB), Personal and Private Banking (PPB), Insurance and Asset Management (IAM).

How we measure value

To track the progress we are making in executing our strategy, the measures and targets of value are drilled down further to the specific value drivers.



OUR STAKEHOLDERS AND MATERIAL ISSUES

Engaging with our stakeholders to deliver value

Our stakeholders are individuals, groups, and organisations that are or may be materially affected by our business activities, products, services, and performance. Some of our critical stakeholders include our clients, employees, and regulators, as well as our shareholders, partners, and service providers, and the communities in which we operate.

Proactive engagement with our stakeholders provides us with insights that help shape our strategy, inform the identification of material issues, and eventually allow us to manage and respond to their concerns.

Our stakeholder engagements this year informed executive and board-level discussions about how we will deliver on our strategy. More specifically, stakeholder engagement determines how we serve our clients through our products, as well as the quality of services we provide through our technology and digital infrastructure. It also governs how we interact with our employees, shareholders, partners, and society at large.

Our Material Matters

Our material issues are those that matter most to our internal and external stakeholders and providers of capital; and that impact on our ability to create value in the short, medium and long term.

They take into account the diverse views of our stakeholders, allowing us to understand their perceptions of how the group is creating value and to identify focus areas to ensure social legitimacy.

MATERIALITY ASSESSMENT PROCESS

We measure our strategic progress against our six value drivers and have identified the material issues that are most likely to have an impact on them and therefore our ability to achieve our strategic aspirations.

We use the concept of double materiality to ensure that we have considered how material issues may impact on our business, across our six value drivers, and how our business materially impacts society. This approach is crucial to ensure we deliver both financial outcomes and positive Social, Economic and Environmental (SEE) impacts.

While these issues evolve over time, the broad themes are relatively stable. To identify and adequately interrogate our material issues, we undertake research and engagement on a range of information, including the consideration of:

- Risks, threats and opportunities identified through our enterprise risk process.
- Stakeholder engagement and reputation risk analysis.
- Issues raised through engagements including the AGM.
- Material issues identified by peer banks.

Stakeholder Priorities in 2023

Clients

Why they are important
Core to the growth and sustainability of our business

Our ambition
The Group exists to drive sustainable growth and value for our clients in all that we do

How we engage

- Client surveys, online communication channels, call centre
- Direct client engagements
- Product presentation
- Client events and visits
- Brand and sponsorship events

Capitals impacted

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

Level of engagement
High

Material Issues

- CIB:** Sustainable lending, advisory services, trade services, investor services, forex needs, structured products, bespoke solutions, continuous client engagement, protecting our client franchise
- BCB:** Commercial: Working/expansion capital, overdrafts, FX needs
- PPB:**
 - Introduced risk based pricing and facility restructures due to rising interest rates
 - Supported affordable housing to address low disposable incomes
 - Created awareness on fraud dos and don'ts to counter social engineering
- IAM:** Relevant and suitable products and services, insights and enabling financial literacy
- SBG Securities:** Improved client experience, relevant products and services, digital onboarding
- SBIM:** Affordable and accessible insurance solutions.
- Brand and marketing:** Fair and ethical advertisement, regular business updates, timely response to issues

How we addressed the issues

- Continued focus on enhancing client experience
- Developed relevant products and services
- Introduced risk-based lending
- Facility restructures
- Provided insights, knowledge-sharing and capacity-building



Employees

Why they are important
Our employees are an essential component of our organization's strategy

Our ambition
To continuously align our human capital with our strategic priorities

How we engage

- Employee surveys
- Tokeka Tubonge with the CEO
- Employee Townhalls
- Stanbic News (Weekly newsletter)

Capitals impacted

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

Level of engagement
High

Material Issues

- Compensation and Benefits: Fixing comparators, education on group-wide reward policies
- Communication: Enhanced communications and leadership updates, Town halls, monthly departmental meetings
- Cross-team collaboration: Mandatory team-building activities

How we addressed the issues

- Developed competitive compensation and benefits packages
- Enhanced communication channels and addressed employee concerns promptly
- Invested in employee development and training programs



Shareholders and Investors

Why they are important
Our shareholders and investors are the primary providers of our financial capital

Our ambition
To deliver sustainable value to our shareholders and investors

How we engage

- Investor briefings
- Presentations and road shows
- Annual Reports
- Sustainability Report
- Annual General Meetings
- Newspaper notices
- Conferences
- One on one round tables

Capitals impacted

- Financial capital
- Human capital

- Social and relationship capital
- Intellectual capital
- Manufactured

Level of engagement
High

Material Issues

- Return on investment
- Delivery against targets
- Business development updates
- System stability
- Competitiveness of offering
- Executive leadership engagement
- Governance, ethics, market conduct, internal controls
- Climate risk management

How we addressed the issues

- Continued focus on business growth for enhanced returns
- Provided regular and required updates
- Focused on targeted engagement



Regulators and Government

Why they are important
Our regulators secure our license to operate and our ability to contribute to policy formulation

Our ambition
To build and maintain positive relationships based on transparency and trust

How we engage

- Two-way communication through a range of regulatory engagements and discussions
- Thought leadership events/workshops
- Sponsorship engagements

Capitals impacted

- Financial capital
- Human capital
- Social and relationship capital
- Intellectual capital

Level of engagement
Medium

Material Issues

- Legal and regulatory compliance
- Support national development agenda
- Knowledge sharing and contribution to industry and regulatory working groups
- Transparent and proactive interactions with tax authorities

How we addressed the issues

- Proactively monitored economic and regulatory changes
- Adjusted business strategies and models as needed to comply with regulations and remain competitive
- Advocated for policies and regulations that promote a stable and sustainable business environment





Stanbic Bank

LENGO NI JUU NA STANBIC CHAMA APP

Communities

Why they are important

Our business's sustainability is dependent on the relationships we foster with the communities and societies in which we operate, as well as the contributions we make to societal advancement.

Our ambition

We are committed to promoting inclusive and sustainable social, economic, and environmental (SEE) progress.

How we engage

- Stanbic Foundation
- Rotary Club Samawati
- Sponsorship engagements
- Employee voluntarism

Capitals impacted

- Social and relationship capital
- Natural
- Human capital
- Intellectual capital

Level of engagement

Medium

Material Issues

- Value for society, both internally with our people and externally with other stakeholders
- Drive economic growth by creating social and environmental value
- Value for the environment through conscious and responsible lending

How we addressed the issues

- Continued focus on driving positive impact
- Integrated ESG considerations into business decisions and operations
- Focused on targeted engagement



Partners, Agencies and Media

Why they are important

We depend on our business partners, suppliers, agencies and the media to execute critical strategic initiatives.

Our ambition

To maintain strong supplier and partnership agreements through a diversified supply chain strategy, local sourcing and innovation.

How we engage

- Direct engagements with our suppliers
- Due diligence in establishing processes, checks and balances
- Establishing and maintaining productive partnerships

Capitals impacted

- Social and relationship capital
- Human capital
- Financial capital

Level of engagement

High

Material Issues

- Efficient operational processes
- Collaborative business relationships
- Collaborative partnerships
- Timely invoice settlement

How we addressed the issues

- Invested in technology and automation to streamline operations and improve efficiency
- Supplier training and capacity building
- Timely payment processing
- Regular and timely engagement



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- **Zero maintenance fees**
- **Interest payable monthly** to group & individual savings
- **Deposit and withdraw funds at any time**
- **Automated** reconciliation & statements

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OUR STRATEGY

Our strategy is underpinned by our purpose. Our strategic priorities will enable us to better fulfill our purpose as we deliver our ambition and achieve our financial targets.



OUR DELIVERY MODEL

Our operating model enables us to manage our resources and relationships responsibly to deliver the best outcomes for our stakeholders.

OUR INPUTS



Financial Capital:

Our capital basis and diverse sources of deposits and funding from investors and clients are used to serve our clients by granting credit, enabling payments and transactions, and rewarding shareholders for their capital investments.

- **Deposits:** KShs. 321bn (2022: KShs. 271bn).
- **Customer loans and advances:** KShs. 261bn (2022: KShs. 235bn).
- **Retained earnings:** KShs. 6.7bn (2022: KShs. 4bn).



Intellectual Capital:

Our intellectual property (IP) knowledge, research and development capabilities, innovation capacity and processes, knowledge and experts, our purpose and the value of our brand and its associated reputation, franchise value, and strategic relationships all contribute to our business growth.

- **World-class IT infrastructure**
- **Market leadership** and differentiation across various products and segments
- **Strong brand**



Human Capital:

Our culture, employees, combined knowledge, abilities, and experience enable us to provide creative and competitive solutions to our clients while also creating value for all stakeholders.

- **A workforce of 1,129 employees** (2022: 1,045).
- **Salary and benefits:** KShs. 8.6bn (2022: KShs.7.3bn).
- **A differentiated culture** that is client-focused and business-led



Manufactured Capital:

Our buildings, properties, and physical equipment as well as our digital assets, including digital products and information technology (IT) systems enable us to operate, serve our clients and create value for all our stakeholders.

- **Core IT systems**
- **Physical presence:**
 - Branches 30
 - Agent outlets 740
 - ATMs 57
- **Market-leading digital products & services.**



Social and Relationship Capital:

Our relationships with our stakeholders, particularly the communities in which we operate, are critical to the success of our business. We also acknowledge the importance of our role in fostering a thriving society and a robust financial ecosystem.

- **Total clients:** 5% growth year on year
- KShs. 95.7bn purpose-led **trade and investment financing** aligned with SDGs
- KShs. 122mn in **Corporate Social Investment (CSI)**
- **Responsible ESG practices**
- **Good relationships with our stakeholders**



Natural Capital:

Our direct usage and impact on natural resources, including energy, water, and climate, as well as our influence through business activities and environmental protection actions.

- Implemented a **screening system to evaluate clients' impact** before lending to them.
- Implemented **water/energy conservation systems**
- **Strong track record and market-leading capabilities in sustainable financing**
- **95% of waste recycled**



OUR OUTPUTS

Our products and services are grouped into banking, insurance, and investment solutions, expanding into non-financial services and solutions over time.



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 its partners

Top up your loan and keep their dreams alive!

Access hassle free loans of up to Kshs. 1M straight from your phone, wherever and whenever you need it.

To get started, get the Stanbic Bank Kenya app from

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For enquiries, please contact Customer Care on customercare@stanbic.or call 0711068888

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OUR VALUE OUTCOMES



Client focus

- Strong relationships with a diverse and growing client base
- Recognised brand strength and legitimacy
- Strong strategic partnerships support excellent client experience
- Growing revenue from non-financial services and solutions
- Physical and digital presence supports omnichannel service and distribution capability

+



Employee engagement

- Strong executive and leadership teams
- Deeply skilled and experienced people
- High-performance, ethical culture connected to our purpose

+



Risk & Conduct

- Trusted relationships with stakeholders
- Mature governance and control systems
- Well-developed risk and capital management framework

+



Operational Excellence

- Strategic partnerships and digital capabilities support development of innovative solutions
- Resilient and secure systems focused on providing 'always on, always secure' services
- Increasingly simplified systems architecture

=



Financial outcome

- Large and well-balanced portfolio
- Robust capital structure and strong balance sheet
- Future-focused resource allocation



Positive impact

- Well-developed Sustainability approach
- Focused positive impact in five areas
- Growing investment in sustainable finance and renewable energy

Creating and distributing financial value

By contributing to the economic growth of Kenya and South Sudan, we expand our client base and potential markets, and by thinking long-term, we ensure that our markets remain viable and prosperous in the future.

- Inflows from clients: KShs. 321 billion** (2022: KShs. 271 billion)
- Invested in our people: KShs. 58 million** (2022: KShs. 54 million)
- Direct and indirect taxes to governments and regulators: KShs. 4.9 billion** (2022: KShs. 3.1 billion)
- Invested in our Corporate Social Investments (CSI): KShs. 122 million** (2022: KShs. 91 million)
- Returns to shareholders KShs. 5.4 billion** (2022: KShs. 4.9 billion)
- Reinvesting in the business KShs. 6.7 billion** (2022: KShs. 4.1 billion)

HOW WE ALLOCATE OUR RESOURCES

To achieve our target outcomes, we allocate resources using a formal decision-making framework and scenario planning.

We allocate our resources carefully to ensure that we meet specific client needs while also driving long-term growth and value. Based on our value drivers, our resource allocation framework directs our focus and investment in areas that will deliver sustainable growth and value in the short, medium, and long term.

Once specific client needs have been identified, a thorough client screening process is used to determine the soundness of the investment and the specific business. If the investment meets the required thresholds, targeted metrics ensure that our rates of return are met once the solution is implemented.

Detailed scenario-based thinking allows us to anticipate and plan for volatility and complexity, while also framing the allocation process.

OUR RESOURCE ALLOCATION FRAMEWORK

Led through the lens of client strategy:	We invest to serve clients more efficiently, creating and distributing relevant, personalised and innovative solutions.		
Supported by a prioritised investment portfolio:	We are deliberate in tilting our portfolio to grow our franchises across Kenya and South Sudan and to grow a capital-efficient business.		
Resource allocation decisions subjected to client screening:	1. Strategy	2. Capability	3. Value
	Our purpose:	Our risk appetite and capability:	Our financial aspirations:
Our decision-making framework is aligned with our strategy and resource allocation requests are subject to client screening.	Does the opportunity add value to our clients, evidenced by measurable value and growth metrics? Is it driving growth in a manner that is scalable for the group?	<p>a) Is the opportunity within risk appetite?</p> <p>b) Can we use available resources to realise it?</p>	<p>a) Does it deliver revenue growth that supports our medium-term targets?</p> <p>b) Are the returns on the investment sustainably greater than the relevant cost of equity?</p> <p>c) Does it generate sustainable cash flows to support the group's dividend payment?</p>
	Allocation tested against risk appetite.	We regularly review and amend our risk appetite across segments and regions (Kenya & South Sudan).	
Progress measured against set targets.	We develop, refine and track metrics that are easy to understand and measure, are actionable and align with our strategy.		
Robust scenario thinking and planning.	Our scenario planning is a structured process designed to stretch thinking and better inform decision-making. It challenges leaders to think clearly about the present and creatively about the future.		
	The relevance of the group's strategic priorities is tested against selected scenarios and we adjust the initiatives that underpin their achievement to ensure that our strategy remains effective and achieves our purpose, and that our resource allocation is optimal.		

Measuring our strategic progress

We have measures and targets in place that we track and use to assess the progress we are making in executing our strategy to achieve our medium-term financial targets. Our six value drivers are used to measure our performance and the value we aspire to create for all our stakeholders. The metrics we use are regularly assessed to improve their coverage, accuracy, depth and consistency.

OUR VALUE DRIVERS



OUR THREE-YEAR STRATEGIC JOURNEY

The 2023 financial year marked the end of the successful implementation of the Group's three-year (2020-2023) strategy, which achieved significant milestones as outlined below.

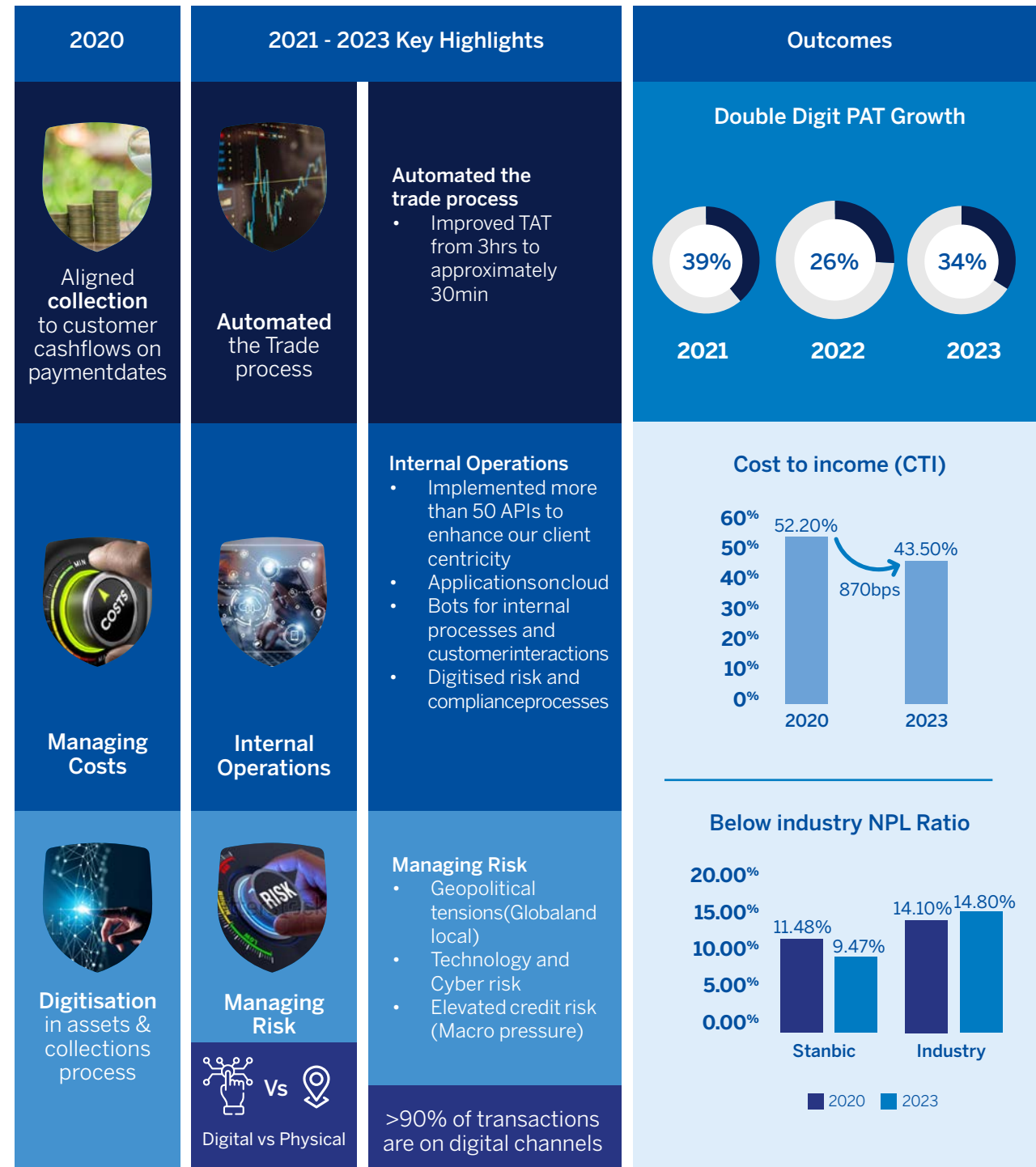
MARKET POSITIONING Delivering Sustainable Returns



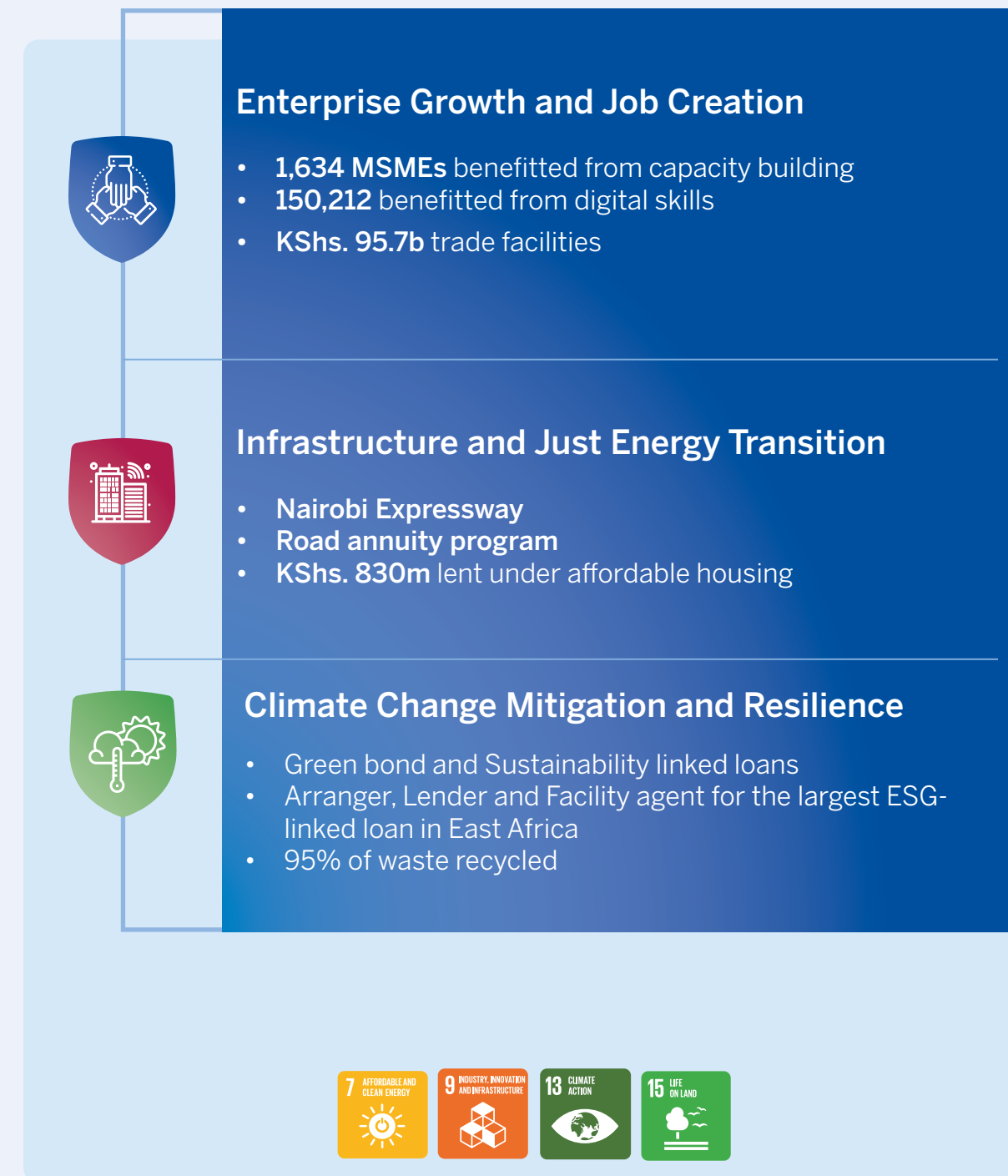
THREE-YEAR PERFORMANCE HIGHLIGHTS AGAINST STRATEGIC PRIORITIES 1. TRANSFORMING CLIENT EXPERIENCE



2. EXECUTING WITH EXCELLENCE



3. DRIVING SUSTAINABLE GROWTH & VALUE



Financial Inclusion

- KShs. 208m in grants and catalytic funding
- KShs. 19.3b loans issued to D.A.D.As (women) since inception
- Inclusive resourcing
- 6.54% of our 2023 procurement spend was to women-owned vendors.

Corporate Social Investment Education

- Education Sponsorships – 116 students sponsored
- Brigid Koskei Foundation Fees for 50 students, desks and water tank for the school
- School Feeding Program – 1,529 students fed daily, over 231k meals served
- 624 computers donated

Health

- 192 ventilators donated
- 845 SMEs in health sector trained
- Over 36k screened for cancer free of charge

Signatory to UN Global Compact

Diversity & inclusion

Total staff compliment

- Male : Female – 52:48
- Differently abled – 6 staff
- Youth – 33%

- 2023 - Rolled out a Graduate Training Program (24 graduates on an 18 - month program)

Senior management

- 38% of women at senior management level

Board

- 33% females at board level

LOOKING AHEAD

2024 TO 2026 STRATEGIC OUTLOOK

In 2024, the Group commenced the execution of its new three-year strategy, that will run until 2026. Under this strategy, the Group aims to build a more significant Bank in the region, doubling down on its areas of strength, and narrowing its focus to fewer high-impact initiatives.

STRATEGIC PRIORITIES

1

Transform Client Experience

⇒

2

Execute With Excellence

⇒

3

Drive Sustainable Growth and Value

⇒

OUTCOMES

14 -16%

Revenue Growth CAGR

+50

NPS Score

41- 43%

Cost-To-Income Ratio

<9%

NPL Ratio

23-25%

Return On Equity

Well Positioned For The Future

Strong Growth Prospects

Healthy Balance Sheet

Skilled Workforce

Robust Business Model-Banking, Insure, Invest and Beyond

Trusted Brand

Sustainable Community Engagement

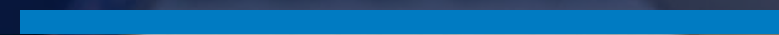
As we embark on our new strategic journey for the period 2024-2026 under the theme “One Stanbic,” I am confident that we will be able to consolidate our progress and success in creating a truly outstanding bank. I want to assure all of our stakeholders that they will continue to be an important part of this journey, and that everything we do will be in their best interests.

Joseph Muganda, Board Chairman



04 THE VALUE WE CREATED IN 2023

CLIENT FOCUS	70
EMPLOYEE ENGAGEMENT	81
RISK AND CONDUCT	87
OPERATIONAL EXCELLENCE	88
POSITIVE IMPACT	92



CLIENT FOCUS

OUR SOCIAL AND RELATIONSHIP CAPITAL

We exist to drive sustainable growth and value for our clients in all that we do, whether they are corporate clients, business banking clients, or personal banking clients. In an ever-changing banking landscape, our goal is to continually transform our client's experience while executing with excellence through our always-on, always secure and future-proof platforms. Our employees are at the centre of this agenda and are driven by our cultural priorities that guide how we need to behave to deliver our purpose and people's promise.



Our Goal is to continually transform our client's experience while executing with excellence through our always-on-always secure future-proof platforms' automation and digitisation.

HOW WE CREATE VALUE FOR OUR CLIENTS

We create value for our clients through four banking units namely, Personal and Private Banking, Business and Commercial Banking, Corporate and Investment Banking, SBG Securities and our newest unit, Insurance and Asset Management.

How We Measure Progress

As a client-focused organisation, we constantly monitor the level of client satisfaction throughout the year to address any gaps in the quality of service we offer to them.

KEY METRICS

Net Promoter Score (NPS)

NPS indicates the likelihood of a client recommending the Group 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 that we have 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 all our current and potential clients. Tracking the uptake of these products informs our approach to further support these clients, 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.



HIGHLIGHTS FROM OUR BUSINESS UNITS

1. Corporate & Investment Banking: How we support our clients to make positive contributions to the economy

The Corporate and Investment Banking (CIB) business expanded rapidly, ranking among the top three largest CIB businesses in the country and receiving the award for best investment bank and World's best custodian bank in Kenya. Our bottom line as a unit grew by double digits in the financial year under review, with CIB's balance sheet expanding significantly, positively contributing to the group's overall revenue growth and profitability.

Our ESG policies have continued to guide our investment decisions in the industries we support, with a strong preference for green initiatives or environmentally friendly projects. We continue to be deliberately selective about the clients we work with, and our KYC policies are designed to provide a comprehensive picture of who these clients are, including an understanding of the industries they operate in, their business ethics and code of conduct, as well as ensuring that we are not inadvertently engaging in conduct or business with clients who do not share our values and vision.

Some of the areas we support include the energy sector, particularly the energy transition agenda from traditional hydrocarbons to renewable energy. We also continue to play an important role in infrastructure development, telecommunications, media, and transportation, as well as consumer services and the emerging fields of fintech and technology.

Key examples from the year under review include our participation as arranger, lender and facility agent for the largest ESG linked loan in East Africa (KShs. 15 billion) and our support for M-Kopa Solar, the world's leading pay-as-you-go energy provider for off-grid homes.

Our China corridor is another area where we are placing a high priority. For example, the Nairobi Expressway has been a key partner from its inception to date. As a financial partner, we also supported the establishment of the Nairobi Global Trade Center (GTC). We also remain a critical partner to the Kenyan government, having participated in several infrastructure projects.

Aside from lending, we continue to provide our clients with the necessary non-financial support to realize their dreams and aspirations. Some of the client initiatives we have carried out include assisting our multinational partners by leveraging our African and international presence. In this regard, our investment

banking advisory team has played a key role in opening up investment corridors for foreign investors looking to establish a base in the country, thereby significantly contributing to the region's foreign direct investment.



Looking ahead, our commitment as a business unit is to maintain sustainable growth while staying ahead of the market.

“Throughout the year, we focused our efforts on providing bespoke and sophisticated product responses for our clients, assisting them in contributing to the growth of our economies in Kenya and South Sudan.”



Alakh Kholi, Head - Corporate and Investment Banking

SUMMARY PERFORMANCE OF CORPORATE AND INVESTMENT BANKING (CIB)

	Dec 2023 KShs. m	Dec 2022 KShs. m	% Change
Net interest income	13,410	10,198	31%
Non-interest revenue	10,611	9,393	13%
Total income	24,021	19,591	23%
Operating expenses	(8,874)	(7,179)	24%
Pre-provision profit	15,147	12,412	22%
Credit impairment charges	(1,142)	(1,738)	(34%)
Profit before tax	14,005	10,674	31%
Tax	(4,028)	(2,644)	52%
Profit after tax	9,977	8,030	24%
Customer loans and advances	167,178	144,373	16%
Customer deposits	153,495	132,392	16%

Growth Drivers



- Growth in interest income as a result of growth in loan book
- Continued strong performance in trading revenue on account of increased client flows and higher margins in the year compared to prior year
- Diversified Investment Banking fee income streams
- Growth in customer loans and advances was mainly driven by increased working capital needs from our clients
- Growth in customer deposits mainly current account balances

New Products in 2023

Fixed Income forwards

- The product helps investors hedge re-investment risk and deepen financial markets by allowing clients to take positions in fixed-income securities against anticipated future cash flows.
- It's also enhancing clients' capacity to participate in trading government securities.
- It also supports increasing liquidity in the secondary markets.

Credit-linked deposits

- The product enables clients to indirectly purchase Eurobonds from Stanbic.
- The product supports clients in increasing and diversifying their revenue portfolios while also giving them access to a fixed-rate product.

KargoPay

- A billing and settlement solution created in partnership with Kenya Ports Authority.
- The solution automates the management of customer deposits by enabling a self-service capability where clients can manage their payments to KPA using digital wallets.
- Allows clients to make payments to KPA on a real-time basis from Kenya and the regional partner countries with instant settlement of funds to KPA's Bank accounts.

Multi-currency repos

- The product enhances the client's capacity to trade in non-vanilla products while also supporting them in increasing and diversifying their revenues.

2. Business & Commercial Banking: How we create value through strong relationships with our BCB clients

Our Business and Commercial Banking (BCB) franchise focuses on providing financial and non-financial support to our commercial banking clients, which include second-tier corporations and large family-owned businesses. We also serve small and medium-sized enterprises (SMEs), which are recognized for their critical role in our economy.

In commercial banking, we are focusing our priorities on sectors that drive economic growth, such as manufacturing, agribusiness, the public sector, non-governmental organisations, and professional services. We serve our SME clients through an ecosystem approach, which includes providing banking services to our corporate clients' suppliers, distributors, and dealers.

Our approach to serving our BCB clients is based on our strong relationships with them, rather than the products and services we offer them. That way, we

can thoroughly analyze a client's requirements and, as a result, design a financial structure that meets their needs, informed by our strong capabilities and expertise.

We provide our BCB clients with solutions such as financing their working capital and expansion needs, as well as payment and collection capabilities for imports and exports. In addition, we provide these clients with advisory services on critical issues affecting their industries and participate in industry thought leadership forums.

SUMMARY PERFORMANCE OF BUSINESS AND COMMERCIAL BANKING (BCB)

	Dec 2023	Dec 2022	
	KShs. m	KShs. m	% Change
Net interest income	5,939	4,129	44%
Non-interest revenue	2,768	2,327	19%
Total income	8,707	6,456	35%
Operating expenses	(4,264)	(3,447)	24%
Pre-provision profit	4,443	3,009	48%
Credit impairment charges	(3,407)	(1,338)	>100%
Profit before tax	1,036	1,671	38%
Tax	(321)	(404)	(21%)
Profit after tax	715	1,267	44%
Customer loans and advances	39,820	38,670	3%
Customer deposits	79,951	65,443	22%



Growth Drivers

- Growth in net interest income as a result of growth in customer loans and deposits
- Increase in non-interest revenue supported by good client flows and growth in trade volumes
- Increased credit risk as a result of accelerated provisions for some names
- Increase in customer loans due to increased working capital requirements by our clients
- Growth in customer deposits mainly because of growth in transactional account balances

Enhancing client experience for BCB

To improve the client experience in the BCB space, we have developed appropriate remediation strategies to address any concerns raised by our clients. We, for example, formed a client committee to create detailed client experience charters, which will be tracked in governance forums and discussed at the country's executive meetings.

We are also working closely with technology colleagues to continuously ensure the stability of our systems, with the overarching goal of ensuring that our systems,

particularly our mobile channels, are always available. On product knowledge, we have implemented mechanisms to ensure that our Relationship Managers are well-versed in our products. We created "Tuesday School" to address specific gaps in product knowledge and overall client engagement.

Our response is to ensure that we have the right people, that our teams are well-equipped and trained, and, most importantly, that we can provide digital solutions that allow our clients to access services 24/7.

New Products in 2023

Farmer financing for tea farmers

- Loans to tea farmers

Digital loans for tea buyers and brokers

- Pre-approved loans based on trading data on the Electronic Bill Board (EBB) system

Digital Solutions

- Tech Connect Account – Convenient and easy banking for technology companies / start ups
- Digital onboarding for Business

Opportunities going forward



Looking ahead, we continue to identify significant opportunities in developing economic sectors where we can add more value to our clients and also support the growth and development of the economies in Kenya.



Our approach to serving our Business and Commercial Banking clients is based on our strong relationships with them, rather than the products and services we offer them. That way, we can thoroughly analyse a client's requirements and, as a result, design a financial structure that meets their needs, informed by our strong capabilities and expertise.



Florence Wanja, Head - Business and Commercial Banking

3. Personal & Private Banking: A truly digital and human bank

In 2023, we achieved impressive growth in Personal and Private Banking, increasing our profitability significantly, which is a true demonstration that we are living our purpose of making dreams possible by meeting clients' needs.

Throughout the year, our commitment to delivering exceptional value to our clients remained steadfast. A primary focus was aiding our clients in navigating the challenging business landscape marked by escalating interest rates, new taxes impacting customers' disposable income and a surge in social engineering attempts. We supported our clients to overcome these headwinds by delivering personalized financing solutions through risk-based pricing, affordability reviews, facility restructures and partnering with the Government via KMRC to provide affordable housing solutions.

Additionally, safeguarding our clients' investments and fostering their growth was paramount which we achieved through competitive Savings and Insurance offerings. Beyond financial solutions, we also ensured our digital platforms are not only Always On but more

importantly Always Secure and fortified by actively educating clients on fraud prevention.

Our strategy is to continuously adapt to the evolving market conditions while seizing emerging opportunities. To effectively respond to this dynamic environment, we have outlined our roadmap to becoming both a fully digital and deeply human bank. We understand that while our clients require banking services, they may not always seek a traditional banking experience.

Therefore, we are repositioning ourselves to seamlessly integrate banking services into their daily lives, striving to become indispensable partners in facilitating their transactions and meeting their financial needs.



We recognize that, while our clients require banking services, they do not always require a bank. So we're repositioning ourselves to offer banking services as part of their daily lives,



Looking ahead, the PPB unit will continue to have a positive impact on society by promoting financial inclusion in general and financial literacy for women. We also intend to continue doubling down on our data program to deliver relevant value to our clients more quickly.

Our overall ambition is to become the bank that increases our clients' wealth and provides an exceptional banking experience.



Abraham Ongenge,
Head - Personal and Private Banking

SUMMARY PERFORMANCE OF PERSONAL AND PRIVATE BANKING (PPB)

	Dec 2023 KShs. m	Dec 2022 KShs. m	% Change
Net interest income	6,289	4,809	31%
Non-interest revenue	1,760	2,039	(14%)
Total income	8,049	6,848	18%
Operating expenses	(4,584)	(4,335)	6%
Pre-provision profit	3,465	2,513	38%
Credit impairment charges	(1,687)	(1,868)	10%
Profit before tax	1,778	645	>100%
Tax	(509)	(113)	(100%)
Profit after tax	1,269	532	>100%
Customer loans and advances	53,511	52,843	1%
Customer deposits	87,785	73,682	19%



Growth Drivers

- Growth in interest income as a result of margin improvement and balance sheet growth
- Improved asset quality and proactive collections efforts
- Marginal growth in customer loans reflecting challenging operating environment for most households
- Growth in deposits supported by liabilities campaigns

4. Insurance and Asset Management:
We are charting new growth paths for our clients.

The Insurance and Asset Management unit is relatively new but the underlying businesses that provide non-banking financial solutions to our clients have been in operation for a number of years. We distribute life and general insurance solutions to the Group's clients through Stanbic Bancassurance Intermediary Limited. We also distribute investments solutions and drive financial literacy through our Financial Fitness Academy.

We conduct Financial Fitness Academies to both potential and existing Group clients to drive financial literacy. In 2023 we conducted 45 financial fitness academies and reached an audience of over 3,500 individuals.

The investments distribution team supports clients in meeting their investment objectives. This is achieved through a range of investment solutions that include equities and fixed income products.

As an insurance intermediary, we work with life and general insurers to provide insurance solutions for our clients. For example, we provide SME clients with both business protection and employee coverage solutions.



To improve our clients' experience, we have begun the process of digitizing our product offerings to provide them with a seamless experience. In addition to introducing new products, we are also increasing our distribution capabilities through our branch network.

SUMMARY PERFORMANCE OF INSURANCE AND ASSET MANAGEMENT (IAM)

	Dec 2023 KShs. m	Dec 2022 KShs. m	% Change
Net interest income	9	5	80%
Non-interest revenue	529	521	2%
Total income	538	526	2%
Operating expenses	(259)	(244)	6%
Profit before tax	279	282	(1%)
Tax	(84)	(85)	1%
Profit after tax	195	197	(1%)

Growth Drivers

Increased revenue due to:
Growth in bancassurance business partly offset by slowdown in investments revenue as a result of a challenging operating environment.



Anjali Harkoo, Head - Insurance and Asset Management

“ In addition to introducing new products and capabilities this year, we are working to integrate our investment and insurance solutions into the Stanbic Bank app and other channels. ”

5. SBG Securities:
The No.1 equities broker by market share

SBG Securities Limited (SBGS) is a subsidiary of Stanbic Holdings Plc, licensed to operate as an Investment Bank by the Capital Markets Authority and is also a member of the Nairobi Securities Exchange. SBGS is a full service Investment Bank offering Advisory services, cash equities and fixed income execution, and investment research services, serving both institutional and retail client segments.

We have also continued to support financial deepening and capital market depth by democratising the products we provide and making them more accessible.

We also collaborate with issuers to launch new asset classes aimed at broadening and diversifying the securities markets, such as green bonds, project bonds, and other structured products.

SUMMARY PERFORMANCE OF SBG SECURITIES LIMITED

	Dec 2023 KShs. m	Dec 2022 KShs. m	% Change
Brokerage income	118	97	22%
Other revenue	293	82	>100%
Total income	411	179	>100%
Total expenses	(234)	(182)	2%
Profit before tax	177	(3)	>100%
Tax	(28)	1	(>100%)
Profit after tax	149	(2)	>100%



Growth Drivers

This performance reflects:

- Significant growth in revenue year on year, mainly driven by increased market share and growth in advisory revenue
- Overall, SBG Securities was ranked 1st in equities trading, with a market share of 41% compared to the 2nd position held in the previous year with a market share of 11%



Looking ahead, we are working to ensure that we are future-ready by developing futuristic products and services to meet the needs of emerging clients and providing delightful and meaningful services to our clients. Despite the challenging macroeconomic environment, we remain optimistic as a company, with the goal of maintaining market leadership in the years ahead.



Gregory Waweru, Chief Executive, SBG Securities

“ We have continued to support financial deepening and capital market depth by democratising the products we provide and making them more accessible, while also collaborating with issuers to launch new asset classes. ”

6. Brand & Marketing: How we build connections with our clients and stakeholders through brand activities

Through our brand initiatives, we aim to create unique connections while also fostering mutual and long-term growth for our clients, employees, and partners. We continued our strategic engagements with our clients and other stakeholders throughout the year, using a variety of brand assets to build deeper connections and relationships.



For example, 2023 marked our second year organizing the highly anticipated Stambic Yetu Festival, which featured an exceptional lineup of Kenyan and international music and was headlined by Boyz II Men, one of the most iconic R&B groups in music history. Through this event, we offer Kenyans and the region a one-of-a-kind, unforgettable, and authentic live music experience that leaves a lasting impression and appreciation for our brand.

We also sponsored close to 20 golf tournaments throughout the year, allowing us to engage with our clients and stakeholders while also bringing people together to network and form meaningful connections. We engage and strengthen networks with county-based stakeholders such as governors, local leaders, and entrepreneurs as a result of these activities.

Responsible marketing and advertising



Our marketing function has been deliberate in ensuring ethical and responsible marketing and advertising practices by treating clients fairly and ensuring that what we advertise corresponds to what we can deliver. For example, we always make sure that our terms and conditions (T&Cs) are clearly stated, and that if a campaign requires the client to check the T&Cs on the website, the information is easily accessible.

Key brand milestones in 2023

- ⇒ Hosted 2nd Stambic Yetu Festival
- ⇒ 20 golf tournament sponsorships
- ⇒ High-profile media engagements
- ⇒ Accelerated thought leadership



“ Throughout the year, we continued to scale our strategic engagements with our clients and other stakeholders using a variety of brand assets to build deeper connections and relationships with them. ”

Lilian Onyach,
Head, Brand and Marketing

EMPLOYEE ENGAGEMENT

OUR HUMAN CAPITAL

Introduction

There can be no strategy without people, and our employees are valuable assets in advancing our business and organisational goals. As a result, our employees are an essential component of our organization’s strategy. As such, our primary goal in terms of human capital deployment to support our strategic priorities and outcomes is to ensure that we hire the right talent for the various roles, with the necessary skills to perform their duties.

HOW WE MEASURE PROGRESS

KEY METRICS



Employee engagement eNPS

Our anchor measure of employee engagement is our employee net promoter score (eNPS). This is an indicator of how likely an employee is to recommend Stambic as a good place to work. We measure eNPS annually through a survey of our people’s perspectives across our business both in Kenya and South Sudan.



Diversity and inclusion

We measure the proportion of people across the organisation from underrepresented groups and assess their qualitative experience of the work environment through an in-depth analysis of employee survey results.



Measuring our strategic progress

Everything we do is intended to meet the needs of our clients. We strive to understand our clients as deeply and empathetically as possible, and then use our human skills and digital capabilities to help them meet their needs and achieve their objectives.



Employee retention

We measure employee turnover as the percentage of employees who left us during the year. We particularly focus on measuring regrettable turnover –the percentage of employees leaving who are rated as good performers.



Employee development

We measure the investment we make in our people by tracking the average number of hours that employees spend on learning and the percentage of that time invested in honing skills that will ensure that they remain future-fit.



Translating our strategy into execution

- **Enabling the workforce of the future** – finding and keeping the right people with the right skills to realise our future ambitions.
- **Accelerating leadership effectiveness** – creating the ideal conditions to transform the business and deliver on the promises we make to our people and our clients.
- **Strengthening our positioning as an employer of choice** by offering a competitive value proposition to current and prospective employees.

“ Although overall eNPS declined, it remains healthy, and we are confident that appropriate cultural interventions will produce positive results. Other important metrics, such as employee engagement and organizational alignment scores, were positive in both countries. ”

Neema Onsongo, Head, Human Capital

Our priorities in 2023

In 2023, we continued to align our human capital with our strategic priorities, which include transforming the client experience, executing with excellence, and driving sustainable growth and value. We worked hard to create a Stanbic culture that would bring out the best in our employees by increasing productivity, attracting the best talent on the market, fostering diversity, and holding people accountable for their responsibilities.

We ended the year with **1,129 employees, up from 1,045** the previous year, to support our strategy.

Our focus for the year was on developing capabilities in accordance with the business's skills and human capital development requirements, as articulated in our strategy.

We fully adapted to the post-pandemic work environment, implementing a **100% return-to-office** to assist employees in adjusting and continuing to settle down.



Key highlights for 2023

	2023	2022	2021
Permanent Employees	1129	1045	1005
Gender Parity	48% Female (546) 52% Male (583)	47% Female (500) 53% Male (545)	47% Female (469) 53% Male (537)
Contract & Commission Earners Employees	Contract: 27 Commission Earners: 54	Contract: 29 Commission Earners: 78	Contract: 44 Commission Earners: 38
Gender Parity in Senior Management and above	34 Female 56 Male	36 Female 55 Male	36 Female 51 Male
Gender Parity in Board	3 Female 6 Male	3 Female 6 Male	5 Female 4 Male
Employees living with disability	3 Female 4 Male	3 Female 4 Male	5 Female 3 Male
Age Breakdown	Below 30 years – 11% 30-40 years – 52% Above 40 - 37%	Below 30 years – 11% 30-40 years – 57% Above 40 - 32%	Below 30 years – 6% 30-40 years – 62% Above 40 - 32%
Management (SBG 11 and above) Non-Management (SBG 5 – SBG 10)	Management 40% (448) Non-Management 60% (681)	Management 40% (423) Non-Management 60% (622)	Management 41% (408) Non-Management 59% (598)
New Hires	195	145	69
Exits	114	110	50

Improving Employee Performance

We strive to ensure that our employees are fully engaged and can do their best work. In terms of productivity, we focused on each employee's key performance metrics. As a result, the **Performance Improvement Programme (PIP)** is intended to provide employees who do not meet set work thresholds with an opportunity to improve. Where separation is unavoidable, it is carried out in accordance with the organization's policies as well as existing employment laws and procedures. Fortunately, many employees on the PIP program improve and are thus retained within the organization.



In 2023, there were **195 hires (2022:145)** and **114 exits**. We hired more employees to meet the growing strategic needs of the business, particularly in the area of client focus.

In 2023, we also implemented an onboarding survey to ensure that new employees are seamlessly integrated into the business. This also provided us with detailed information about their expectations and experiences with the organisation.

Entrenching a culture of learning

The Group continues to emphasize a learning culture, as evidenced by an increase in annual training spend per employee. Employees completed **65,593 hours** of training, compared to **61,412** the previous year.

The Bank invested **KShs. 58 million** in employee learning and development (2022: KShs. 54 million), with the Graduate Training Programme benefiting **24 graduate trainees**.

Key Learning Initiatives and Activities for 2023

- To create sufficient talent pipelines with future-ready scarce, we rolled out the East Africa Graduate Training Program which has a total of **74 graduates** comprising **24** from Kenya and the rest from other East African countries where we have a presence.
- Run the 3rd cohort of the Ignite Female Leader programme where **43 female leaders** graduated.
- To create a shared purpose to drive the right results, we facilitated bank-wide leadership conversation, we also held Top 150 leadership summit, among others.
- As part of building internal succession pipelines **14 senior leaders** completed Adaptive Leadership Experience which is offered by Henley Business School
- To enhance leadership capability and enable them to excel both at the Country and Group level two executives attended Advanced Management Programme offered by Strathmore Business School.
- Various leaders based on their cadre attended Core Leadership Courses offered by the GLC.

Key highlights for 2023

YEAR	2023	2022	2021
Amount Invested	KShs. 58 million	KShs. 54 million	KShs. 43 million
No. of Hours Training	Total 65,593	Total 61,412	Total 72,757
	Instructor Led - 23,576 e-learning/ online - 42,017		Virtual Classroom - 18,060 e-learning/ online - 54,697
Annual average Learning hours	56.5 hours per employee	Average Time Spent Learning per Employee 56.4 hours	70 hours per employee
Employees Trained	Instructor Led- 1,159 (an employee can attend more than one learning intervention in the year)	Instructor-led- 1,188 An employee can attend more than one learning intervention in the year	Instructor-led- 1,604 (an employee can attend more than one learning intervention in the year)

Ignite Female Leaders Programme

Our commitment to diversity and inclusion remains a key focus for us. Through this we remained bold in building capability for our female leaders so as to create pipelines for them to competitively rise in to managerial/senior managerial and executive roles within the Group. During the year 42 female leaders graduated from the programme. Cumulatively 130 female leaders have graduated from the programme with a lot of success stories where significant number of Female Leaders growing into Senior managerial and executive roles within the group.



Graduate Trainee Programme

We launched the Regional Graduate Trainee Program spanning across Kenya, Tanzania, Malawi and Uganda. This cross-boarder program was conceptualized to build a learning ecosystem comprised of young professionals who have recently graduated from tertiary institutions. The strategic aim of this initiative is to strengthen our internal talent pipeline, build a future ready workforce, develop skills for critical roles, build capacity for rare skills and ultimately become the employer of choice brand.



Promoting Occupational Health and Safety



Occupational Health and Safety (OHS) is critical to creating a positive and safe work environment for our employees. As a result, we have continued to promote employee wellness, including through partnerships in the health care sector.

A notable wellness intervention was Ear, Nose, and Throat (ENT) care for employees in our call centers, who are more susceptible to ear problems due to the nature of their work. As a bank, we also took part in the Kenya Bankers Association Games to encourage employees to engage in regular physical activity and promote their health and wellness.



Employees are also actively involved in contributing to society through a variety of sustainability initiatives.

Despite these various initiatives, our Employee Net Promote Score (eNPS) in Kenya fell by 2 basis points, from +35 to +33, and by more than 20 basis points in South Sudan. This massive drop in South Sudan is due to an uncertain political environment, which influenced employee perceptions.

Although overall eNPS declined last year, it remains healthy, and we are confident that appropriate cultural interventions will produce positive results in the future. Other important metrics, such as employee engagement and organizational alignment scores, were positive in both countries.





Creating a shared sense of purpose

Listening to our employees is critical for creating a sense of shared purpose and driving the right results. We facilitated a bank-wide discussion titled "Tokea Tubonge with the CEO."

This is a series of town hall meetings in which the CEO interacts with employees at all levels, generating feedback that feeds into our employee engagement agenda.



Promoting diversity and inclusion

To drive sustainable growth and value for our stakeholders and society as a whole, we have continued to embed diversity and inclusion in our operations.

We are constantly reviewing our employee structure to ensure a healthy balance of males and females, and we are getting close to achieving full gender parity with a female-to-male employee ratio of 48:52.

Our inclusion agenda includes differently-abled employees and how we meet their needs by providing appropriate amenities such as ramps for easier mobility within our facilities.

In terms of age diversity, our workforce is diverse, with **11% under 30, 52% between 30 and 40 years old, and 37% over 40.**

As a law-abiding citizen, the Group adheres to international and domestic human rights law, as well as good governance practices. We encourage and train employees to act in good faith and with integrity in everything they do.

Rewarding employees fairly is also important for business growth, even as we continue to provide them with the technology and tools they need to contribute to the company's long-term growth and sustainability.

Going forward, we will strive to remain an employer of choice by maximizing the potential of our employees at both the individual and team levels to create value for our clients and contribute to our company's overall success.



Material Issues

- Compensation and Benefits
- Communication
- Cross-team collaboration
- Growth and development

How We Responded

- **Compensation & Benefit:** Continue the journey of fixing compa-ratios and educate leaders on the Group-reward philosophies.
- **Communication:** Enhance communication and business updates through Tubonge na CE sessions /Town hall in addition to monthly departmental meetings for different areas/units. We also launched Stanbic News, a weekly newsletter that aims to keep our employees informed about all of the organization's major activities.
- **Cross-team collaboration:** Mandatory team building activities (Departments merge or collaborate for joint team buildings. We also revamped the team-building guidelines.
- **Internal hires:** 195 new hires in 2023, up from 114 in 2022 to meet the growing strategic needs of the business, particularly in the area of client focus.
- **Training spend:** We continue to emphasize a learning culture, with more than KShs. 58million spent on learning and development, up from KShs. 54 million in 2022.

RISK AND CONDUCT

OUR INTELLECTUAL CAPITAL

Doing the right business, the right way

RISK

Our risk-management system is governed by mandated board and management committees with appropriate expertise. We take measured risks within the risk appetite set at Group level by the Board, and risk limits that are set and reviewed regularly by the relevant management committees at legal entity and other appropriate levels of the Group.

Our risk measurements are designed to balance regulatory capital requirements and shareholder expectations for risk-adjusted returns. They allow us to carefully manage our

capital, liquidity and funding allocations to transform and grow the business, while maintaining depositor and creditor confidence. We continuously improve the management of complex non-financial risks in order to mitigate their impact as we pursue growth opportunities that create value for all our stakeholders.

In 2023, Stanbic navigated a challenging economic landscape while ensuring the security, resilience and sustainability of our operations. Our robust risk management framework, aligned with international best practices and King IV principles, played a critical role in safeguarding stakeholder value.

CONDUCT

We manage conduct risk in accordance with our conduct risk-management framework, which defines the Group's conduct risk appetite and informs the approach to managing and mitigating instances of misconduct.

Quarterly conduct governance dashboards are submitted to the leadership council, providing a view on the ethical climate within the Group. Conduct is evaluated, managed and monitored by the appropriate governance and management committees, using conduct risk indicators.

Where deficiencies are identified, immediate remedial action is taken. We continue to identify metrics and mitigation measures to improve the responsiveness and effectiveness of conduct risk controls.

Key highlights in 2023:



NPL Ratio
2023: 9.47%
2022: 11.09%
162bps



Liquidity Ratio (Bank)
2023: 40.2%
Statutory
Minimum:20%



Total Capital Ratio (Bank)
2023: 16.6%
Statutory
Minimum:14.5%



- Enhanced capacity and skills within the compliance function, including both the first and second lines of defense.
- Established internal controls function to support business units in identifying risks and implementing appropriate control frameworks.
- Established strategic partnerships with external entities for training law enforcement agencies across multiple jurisdictions on financial crime prevention.
- Increased compliance awareness through mandatory e-learning programs/training for all our staff.
- Actively addressed emerging risks like cyber security by leveraging expertise within the bank's information security and cyber security teams.
- Maintained strong relationships with regulators.

Compliance is [at the heart of] everything we do. Whether we are onboarding clients, developing a product, how we deliver these products to our clients, how we manage clients when they are inside the banking hall, how we manage our capital and deploy that capital into the various initiatives matters. We remain committed to doing the right business the right way.



Mary Runana,
Head of Compliance

OPERATIONAL EXCELLENCE

OUR MANUFACTURED CAPITAL

Our overall strategy requires that we execute with excellence across our operations. Operational excellence means we are invested in delivering continuous value to our clients through system and process efficiencies. We are committed to ensuring continuous improvement to our environment.

Our operational strategic priorities revolve around two key value drivers: system stability and security; and reducing cost to serve.

Data security and protection are therefore material concerns for our clients. We have therefore invested heavily in strengthening our capabilities around data protection in addition to robust measures to tackle fraud and cyber-security threats. In this, we are guided by the Data Protection Act 2019 and have appointed a Data Protection Officer to provide support across our business on issues related to data protection.

In addition to the Central Bank of Kenya Prudential Guidelines on handling of customer data, we have the internal Information Risk Policy providing a framework for data security.

We have also put in place safeguards at critical integration points in relation to third party vendors who interact with our system.

Metric	2021	2022	2023
System uptime	99.53%	99.69%	99.70%

Reducing the cost to serve

We believe that reducing the cost of delivering services is one way of generating additional value for our clients and society at large. Technology is a key enabler in integrating and simplifying our processes to make our products more accessible thus contributing to financial inclusion.

Reducing cost also allows for scaling of our platform to meet the evolving needs of our clients and the market. A major cost reduction initiative is automation. Our target is to eliminate all manual work across the ecosystem through automation, for instance, through use of robotics to support reconciliation processes across the business units.

Relieving employees of routine tasks that can be automated such as reconciliation frees them to focus

more on what is important to our clients thus further enriching the overall customer experience. We also use bots for internal processes and customer interactions, in addition to digitizing our risk and compliance processes.

In 2023, we achieved 98% automation of our reconciliation processes. Also, innovation of easily accessible products like mobile loans has reduced the cost of accessing these services.

As a result, our cost to income ratio declined to 43.5% in 2023 compared to 46.7% in 2022 and 50.9% in 2021, a strong indication of meeting our operational excellence targets through reduced cost-to-serve.

This cost saving impacted positively on our bottom line. Switching to local sourcing of hard currency translated into KShs. 100 million savings for the Group.

Metric	2021	2022	2023
Cost to income ratio	50.9%	46.7%	43.5%



“ We continued to prioritize initiatives geared toward strengthening the resilience of our operations, lowering the cost of delivering services to our clients, and promoting efficient resource use. ”

Charles Odawo, Head of Operations

2023 performance



We continued to prioritize initiatives geared toward strengthening the resilience of our operations, lowering the cost of delivering services to our clients, and promoting efficient resource use.

This required that we invest in the right technology and skills to drive our digitization agenda, achieve enhanced efficiency and drive innovation to give us a competitive advantage in the market.

During the year, we invested more than KShs. 50 million to enhance operational excellence.

Key highlights for the year include:

- Upgrade of the Bank's core system to enhance payments integration
- Client-centric SLA conformance at 98%
- Training of staff on cyber-risks throughout the year
- Over KShs. 100 million savings from switching of foreign currency sourcing to local industry suppliers
- Digitisation of reconciliation processes
- Continuous improvement through automation, reducing paper usage
- Introduction of eco-friendly, on-site water filtration system aimed at saving 10%-30% on costs and avoiding the use of plastic.
- Reduced consumption of electricity through use of energy-efficient LED bulbs and motion sensors in all meeting rooms
- 95% of waste generated internally was recycled
- 50% reduction in greenhouse gas emissions

Ensuring stable, secure systems

A key strategic value driver for the Group is the ability to deliver services to our clients 24/7 with minimal instability or disruption. Hence our mantra, Always On, Always Secure.

During the year, we achieved **99.70% system uptime**.

Incidents are reported when they happen to facilitate quick resolution. Our people are aware of what is happening and how to respond to issues.

Further, upgrades to our core banking system significantly improved the Group's payments capability. Given rapid digitization and innovation in financial services, building a future proof technology platform is imperative. We initiated a project to reduce time taken to do account maintenance. Our ultimate goal is to deliver self-service capability for the client.

We generate and at the same time manage a lot of data on our clients. We are data led, increasingly reliant on data analytics to understand our clients better and make more informed decisions that give us a competitive advantage in the market.

Technology driving innovation

Apart from ensuring efficiency, security and resilience of our system, technology is core to our innovation agenda. Trends reveal that clients are no longer visiting our branches as much as they used to. Instead, they want financial solutions at their fingertips wherever they are, anytime.

We rolled out a number of solution mostly geared to boosting our capabilities in mobile and internet banking. This has resulted in an increase in the volume of transactions conducted online or via phone. For instance, as at the end of 2023, we were pushing over 90% of our transactions through mobile.

Also, we have digitized several products to ensure they are available on the phone, including our lending products. Digital lending represents a big opportunity in the retail segment driven by increased mobile penetration rates. We have achieved 5% growth in the number of active clients on our digital platforms. As a Group, we have embraced a data-led product innovation and process optimization approach to identify the areas where we can create additional value for our clients and other stakeholders.

Among the key initiatives in 2023 were the integration of Application Program Interfaces (APIs) across our business units and increased digital lending via mobile phones. We implemented more than 50 APIs to enhance our client-centricity. We also increased the number of applications on the Cloud.

With regard to Personal and Private Banking (PPB), our focus was on transitioning into a converged internet and mobile banking platform and growing short-term lending on phones.

On Business and Commercial Banking (BCB), a key highlight was the integration of tea and coffee trading while for our Corporate and Investment Banking (CIB) business, we continued to provide customized solutions for transactional banking.

Automating our trade transactions, for example, resulted in a drastic reduction in turnaround time (TAT) from 3 hours to approximately 30 minutes.

Strategic partnerships

We continued to explore partnerships geared toward strengthening our capabilities, especially in cloud computing as we progress our digital-led process enhancement and simplification journey.

On cloud adoption, we partnered with two of the world's leading cloud solutions providers, Amazon Web Services for applications and Azure for Microsoft for collaboration using office tools. Over 50% of our core applications are now running in the cloud.

Building skills for excellence

The ongoing implementation of our digital agenda calls for our people to possess the right skills to deliver operational excellence in a tech-enabled environment. One of our focus areas is the people connection, that is, our employees need to know what is going on and how to respond when issues arise. Employees undergo monthly training on key aspects of our operations.

Using our resources responsibly

Efficient utilization of scarce natural resources like water and energy is an important aspect of the Group's sustainability goals. From an operational perspective, we made significant steps in reducing our resource footprint.

We substantially cut down on paper usage by digitizing most of our operations. Whereas previously we would print and scan thousands of documents for storage and archiving, we have now done away with printing, with the data now sent to the archives.

The same applies to energy usage, and the rollout of LED lighting technology has seen a drop in electricity consumption at the head office and branches. Additionally, we have installed motion sensors in our meeting rooms to ensure lights only go on when the room is in use. Smart metering is in its infancy stages with plans for full implementation by June 2024. We are also exploring solar as an alternative source of energy.

Another major intervention in resource conservation is changing the way we access water in our offices. Instead of buying bottled water, we have installed machines to purify tap water for drinking. There are plans to install a water treatment system. 95% of the waste generated internally is being recycled.



“Technology is a key enabler in integrating and simplifying our processes to make our products more accessible thus contributing to financial inclusion.”

Alex Siboe, Head of Technology

Supply chain transparency

Continuous strengthening of our supplies and procurement systems remains a priority. These include treating all suppliers fairly while upholding integrity and ethics in dealing with the parties involved.



Looking Ahead

Building on our achievements so far, we shall continue to strengthen our operations to realize optimal efficiency while reducing the risk of system instability and disruption. Lowering the cost to serve is an essential goal.

OPERATIONAL EXCELLENCE KEY PERFORMANCE METRICS



98%

automation of our bank reconciliation process



312bps

the reduction in cost-to-income in 2023 compared to 2022



99.99%

system uptime in 2023



50

number of APIs implemented to boost client experience



3hrs to 30min

the reduction in TAT for trade transactions due to automation



90%

number of transactions on digital channels



95%

of waste generated internally is recycled

POSITIVE IMPACT

OUR SOCIAL AND RELATIONSHIP/NATURAL CAPITAL

We are committed to **driving sustainable and inclusive economic growth while having a positive impact on people and the planet.** Achieving a positive impact is integral to our core business activities and is one of the six value drivers against which we assess our progress.

We strive to understand the needs and challenges of Kenya and South Sudan's people and deliver solutions to address these.

In 2018, we adopted **social, economic and environmental (SEE) impact** as a value driver and, at the time, identified seven core impact areas. In 2023, we refined this to four areas aligned to our core business activities and linked to specific SDG targets. We also continue to invest in our CSI programmes to make a difference in the lives of beneficiaries, help connect our people to our communities and to build pride in our brand.

HOW WE DRIVE POSITIVE IMPACT

We maximise positive impact through collaborative efforts between the Bank, Stanbic Foundation, and Stanbic's Rotary Club, demonstrating the power of partnerships in driving positive change and embodying the Group's commitment to creating a sustainable and inclusive future.

OUR IMPACT AREAS

1. Enterprise Growth and Job creation



SDG Target 9.3: Increase small enterprises' access to financial services, including affordable credit, and their integration into value chains and markets.

Stanbic focus

- Facilitate trade and investment
- Provide training, networking and access to markets for SMEs and MSMEs to promote sustainability and growth.
- Consumer education to support individuals and business owners to effectively manage, save and plan ahead.
- Strengthen the agriculture value chain

2. Infrastructure development and the just energy transition



SDG Target 7.1 and 7.2: Achieve universal access to affordable, reliable and modern energy services, and increase substantially the share of renewable energy in the global energy mix.



SDG Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Stanbic focus

- Enable just energy transition and support improved access to affordable energy
- Provide finance for critical infrastructure in sectors such as transport, manufacturing, telecommunications

3. Climate change mitigation and resilience



SDG Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.

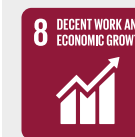


SDG Target 15A: Mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Stanbic focus

- Partner with our clients to support their transition journey and strengthen their resilience.
- Provide sustainable finance solutions to incentivise sustainable business practices.
- Provide climate-smart agriculture financing solutions.
- Provide green-aligned solutions for homeowners and business owners.

4. Financial Inclusion



SDG Target 8.3: Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of SMEs, including through access to financial services



SDG Target 11.1: Facilitate access to adequate, safe and affordable housing

Stanbic focus

- Provide relevant, accessible, cost-effective financial products and services, including digital products and services accessible without a bank account.
- Provide access to finance for SMEs and MSMEs.
- Provide solutions tailored to the needs of women and youth including microloans.
- Affordable mortgage finance and partnerships with the government to expand affordable housing uptake.

5. Corporate Social Investment



UN SDG 3 & 4

Our Corporate Social Investment (CSI) focus is on supporting improved access to quality education and health through the development of multi-year strategic partnerships with community organisations.



“We aim to continuously increase the Positive Impacts arising from our business activities and reduce negative impacts. We are committed to ensuring that our strategy is consistent with and contributes to society's needs and priorities, as expressed by the UN SDGs, the Paris Agreement, the African Union's Agenda 2062, and sustainable banking frameworks in our countries of operation. We take our responsibilities to society and the environment seriously, and we commit to being transparent and accountable for our impacts.”

Pauline Mbaya, Head - Stanbic Foundation



HOW WE PERFORMED

1. Job creation and Enterprise Growth



Stanbic made a substantial impact on Jobs and Enterprise Development in 2023, demonstrating a commitment to fostering economic growth and creating sustainable livelihoods. The bank's Positive Impact in this area was characterized by:



Entrepreneurship Support Programs: Stanbic implemented comprehensive programs to support entrepreneurship, offering training, mentorship, and financial assistance to aspiring and existing entrepreneurs. This facilitated the development of a vibrant entrepreneurial ecosystem, empowering individuals to start and grow their businesses.



Access to Finance for SMEs: Recognizing the pivotal role of small and medium-sized enterprises (SMEs) in economic development, Stanbic provided accessible and tailored financial solutions to SMEs. This included loans, credit facilities, and other financial instruments designed to address the specific needs of small businesses.



Skills Development and Training: The Group prioritized skills development by supporting training programs aligned with industry needs. This included partnerships with educational institutions and vocational training centers to equip individuals with the skills required in the evolving job market.



Stanbic Financial Fitness Academy™ has trained approximately 20,000 participants since its inception in 2017 mainly targeting clients of the Group. In 2023 we held 67 sessions with a total of 4,838 participants. Following the covid pandemic the program went hybrid with more sessions being delivered virtually enhancing the reach of the program beyond our physical presence. The program delivers foundational knowledge of financial literacy principles through the proprietary lens of our Wealth framework. The Wealth framework places participants in the program at the heart of a discussion that explores five themes: 'Create and Build', 'Live and Enjoy', 'Save and Invest', 'Share and Legacy' and 'Plan and Protect'. The program has also been interpreted for the needs of businesses. The program has become an effective tool in deepening our relationships with key customers as well as in seeking to mainstream the conversation on financial literacy and its role in financial empowerment.



Digital and Technological Innovation for Enterprises: Recognizing the role of technology in modern enterprises, Stanbic supported digital innovation for businesses. This involved providing resources and expertise to help enterprises adopt digital tools, improving efficiency, and enhancing competitiveness.



Inclusive Enterprise Development: Stanbic demonstrated a commitment to inclusive development by supporting enterprises led by women and marginalized communities. This inclusive approach aimed to create a more diverse and equitable business landscape.



Monitoring and Reporting on Job Creation: The Group implemented robust monitoring and reporting mechanisms to track the impact of its initiatives on job creation. This involved regular assessments, impact surveys, and collaboration with stakeholders to ensure that the initiatives were effectively contributing to employment generation.

Overall, Stanbic's Positive Impact in the area of Jobs and Enterprise Development in 2023 was characterized by a holistic approach encompassing entrepreneurship support, access to finance, job creation initiatives, skills development, youth empowerment, technological innovation, and a commitment to inclusive enterprise development.

These efforts collectively contributed to building a resilient and dynamic economic landscape.

Case Study: The Story of Meditrust Healthcare Services



The Stanbic Foundation Impact: USD 50,000 Grant

The pivotal moment came when Pamela seized the opportunity presented by the Stanbic Kenya Foundation and United States Africa Development Foundation grant which Meditrust won after a rigorous competition process involving over **587 entrepreneurs**.



The grant allowed Meditrust to:

- Build a modern maternity facility.
- Invest in life-saving equipment.
- Expand Services.

In Mombasa County, Pamela Makokha and her husband, Dr. Luke Odiero, dreamt of providing comprehensive healthcare services to their community. Starting with a two-roomed clinic in 2001, Meditrust Healthcare offered basic care but lacked the resources to deliver a full range of maternity services. This was a critical gap, as many women in the area lacked access to safe childbirth options.

Case Study: Transforming fish value chains for marginalised communities in Turkana



The firm manages solar-powered cold chain management hubs thus reducing post-harvest fishing losses. According to Evans Kimani, the managing director, Adili seeks to integrate sustainable fish farming and processing with renewable energy solutions. "Our initiatives are focused on supporting marginalised communities to enhance resilience against climate change by providing advanced cold storage and fish processing facilities," he says.

The funds will be utilised in revamping the fish processing infrastructure, including supplying ice to the fishers. Once complete, the project is expected to directly benefit 300 fishers and indirectly provide livelihoods for over 1,500 people in the community. On the market side, the project will supply 60 retailers who will now receive better quality produce thereby improving their earnings.

By improving access to markets, Adili empowers fishing communities to tap into the blue economy space. "Our innovative renewable energy solutions enable sustainable fish supply chains. The solutions we provide help address challenges like lack of suitable storage facilities leading to spoilage as fish is a highly perishable commodity," explains Kimani.

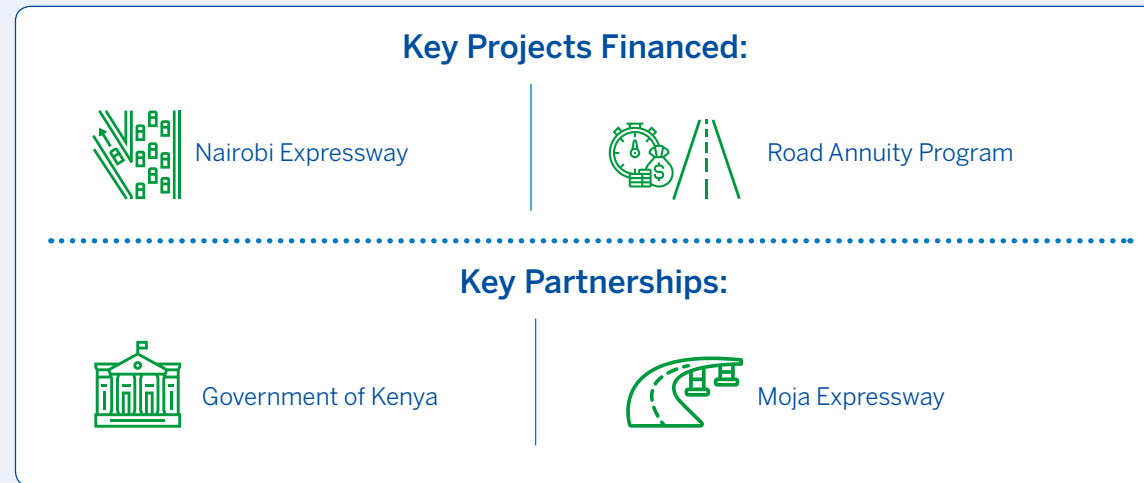
Stanbic Kenya Foundation has partnered with various organisations like USADF to provide affordable credit to Small and Medium Enterprises (SMEs) in the form of financial grants of up to KShs. 5 million to build their capacity and access to markets. It also supports in transitioning them into commercially viable enterprises thus achieving sustainability.

Adili Solar Hubs Limited is a youth-led social enterprise specialising in energy, water and food projects in rural communities. Adili is mainly focused on building resilient fish value chains in marginalised communities by establishing renewable energy-powered cold storage and fish processing facilities.

In 2023, Adili received a USD 50,000 grant from the Stanbic Kenya Foundation in partnership with the United States Africa Development Foundation (USADF) to expand its cold chain hub facility in Turkana County. The financial support has played a critical role in enabling the social enterprise to scale up its operations in the fish value chain.

"We are grateful to the (Stanbic Kenya) Foundation and United States Africa Development Foundation for walking this journey with us. The grant will enable Adili to empower fishers to earn higher income by reducing losses occasioned by poor storage of fish. As a social enterprise, we can achieve optimal scale towards sustainability," he adds.

2. Infrastructure development and the just energy transition



Key Achievements in 2023

Stanbic made significant contributions to infrastructure development in 2023, demonstrating a commitment to fostering economic growth and improving the overall quality of life. The bank's impact in the area of infrastructure was characterized by:

Strategic Project Financing: Nairobi Expressway

Stanbic is the main banker for Expressways staff. Stanbic is one of three banks who act as collection partners

Stanbic facilitating positive impact to society

- Created jobs for over 6,000 local staff during the construction phase.
- Cement and Steel worth 40% of the contract value was sourced locally.
- Reduced travel time from 180 mins to 40 mins per round trip everyday thereby reducing carbon emissions.

Time saved: 21.3 million hours per year, 852 hours per car, 35 days per passenger per year.

Road Annuity program

Financed road annuity program



3. Climate Change Mitigation and Resilience



Key Highlights

- Over **400 MSMEs**, select CIB clients trained on ESG
- 164 clients** screened for ESG risks
- USD 122m** green or sustainability linked facilities issued
- Arranger, Lender and Facility agent for the largest ESG linked loan in East Africa **KShs. 15b**
- 95%** of internal waste recycled

Stanbic's Positive Impact in the areas of Climate Change and Sustainable Finance in 2023 was characterized by a proactive stance towards environmental sustainability and responsible financial practices. The key facets of Stanbic's impact in these areas include:

1. Green Financing Initiatives:

The Group actively engaged in green financing initiatives, channeling funds towards environmentally sustainable projects. These initiatives included renewable energy projects, energy-efficient infrastructure, and other ventures aligned with mitigating climate change.

2. Sustainable Finance Products:

The Group introduced and promoted sustainable finance products that encouraged environmentally responsible business practices. These products aimed to align financial goals with sustainable development, demonstrating a commitment to balancing economic growth with environmental stewardship.

3. Carbon Footprint Reduction Strategies:

The Group implemented strategies to reduce its own carbon footprint. We implemented an LED lighting technology, and installed motion sensors in our meeting rooms. Furthermore, instead of buying bottled water, we have installed machines to purify tap water for drinking. Additionally, 95% of the waste generated internally is recycled.

4. Partnerships for Climate Action:

The Group actively collaborated with relevant stakeholders to collectively address climate change. These partnerships sought to leverage combined efforts for impactful climate action, reflecting the Group's recognition of the need for a collaborative approach to tackle global challenges.

5. Client Education on Sustainable Practices:

The Group played a role in educating its clients about sustainable business practices. This involved providing resources and guidance on integrating environmental considerations into their operations, aligning financial success with responsible environmental behavior.

In summary, Stanbic's Positive Impact in the areas of Climate Change and Sustainable Finance in 2023 showcased a commitment to environmentally responsible banking practices.

Through green financing, sustainable finance products, and active collaboration, Stanbic demonstrated its dedication to fostering economic growth while prioritizing environmental sustainability, contributing to a more resilient and sustainable future.

Case Study: M-KOPA

Standard Bank of South Africa, Stanbic Bank Kenya, and Stanbic Bank Uganda were appointed as lead arrangers for the syndicated facilities to leading fintech pioneer M-KOPA in Kenya and Uganda. Using its technology platform which integrates IoT connectivity and digital micropayments, the company finances smartphone and financial products like personal loans and microinsurance.

The company has made the digital economy accessible to millions of previously unbanked consumers. Standard Bank was appointed as facility agent, security agent, and sustainability coordinator in the USD 202 million transaction, with Stanbic Kenya and Stanbic Uganda serving as lender, hedge counter-party, and account bank. The funding was provided to support M-KOPA's growth aspirations and mission of making a meaningful impact on the communities in which it operates. As the company expands across the continent and explores complex funding options, we remain well-positioned to support its long-term strategic goals.

4. Financial Inclusion

SDGs



Key Focus

- Issued **KShs. 39.9 billion** in digital lending
- **90%** of accounts opened digitally
- Supported Women-Owned Businesses: **KShs. 19.3 billion** loans issued in 3 years
- **KShs. 208 million** (2023 to 2023) grant & catalytic funding to MSMEs (KShs. 51.8 million in 2023)
- **KShs. 830 million** issued under affordable housing (KShs. 635 million in 2023)
- Championed Diversity: Nearly **6%** of Stanbic's supplier spend went to women vendors.

Key Achievement

In 2023, Stanbic remained a driving force in advancing **financial inclusion** through its Positive Impact initiatives, with a particular focus on empowering Micro, Small, and Medium Enterprises (MSMEs).

Empowering Dreams, Building Futures: Stanbic's 2023 Impact on Financial Inclusion

Financial inclusion is the cornerstone of economic prosperity. In 2023, we didn't just offer financial products; we opened doors. By supporting our MSMEs with timely grants and catalytic funding, Stanbic directly supported 1,634 Micro, Small, and Medium Enterprises (MSMEs). These grants, coupled with capacity-building programs, empowered these businesses to thrive. But Stanbic didn't stop there. We recognized the power of women-led enterprises, and have provided a staggering **Ksh 19.3 billion in loans** specifically to women-owned businesses in the last three years. This creates a ripple effect, not just for these businesses, but for their families and communities.

Beyond Money: Building Digital Savvy

Financial inclusion goes beyond access to capital. Stanbic recognized this and has progressively equipped over **150,000**

entrepreneurs in the last three years with critical digital skills. In today's digital age, these skills are essential not just for accessing financial services but also for navigating the complexities of running a business. By empowering these entrepreneurs digitally, Stanbic is setting them up for long-term success.

Investing in Women Vendors: A Double Win

Stanbic's commitment to Positive Impact goes beyond just financial services. Through our procurement practices, we strive to recognize the interconnectedness of the economy. By allocating nearly **6% of our supplier spend to women vendors**, Stanbic empowered women-owned businesses while simultaneously diversifying our supply chain. This creates a win-win situation, fostering economic growth and inclusivity.

Stanbic's 2023 Positive impact report is a story of empowerment, opportunity, and progress. By focusing on financial inclusion, digital literacy, and supporting women-led businesses, Stanbic is not just serving its clients; we are building a brighter future for Kenya's economy in line with our Grow Kenya mantra.

5. Corporate Social Investment

Our **Corporate Social Investment** (CSI) initiatives are implemented by the Bank, Stanbic Foundation and the Rotary Club of Samawati Nairobi. We recorded substantial progress in our focus areas in 2023, marked by strategic partnerships, community focused initiatives, and a commitment to addressing social challenges in our communities. The key elements of Stanbic's CSI impact include:

I. HEALTH

Medical Camps in Underserved Areas: Stanbic, through collaborative efforts with healthcare professionals and local organizations, conducted medical camps in underserved areas. These camps aimed to provide essential healthcare services, including medical check-ups, vaccinations, and health education, reaching a significant number of beneficiaries.

Quantifiable Health Impact: Stanbic's impact on health can be measured through metrics such as the number of individuals benefiting from medical camps, the progress in health infrastructure projects, and the overall improvement in healthcare accessibility for communities served.

Support for Health Infrastructure: Stanbic expressed its commitment to supporting health infrastructure development. This included plans for the construction and renovation of health facilities, showcasing a dedication to improving access to quality healthcare infrastructure in communities where it operates.

Focus on Preventive Healthcare: Stanbic's initiatives went beyond curative measures, with a focus on preventive healthcare. Health education programs and awareness campaigns were emphasized, contributing to community empowerment and long-term health improvements.

Collaboration with Healthcare Partners:

Stanbic engaged collaborative efforts with healthcare partners, emphasizing the importance of public-private partnerships in addressing healthcare challenges. This approach demonstrated a holistic understanding of the healthcare ecosystem and a commitment to sustainable solutions.




Stanbic's impact on health in 2023 reflected a comprehensive approach, addressing immediate healthcare needs through **medical camps**, investing in **sustainable health infrastructure**, and fostering **partnerships for long-term health solutions**. These initiatives align with **Stanbic's commitment to being a responsible corporate citizen**, contributing meaningfully to the well-being of the communities it serves.




II. EDUCATION

Key Focus




1

Empowering Girls' Education




2

Enhancing Learning Environments:




3

Reaching Over 1,400 Students: Demonstrated significant impact through engagement with a large student population at Gatina Primary School.



4

Holistic Approach: Focused on both academic needs (libraries) and student well-being (feeding programs).



5

Investing in the Future: Committed to fostering sustainable development through education, empowering individuals and communities.

6

Donation of computers to schools and Sponsorships

Stanbic's impact on education in 2023 was profound, marked by **strategic initiatives and collaborations** that extended **educational empowerment to diverse communities**. The key facets of Stanbic's impact on education include:

Education Sponsorships
During the year, over **116 students** were sponsored in their education. Under the Brigid Koskei Foundation, we sponsored **50 girls and 10 boys**, including the facelift of Kipkundull Secondary School.

Samburu Girls Rescue Centre Support:
Stanbic Foundation, in collaboration with Rotary Club, played a pivotal role in supporting the Samburu Girls Rescue Centre.

This initiative provided essential educational support, emphasizing the **transformative power of education in empowering and uplifting** marginalized communities.

Gatina Primary School Engagement:
Stanbic actively participated in the Gatina Primary School feeding program, demonstrating a commitment to addressing not only educational needs but also the broader well-being of students.

An estimated **1,529** students were fed daily, with over **231,000** meals served.

Plans for comprehensive infrastructure development, including library setup and educational resources, showcased a commitment to enhancing the overall learning environment.

Case Study: Equipping the next generation at Gatina Primary



Stanbic Kenya employees have been at the forefront of the school feeding program, contributing throughout the year.

In Q3 2023, the Compliance team spent the day at the school serving meals, conducting a mentorship session with Grade 8 students, distributing sanitary towels and innerwear to the girls, and giving the boys a quality pair of boxers.

The team spoke to **150 students** in the class 8 stream about the various stages of life, encouraging them to do their best in each stage and to use their unique talents as part of the larger ecosystem in which they exist.

Stanbic Kenya Foundation has partnered with Java House Foundation to feed over **1,200** Gatina Primary School students since 2022.



Werugha Primary School Rejuvenation - Taita Taveta County:

Stanbic's business leaders outlined plans to rejuvenate Werugha Primary School, emphasizing infrastructure development and library setup. This initiative, situated in Taita Taveta County, aimed at providing students with a **conducive learning environment**, reflecting Stanbic's commitment to education in various regions.

Quantifiable Impact:

The educational impact is quantifiable through metrics such as the number of students engaged. For instance, the engagement with over **1,400 students** at Gatina Primary School underscores the scale of Stanbic's educational outreach.

Holistic Approach - Beyond Academics:

Stanbic's educational impact extended beyond traditional academics. The focus on library setup, feeding programs, and comprehensive infrastructure development highlighted a commitment to holistic education that addresses both academic and well-being aspects.

Palmhouse Foundation Sponsorship:



Stanbic Foundation, in collaboration with **Palmhouse Foundation sponsorship** continue to partner in the provision of mentorship sessions for bright and underprivileged students during school holidays. In August 2023, the Palmhouse mentorship sessions were held for two days in Kiambu, with attendance and participation by select beneficiaries of the Palmhouse Education Trust, Stanbic staff and Palmhouse Foundation executives.





Stanbic's impact on education in 2023 was characterized by a multi-pronged approach, encompassing **support for marginalized communities, infrastructure development, and a commitment to the holistic well-being** of students.

These initiatives align with **Stanbic's vision of fostering sustainable development through education, empowering individuals and communities for a brighter future.**

III. ROTARY CLUB OF NAIROBI SAMAWATI

The Rotary Club of Nairobi Samawati, a corporate Rotary club in District 9212, is primarily made up of Stanbic Bank employees from various units who volunteer their time, talents, and resources to promote socioeconomic change through thematic projects.

The Rotary Club, provides the bank with a structured avenue for implementing its sustainability strategy through partnerships, including with the Stanbic Foundation.

The club's activities are based on seven key areas: basic education and literacy, maternal and child health, water sanitation and hygiene, the environment, community economic development, disease prevention and treatment, peacebuilding, and conflict resolution.

Through one or more of these focus areas, we play an important role in the bank's sustainable capital deployment in the green and blue economies through community economic development and environmental activities. Furthermore, through our environmental projects, we serve as an on-the-ground partner in supporting both the government and Stanbic's initiatives for climate change mitigation and adoption.

In our more than three years of existence, we have been able to complete several projects, including assisting mothers and newborns at Kiambu Level 5 hospital, **re-forestation of Kereita Forest by planting 2,240 tree seedlings, 10,000 book distribution in five counties** (Kiambu, Taita-Taveta, Kitui, Kajiado, and Nairobi), and, in 2023, supporting the Samburu Girls Rescue Centre and Gatina Primary School in basic education and digital literacy.



Achievements for 2023

Basic education and literacy

- The Samburu girls rescue centre project: rehabilitation of a multi-purpose hall and sponsoring 5 girls through to high school.
- Gatina Primary School, Kawangrere: setting up a fully-fledged book library and computer lab.
- Werugha Primary School in Wundanyi, Taita Taveta county: setting up a fully-fledged book library and computer lab.

Environment

- Re-afforestation of the Kereita Forest in partnership with the Rotary Club of Nairobi Muthaiga North. To plant 15,000 trees with the local community.
- Rehabilitation of Kishenyi Dam in Wundanyi Constituency (Taita Taveta County).

Peacebuilding and conflict prevention

Initial needs assessment in the Kerio Valley in collaboration with the Rotary Club of Hurghlingham, Eldama Ravine, the County Governments of Baringo, Elgeyo Marakwet, and West Pokot, as well as the Tegla Loroupe Peace Foundation and the Institute for Economics and Peace.

“ In collaboration with the Stanbic Foundation and Rotary Club, we have orchestrated a multifaceted approach to enhancing positive impact in our communities. The concerted efforts across diverse focus areas showcase a commitment to sustainable development and community well-being. ”



Thomas Ndiritu,
President of the Rotary
Club of Nairobi Samawati

Our impact stories in pictures





05 HOW WE SAFEGUARD VALUE

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RISK MANAGEMENT



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.

Risk Management Overview:

2023 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 our 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, we have ensured that we have operated well within regulatory thresholds. The impact of our initiatives in the implementation of the risk management framework within the year has been:

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 the everchanging customer needs and business environment; and
5. Increased focus on managing the business across the risk classifications resulting in early identification of risks and implementation of corrective actions.

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

- ➔ Improvement in management of Cyber and Information risk and Conduct Risk;
- ➔ IT systems stability that is associated with the growing reliance on digital channels for service provision;
- ➔ Third party risk given reliance on third parties for the provision of infrastructure to run digital platforms and future ready transformation initiatives;
- ➔ Managing systemic risks that arise from exposure to local and international banking systems;
- ➔ Concentration risk and the need to ensure an optimally diversified asset portfolio; and
- ➔ 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.
- ➔ Management of Credit Risk in the wake of the impact of covid-19 on economic performance and by extension on our customers financial and business risk.

Introduction

The Group'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.

The Board of Directors is ultimately responsible for the level of risk taken by the Group. The Group's 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.

To support the governance structures and processes Stanbic Bank relies on:

1. Risk governance standards for the major risk types to ensure a standardised approach across business units for the management of risk across the risk life cycle from identification, assessment, measurement, mitigation, monitoring, and reporting.
2. Policies and procedures implemented and independently monitored by the risk management team. This is to ensure that exposures are within agreed risk appetite parameters.
3. Regular and detailed risk reporting to enable the management and/or identification of emerging risks evident from visible trends.
4. Clear segregation of duties and responsibilities to avoid conflict of interest, ensure independence and objectivity and minimise operational risk.

Risk management framework

The Group's 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 Technology and Operations Committee (BTOC).
2. Management committees - Risk and Conduct Committee (RCC) and Credit Risk Management Committee (CRMC).
Board Risk Committee (BRC), Board Technology and Operations Committee (BTOC) and Board Credit Committee (BCC)

The three Board sub-committees responsible for risk are the BRC, BTOC and BCC which report to the Board of Directors through their committee chairmen. The Group's 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, BTOC, BCC or ALCO 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 risks 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.

1 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.

2 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.

3 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 customers.

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 each 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 customers' expectations for efficient and fair engagements by doing the right business the right way, thereby upholding the trust of our stakeholders

Stress testing



Stanbic 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.



“ We are committed to proactively managing risk and fostering a culture of risk awareness throughout all levels of the organization. Our robust risk management framework, aligned with international best practices and King IV principles, ensures the effective execution of our strategy and protects long-term value creation for all stakeholders. ”

Edwin Mucai, Chief Risk Officer

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 categorises risk as follows:

- **Strategic Risk**
- **Financial Risk**
- **Non-Financial Risk:** Risks related to non-financial factors like legal, compliance, reputational, environmental, and social risks.

STRATEGIC RISK



Risks related to the Group's business strategy, environment, and long-term objectives.

FINANCIAL RISK



Risks related to financial performance, including credit, market and liquidity 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 manages credit risk in accordance with its credit risk standard and model risk governance standard, which provides for:

- 01 ⇒ Maintaining a strong culture of responsible lending as articulated in the Credit Risk Policies;
- 02 ⇒ Identification, assessment and measurement of credit risk clearly and accurately from the level of individual facility up to the total portfolio;
- 03 ⇒ Accepting and managing the Group's credit risk in line with the Board approved credit risk appetite framework;
- 04 ⇒ Defining, implementing and continually re-evaluating our risk appetite under actual and stressed conditions to effectively align to changes in the market environment;
- 05 ⇒ Ensuring that there is expert scrutiny and independent approval of the credit risk assessment models; and
- 06 ⇒ 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 has an independent credit risk management function embedded within the Corporate and Investment Banking (CIB), Personal and Private Banking (PPB), Business & Commercial Banking (BCB) and Insurance and Asset Management (IAM) Units.

Focus areas in 2023

Stanbic 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.

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 Bank's Corporate and Investment Banking (CIB) trading operations. The Board grants general authority to take on market risk exposure to the Bank's Assets and Liabilities Committee (ALCO). Market risk management process is required to measure, monitor and control market risk exposures. The Bank 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 Bank'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 Bank's primary exposure to foreign currency risk arises as a result of the translation effect on the Bank'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 Bank 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 Bank 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 Bank'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 customer focused, but also include a proprietary component. Market risk arising from the Bank's trading activities is managed in accordance with Board-approved policies, and aggregate VaR and stress testing limits. The quality of the Bank'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 Bank 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 Bank 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 bank. 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 bank's approach to managing IRRBB is governed by the applicable regulations and is influenced by the competitive environment in which the bank 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 Bank uses derivatives to meet customer 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 Bank 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 customers. These transactions are carefully evaluated by the Bank 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 Bank 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.

FUNDING AND LIQUIDITY RISK



The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

At an operating level, a distinction is made between funding liquidity risk and market liquidity risk:

- Funding liquidity risk is the risk that the Group will not be able to effectively meet both expected and unexpected current and future cash flow and collateral requirements without negatively affecting the daily operations or financial condition of the Group. The risk that the counterparties who provide the Group with short-term funding, will withdraw or not roll-over that funding. It aims at a well-diversified, reliable, cost-efficient funding structure supporting the Group's business mix and strategy.
- Market risk liquidity is the risk that the Group cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption, and incurring losses as a result. The risk of a generalised disruption in asset markets that make normally liquid assets illiquid and the potential loss through the forced sale of assets resulting in proceeds being below their fair market value.

A liquidity crisis could have negative effects, the most severe being the failure of a bank. These could include sharp falls in profits, asset sales at forced-sale prices that disrupt financial markets and sudden changes in the volume and terms of bank loans, which might reduce activity in the wider economy. The Group's liquidity policies provide for very conservative liquidity management parameters to ensure that the Group has adequate liquidity for normal and stress situations.

2023 and beyond

Stanbic maintained the liquidity ratio above the minimum regulatory requirement of 20% throughout 2023. Appropriate liquidity buffers were maintained in line with the Group's own internal risk appetite.

The Group's available contingent liquidity remains adequate to meet internal as well as regulatory stress requirements. Contingent funding plans, stress testing assumptions as well as early warning indicators continue to be reassessed for appropriateness considering the global inflationary outlook and volatile market conditions.

The Group continues to leverage its extensive deposit base to ensure that it has the appropriate amount, tenor, and diversification of funding across currencies and jurisdictions to minimise concentration risk and to support its current and forecast funding requirements while minimising funding costs.

Governance

The Board reviews and sets the liquidity risk standard biennially (including annual confirmation of

applicability and adherence via the self-assessment process) in accordance with regulatory requirements, international best practice and the Stanbic's stated risk appetite. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the Group. Stanbic has an Assets and Liabilities Committee (ALCO) responsible for ensuring compliance with liquidity risk policies while the Group Africa Regions Balance Sheet Management team is responsible for the independent risk oversight of liquidity risk management.

As part of a comprehensive liquidity management process, the Group distinguishes between tactical, strategic, and contingent liquidity risk. These three risk management categories are governed by a comprehensive internal governance framework to identify, measure, and manage exposure to liquidity risk. Combining each of these risk management categories allows for effective liquidity risk monitoring.

Liquidity risk is managed according to a set of defined principles. These principles are aligned with international best practice standards and are designed to support the business strategies by ensuring liquidity at all times, across market cycles, and through periods of financial stress.

Liquidity management categories

Tactical (shorter-term) liquidity risk management	Structural (long-term) liquidity risk management	Contingency liquidity risk management
<ul style="list-style-type: none"> • Manage intra-day liquidity positions. • Monitor interbank and repo shortage levels. • Monitor daily cash flow requirements. • Manage short-term cash flows. • Manage daily foreign currency liquidity. • Set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO 	<ul style="list-style-type: none"> • Ensure a structurally sound balance sheet. • Identify and manage structural liquidity mismatches. • Determine and apply behavioral profiling. • Manage long-term cash flows. • Preserve a diversified funding base. • Inform term funding requirements. • Assess foreign currency liquidity exposures. • Establish liquidity risk appetite. • Ensure appropriate transfer pricing of liquidity costs. • Ensure compliance with internal risk appetite metrics 	<ul style="list-style-type: none"> • Monitor and manage early warning liquidity indicators. • Establish and maintain contingency funding plans. • Undertake regular liquidity stress testing and scenario analysis. • Convene liquidity crisis management committees, if needed • Set liquidity buffer levels in accordance with anticipated stress events. • Advise on the diversification of liquidity buffer portfolios. • Ensure compliance with internal risk appetite metrics


Tolerance limits, appetite triggers, monitoring items and additional requirements form the generic level of liquidity risk appetite that is defined and reviewed at bank level on an annual basis. Where applicable, tolerance limits, appetite triggers and monitoring items (and any additional requirements if applicable) apply separately to each material currency (material being where deposits in that currency exceed 5% of the bank's total funding related liabilities).

The liquidity risk tolerance limits, appetite triggers and monitoring items apply to the bank, with assessment of compliance with these limits and triggers being performed on at least a monthly basis during normal times with the capacity to increase the monitoring frequency to daily during times of stress.

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.

Non-Financial risks

The Group has a defined NFR taxonomy of various non-financial risks sub-types. These include;

• Information Risk	• Technology Risk	• Cyber Risk
• Financial Crime Risk	• Conduct Risk	• Legal Risk
• Compliance Risk	• Environmental, Social and Governance Risk (including climate risk)	• Physical assets, safety and security Risk
• Financial Accounting	• Tax Risk	• People Risk
• Third Party Risk	• Business Disruption Risk	• Model Risk
• Transaction Processing Risk	• Fraud 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 Bank 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 Treatment

The Bank 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 Bank'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 Bank 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 Bank'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 Bank recognises specialist NFRs that call for enhanced and direct oversight. In this regard the Bank 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 Bank 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 Bank 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 Bank.

In addition to the original risks associated with the activities, the Bank also addresses the risks posed by the contractual relationship with the third-party service provider.

Given this background, the Bank 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 Bank'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 Bank 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 (EM)** - to preserve life and safeguard assets. EM is concerned with the safety of employees, contractors, visitors and clients in the event of a physical incident with safety, facilities or security implications.
- **Crisis Management (CM)** - to manage the reputational impacts of a disruptive event/incident. CM is concerned with preserving the trust and reputation of the organisation through effective crisis leadership and communications.
- **Operational Resilience (enabled through the Business Continuity Management Process)** – to ensure the resilience and/or continuity of critical services during a disruption. A more holistic approach, requiring knowledge of the end-to-end business services, dependencies and vulnerabilities.

The Bank 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 Bank 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 Bank'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 Bank'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 Bank 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 Bank or our customers.

In this regard, the Bank 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 Bank 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 Bank's risk management approach as relates to Information and Technology risk includes:

- An effective and robust Governance Framework
- End-to-End scope/view of bank 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 Bank is proactively managing this risk through a Cyber Resilience framework – a multi-layered strategy that encompasses people, process and technology to allow the bank 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 climate risks that are a threat to assets as a result of environmental impacts, such as extreme weather events.

Stanbic has in place an E&S standard and supporting policies to establish and define the principles under which the Bank 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.
- d) Adhering to all climate related requirements and disclosures.

FINANCIAL CRIME AND CONTROL



Risk description

Financial Crime Risk is the risk of economic loss, reputational risk and regulatory sanction arising from an act or attempt to steal from or defraud the Group or its stakeholder and/or to manipulate or circumvent the established rules of the Group or legislative requirements applicable to the Group.

The business of Stanbic as a financial institution is built on trust and integrity. An important element of trust and integrity is to ensure that the Group conducts its business in accordance with the values and Code of Ethics that the Group has adopted, in compliance with applicable laws, policies and standards. In order to maintain the Group's reputation as a trusted financial services organisation, the Group must ensure it is doing the right business in the right way. The Group has an anti-fraud culture and has no appetite for wilful misconduct. Investigations and Fraud Risk Management.

The Investigations and Fraud Risk (IFR) function manages fraud risk from a second line perspective and follows an agile approach to safe, secure and customer-focused banking. This means anticipating or responding quickly and effectively to new threats to fraud risks management supported by strong controls established by the first line of defence (LoD) as well as independent audit from the third line of defence.

The investigation function is mandated to manage all investigation matters pertaining to internal and external fraud, misconduct, dishonesty and conflict of interest by employees, customers, suppliers, business partners, stakeholders and third parties across the group. In

addition, the function performs investigations across financial crime matters on bribery and corruption and referrals by Compliance on money laundering, sanctions and other relevant matters. The function also performs and / or manages investigations on High Risk Reputational and / or Regulatory incidents.

The Bank maintains a zero-tolerance approach towards fraud and dishonesty. The Investigations and Fraud Risk team maintains close working ties with other risk functions, specifically operational risk, compliance, legal risk and credit risk, as well as other functions such as information technology, human capital and finance.

Top Risks 2023

1 Operational resilience	Treatment
<p>The risks arising from end-of-life technologies, legacy infrastructure and the costs thereof, compounded by persistent cyber threats, levels of third-party resilience, scarcity of skills and ability to successfully implement large-scale modernisation programmes.</p>	<ul style="list-style-type: none"> • Deployed talent acquisition and retention strategies to ensure that the necessary critical skills were attracted and retained to realise our business goals. <ul style="list-style-type: none"> • Enhancing the employee value proposition and deploying specific retention strategies for critical roles. • Ensuring a reward strategy that is competitive in the market. • Using insights from our annual engagement survey to create an improved work experience. • An integrated learning strategy to build skills internally to address evolving needs of the business and ensure a strong internal talent pipeline. Professional development programmes and future ready skills development. • Implementing targeted talent acquisition strategies to attract people with the right skills. • Closely monitored end-of-service technologies. • Prioritised planning to manage IT programmes within budget and quality. • Implemented disaster recovery capability and tests. • Enhanced software license and certificate monitoring. • Developed a Cyber Resilience framework. • End-to-end scope/view of the Group's network and assets. • Thorough risk assessment, threat modelling and scenario analysis. • Proactive Cyber and Technology Incidents. • Dedicated Information Security and Cyber Security Resources. • Enhanced third-party performance reviews. • Strict adherence to internal and external protocols for the collection, storage, and sharing of customer information.
2 Uncertain and challenging economic environment	Treatment
<p>This risk describes challenging growth prospects amid high inflation, the impact of high interest rates and FX liquidity shortages and volatility, as well as increased scams and fraud perpetrated on the consumer.</p>	<ul style="list-style-type: none"> • Credit portfolio management including heightened monitoring on new non-performing loans and above average provisioning. • Interest rate swaps for endowment hedge purposes. • Embedded fraud risk management culture throughout product and feature development lifecycle and proactive fraud detection through data analysis. • Business continuity plans.
3 Changing regulatory landscape	Treatment
<p>The risks to the Group's operating model and strategy due to increasing regulatory requirements.</p>	<ul style="list-style-type: none"> • Increased focus on ensuring that governance frameworks and the Group's operating model met expectations of regulators. • Appropriate governance documents and procedures in place to specify minimum standards.

<p>4 Financial services competition</p> <p>Continued expansion of the landscape of Bigtech, Fintech and incumbent banks; offering simple, efficient, and affordable banking and other financial services.</p>	<p>Treatment</p> <ul style="list-style-type: none"> • Developed competitive solutions and differentiated product offerings. • Accelerated decommissioning of legacy systems. • Additional strategic partnerships. • Deployed regional capabilities to serve regional clients.
<p>5 Climate</p> <p>The risks arising from the impact of climate change, access to transition finance, green washing and other climate related matters.</p>	<p>Treatment</p> <ul style="list-style-type: none"> • Pursued commercially sound and high credit quality green and sustainability linked financing opportunities. • Adopted strategy for climate risk and opportunity embedded in all business aspects. • Environmental and social training and awareness framework rolled out to increase staff awareness. • The Group implemented strategies to reduce its own carbon footprint. • Business continuity plans.
<p>6 Geopolitics</p> <p>High levels of geopolitical instability arising from armed conflicts and wars including those across the African continent, US/China tensions and humanitarian crises.</p>	<p>Treatment</p> <ul style="list-style-type: none"> • Ongoing monitoring of geopolitical events. • Stress testing of macro scenarios. • Risk appetite revision.
<p>7 Artificial intelligence</p> <p>The risks arising from the evolution of AI and its impact on security and the workforce.</p>	<p>Treatment</p> <ul style="list-style-type: none"> • Policies and standards for the use and operationalisation of AI. • Rigorous, system-enabled risk and impact assessments for all AI initiatives. • Registration, validation, testing and ongoing monitoring of AI models. • Enterprise agreements with strategic partners for the provision of AI services.



OUR GOVERNANCE

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BOARD OF DIRECTORS

Mr. Kitili Mbathi ⁶⁵

(Retired Dec.31, 2023)

APPOINTED 2008



EXPERIENCE

Mr. Kitili Mbathi was a Non-Executive Director and was appointed to the Board of Stanbic Holdings Plc on 31 May 2008. Mr. Mbathi was appointed Chairman of the Board of the Company on 9 May 2019. He has vast experience in banking which was acquired while serving in various banking institutions. He was the Regional Chief Executive of Stanbic Bank Kenya Limited until May 2015, at which time he took up the role of Regional Director, East Africa, until January 2016, when he resigned as an employee of Standard Bank Group.

Mr. Mbathi also Chairman and Non-Executive Director on the Board of Stanbic Bank Kenya Limited. He served as Director-General of the Kenya Wildlife Service from February 2016 to July 2017. He has also served as Investment Secretary in the Ministry of Finance & Planning – Government of Kenya.

QUALIFICATIONS

He holds a Bachelor of Arts Degree (Economics and Political Science) from the University of Michigan, Ann Arbor, Michigan, USA, and a Masters of Banking and Finance for Development from Instituto Fin Africa in Milan, Italy.

Mr. Mbathi retired as a Director and Chairman of Stanbic Bank Kenya Limited and Stanbic Holdings Plc, effective December 31, 2023.

Mr. Joseph L. O. Muganda ⁵⁸

(Appointed 01 Jan, 2024)

APPOINTED 2021



EXPERIENCE

Mr. Joseph Lloyd Omondi Muganda was appointed as a Non-Executive Director on the Board of Stanbic Holdings Plc on 12th October 2021. Mr. Muganda has had a career spanning over 25 years, during which he has led several blue-chip companies, including British American Tobacco, East Africa Breweries Limited, Nation Media Group and Vivo Energy.

QUALIFICATIONS

He holds a Bachelor of Science in Economics (Accounting & Financial Management) from the University of Buckingham and a Master of Business Administration from the University of Leicester. In addition to his directorship on the Board of the Company, he is a Director of Stanbic Bank Kenya Limited and Kenya Urban Roads Authority.

Mr. Muganda was appointed as the Chairman of the Board of Stanbic Bank Kenya Limited and Stanbic Holdings Plc, effective 1st January 2024.

Mr. Patrick M. Mweheire ⁵³

APPOINTED 2020



EXPERIENCE

Mr. Patrick M. Mweheire was appointed as the Chief Executive of Stanbic Holdings Plc on 3 March 2020. Mr. Mweheire previously served as the Chief Executive of Stanbic Bank Uganda Limited from December 2014 until he was appointed Chief Executive of the Company. Mr. Mweheire is a professional banker with a career spanning over 20 years. He is currently the Regional Chief Executive, East Africa, for the Standard Bank Group, responsible for operations in Kenya, Ethiopia, South Sudan, Malawi, Tanzania and Uganda.

He also serves as a Non-Executive Director on the Boards of Stanbic Bank Tanzania Limited, Stanbic Uganda Holdings Limited and Stanbic Bank Uganda Limited, as a member of the Uganda Chamber of Mines & Petroleum and as an Advisor of the Presidential Investors Roundtable.

QUALIFICATIONS

He holds a Bachelor of Science Degree from Daemen College and a Master of Business Administration from Harvard University Graduate School of Business Administration.

Mrs. Dorcas Florence Kombo ⁶⁹

APPOINTED 2018



EXPERIENCE

CPA Dorcas F. Kombo was appointed as a Non-Executive Director of Stanbic Holdings Plc on 12 January 2018. CPA Kombo is currently a Management Consultant and has extensive experience in restructuring both public and private organisations across Africa.

She currently also serves on the boards of Stanbic Bank Kenya Limited, Hospital Holdings Investment B.V. and Telkom Kenya Limited, and previously served in a similar capacity on the board of Kenya Electricity Generating Company Limited (Kengen).

QUALIFICATIONS

She is a Fellow, Chartered Association of Certified Accountants, an Associate for the Institute of Certified Public Accountants of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya.

CPA Kombo was one of the first African Women to qualify as a Chartered Accountant in Kenya and has since had an illustrious professional career in both audit and management consultancy.

Ms. Rose Bosibori Osoro ⁵²

 APPOINTED 2017



EXPERIENCE

CPA Rose Bosibori Osoro was appointed to the Board of Stanbic Holdings Plc as a Non-Executive Director on 26 September 2017. CPA Osoro is a Certified Public Accountant and holds a Master of Business Administration from the University of Nairobi. She has a long career in public service and has worked as a Commissioner with the Commission in Revenue Allocation. CPA Osoro has served in various boards in the public sector and academia, including as the Vice Chairperson for the Kenyan Institute of Management Council.

She also serves as a Non-Executive Director of Stanbic Bank Kenya Limited and Stanbic Bancassurance Intermediary Limited.

QUALIFICATIONS

She is a member of the Institute of Certified Accountants of Kenya, Association of Women Accountants of Kenya and Kenya Institute of Management.

Mr. Peter Nderitu Gethi ⁵⁸

 APPOINTED 2013



EXPERIENCE

Mr. Peter Gethi was appointed to the Board of Stanbic Holdings Plc on 18 January 2013 as a Non-Executive Director. He is a qualified Consultant Agronomist and brings to the Board a wealth of agribusiness and management experience, helping the banking subsidiary of the Company achieve its strategic goals.

Mr. Gethi also serves as a director on the boards of Stanbic Bank Kenya Limited, SBG Securities Limited, Liberty Life Assurance Limited, Heritage Insurance (K) Limited and Nebange Ltd, as well as several other directorships.

QUALIFICATIONS

He holds a Bachelor of Science degree in Agricultural Economics from the University of London.

Mr. Samuel Nderitu Gikandi ⁴¹

(Retired 18 May, 2023)
 APPOINTED 2020



EXPERIENCE

Mr. Samuel N. Gikandi was appointed as a Non-Executive Director on the Board of Stanbic Holdings Plc on 29th June 2020. Mr. Gikandi is currently the Chief Executive Officer of Africa's Talking Limited, a technology startup providing communication and payment services across Africa.

He currently also serves on the boards of Stanbic Bank Kenya Limited and Stanbic Bancassurance Intermediary Limited, and on the boards of the group of companies within Africa's Talking across Africa.

QUALIFICATIONS

He holds a Bachelor of Science and Master of Engineering in Electrical Engineering & Computer Science with a Minor in Economics, both from the Massachusetts Institute of Technology in the United States. He has broad experience in Information Technology, having held various positions in his career spanning over 14 years.

Mr. Gikandi retired as a director on 18th May 2023.

Ms. Wambui Kihuha Mbasa ⁵⁶

 APPOINTED 2021



EXPERIENCE

Ms. Wambui Kihuha Mbasa was appointed as a Non-Executive Director on the Board of Stanbic Holdings Plc on 8th September 2021. Ms. Mbasa is the current Chief Executive Officer of INTRASOFT International East Africa and is a seasoned technology industry executive and entrepreneur with over 20 years' experience. She has previously been at the helm of several multinationals and possesses diverse board experience.

She also serves as a Director of Stanbic Bank Kenya Limited, SBG Securities Limited and Konnecter Limited.

QUALIFICATIONS

Ms. Mbasa holds a Bachelor of Education Degree in Business Studies and Economics from Kenyatta University, a Postgraduate Diploma in Computer Science from Makerere University and a Master of Business Administration in Strategic Management from Maastricht Business School. She is a member of Women in Technology Africa, Institute of Directors (Kenya) and the Women on Boards Network.

Ms. Nancy K. Kiruki

Company Secretary

 APPOINTED 2022



EXPERIENCE

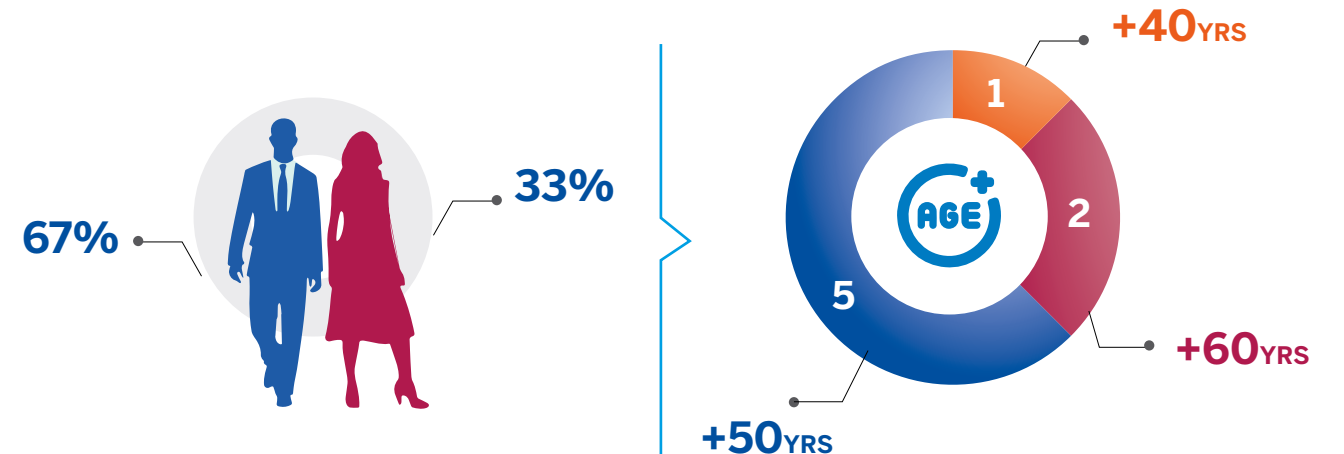
Ms. Kiruki is a corporate governance expert with over 20 years' experience spanning the financial services industry. In addition, she currently serves as the Company Secretary of Stanbic Bank Kenya Limited, SBG Securities Limited, Stanbic Bancassurance Intermediary Limited, Stanbic Nominees Limited and SBG Securities Nominees Limited.

QUALIFICATIONS

Ms. Nancy K. Kiruki holds a Master of Laws in Commercial Law (LLM) from University of Cape Town, a Bachelor of Laws Degree (LLB) from the University of Nairobi and a Post Graduate Diploma in Law from Kenya School of Law. She is an Advocate of the High Court of Kenya and a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya and Law Society of Kenya. Prior to joining Stanbic Holdings Plc, she was the Director, Legal and Company Secretary at Britam Holdings Plc.

Ms Kiruki was appointed as the Company Secretary on 5th October 2022.

BOARD DIVERSITY



CORPORATE GOVERNANCE STATEMENT

STANDARD BANK GROUP LIMITED: AN OVERVIEW

The Standard Bank Group (SBG) 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.

SBG has well-defined governance structures embedded across the group, supporting its ability to create and preserve value, while enabling integrated thinking and decision-making. SBG further seeks to balance the achievement of its strategic priorities over time and reconciling the interests of the group, stakeholders, and society by creating and protecting sustainable shared value.

SBG'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. SBG's Subsidiary Governance Framework, which has been adopted by Stanbic Holdings Plc, provides a framework for good corporate governance across the Group with the objective of creating transparency, align governance practices and meet regulatory requirements.

STANBIC HOLDINGS PLC: AN OVERVIEW

Stanbic Holdings Plc (the Group) is a non-operating holding company which is listed on the Nairobi Securities Exchange. The Group 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. For the last four years, the Group has been awarded a leadership score by the Capital Markets Authority for its compliance with the Corporate Governance Code for Issuers. It is noteworthy that there were no known insider dealings in the year under review.

Shareholder Relations

The shareholders' role is to appoint the Group'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. During the year, the Group provided a number of avenues for the shareholders, and stakeholders, to engage the Group. These included the investors' briefings, updates on the Group's website and social media handles, among others. The Capital Markets Authority (CMA) Corporate Governance Assessment Report for Stanbic Holdings Plc for the year ended 31st December 2022 found that the Group had continued to demonstrate commitment to good corporate governance and was thus awarded a leadership rating for the fourth year running. The Group was commended by CMA for its continuous efforts to strengthen the Group's governance structures and practices. CMA made some recommendations on areas of improvement which the Group is addressing.

Governance Audit

In line with the Code of Corporate Governance Practices for Issuers of Securities to the Public (the CG Code), the Group engaged Dorion Associates, an independent governance auditor to undertake an independent governance audit. The audit was successfully conducted and finalized.

Separation of roles of Board and Management

Pursuant to Clause 2.3.2 of the Code of Corporate Governance Practices for Issuers of Securities to the Public and the Board Mandate, there exists a distinct separation of the roles of the Board and management. The role of the Board is to ensure that the Group is a sustainable organization, with the overall responsibility of the Board focused on oversight of the Group's mission, vision, strategic objectives and good governance, among other areas. The Chief Executive's Mandate, which is annually reviewed and approved by the Board, sets out the mandate and responsibilities of the Chief Executive. As required by the law, the roles of the Chairman and Chief Executive are exercised by different persons.

Stakeholder engagement

Stanbic Holdings Plc recognizes that effective stakeholder engagement is critical for its business and sustainability as it strengthens the Group's legitimacy and social license to operate. Stakeholder engagement further builds trust and enhances the Group's reputation as a socially responsible corporate citizen. The Group Stakeholder Engagement Guidelines define who our stakeholders are and the principles for engagement. The principles include constructive engagement, accessibility to stakeholders, transparency, responsiveness and alignment with the Group's Code of Ethics.

During the year, the Group engaged a number of its stakeholders in line with the Group Stakeholder Engagement Guidelines. Some of the stakeholders engaged during the year include the Capital Markets Authority, shareholders, Group registrar, among others. The engagements focused on strengthening relationships and addressing any areas of mutual interest.

The Group's Investor Relations Department continually engaged stakeholders in the year through the Group's website, social media, investor briefings and other channels.

SUSTAINABILITY



The Group recognises that long-term success is intricately linked to environmental, social, and economic well-being. Our sustainability journey reflects this understanding, with a focus on integrating responsible practices into every aspect of our operations.

In 2023, we made significant strides in this direction, from empowering MSMEs through financial inclusion initiatives to supporting climate-friendly projects through green financing. We are committed to continuous improvement and transparency, and look forward to collaborating with stakeholders to build a more sustainable future for Kenya and the region.



Launch of the Sustainability Report for the year 2023 held at Nairobi National Museum on 18th August 2023.

Environmental policy

At Stanbic, we are dedicated to environmental stewardship and recognize our responsibility to minimize our environmental impact while promoting sustainable practices across our operations.

The key aspects of our environmental policy include:

- **Compliance and Regulation:** We are committed to complying with all relevant environmental laws, regulations, and standards in the jurisdictions where we operate. We strive to exceed compliance requirements wherever possible and actively engage with regulators to promote environmental best practices.
- **Resource Efficiency:** We aim to optimize resource use and minimize waste generation throughout our operations. This includes efforts to reduce energy consumption, water usage, and paper consumption, as well as promoting recycling and waste reduction initiatives.

- **Climate Action:** We recognize the urgent need to address climate change and mitigate greenhouse gas emissions. As part of our climate action efforts, we are committed to reducing our carbon footprint, setting science-based emission reduction targets, and transitioning to renewable energy sources wherever feasible.
- **Environmental Risk Management:** We proactively identify and manage environmental risks associated with our business activities, including those related to pollution, biodiversity loss, and ecosystem degradation. Through robust risk assessment and mitigation measures, we aim to prevent and minimize negative environmental impacts.
- **Stakeholder Engagement:** We engage with stakeholders, including clients, suppliers, employees, and communities, to raise awareness of environmental issues and collaborate on sustainable solutions. By fostering dialogue and partnerships, we seek to amplify our positive environmental impact and drive collective action for a more sustainable future.

Board of Directors

The Group 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 Group. The composition of the Board adequately addresses the requirements of independence, diversity, mix of skills and competence, among other requirements. The composition of the Board meets the one-third gender representation standard.

The process for the appointment of the Board members considers the Group's strategic leadership needs, the interests of shareholders and the need to ensure that the Board's skills matrix is wide and aligned to the Group's needs.

The Board is responsible for the overall corporate governance of the Group, 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 Group's vision, mission, strategic objectives, risk strategy, corporate governance and corporate values. The Board further oversees the performance of the Group 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 Group, strategy development and review, and general oversight of internal controls, regulatory compliance, ethical conduct and succession planning. The Board is responsible for ensuring adherence to the Code of Corporate Governance Practices for Issuers of Securities to the Public, and all other applicable legal and regulatory frameworks. The Board discusses changes in legislation and legal requirements in its meetings, and considers mechanisms for ensuring compliance.

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.

There exists a clear separation and distinction between the roles and responsibilities of the Board, the Chief Executive and management. The Chief Executive's Mandate and Delegated Authority clearly stipulates the roles and responsibilities of the Chief Executive while the Board Mandate stipulates the roles and responsibilities of the Board.

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

Annual Assessment of Directors' Independence

The Group undertakes an annual assessment of the independence of the directors. The independence is guided by the threshold set out in the Code of Corporate Governance for Issuers. During the year, the independent non-executive directors assessed and confirmed their continued independence.

Succession Planning & Board Appointments during the year

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, the Board approved the Board Succession Planning Policy. Matters relating to succession planning were discussed by the Committee and the Board.

The Chairman of the Board, Mr. Kitili Mbathi, retired from the Board on 31st December 2023. Mr. Mbathi joined the Board of the Group on 9th October 2007 as a Non-Executive Director and was appointed as Chairman of the Board on 9th May 2019. Mr. Mbathi also served as a Board Member and Chairman of

Stanbic Bank Kenya Limited (Stanbic Bank) and was a member of the Board Nominations Committee. Mr. Mbathi also retired as a Director and Chairman of the Stanbic Bank Kenya Limited, effective December 31, 2023.

During his tenure as Director and Chairman of the Board, Mr. Mbathi steered the Group through the successful implementation of the strategic plans, embedment of sustainability and risk management, among others. In addition, the Group grew significantly during his tenure, contributing to economic development, supporting the government's development agenda, and driving growth in Kenya and South Sudan.

The Board sincerely appreciates Mr. Mbathi for his exceptional service and leadership, commitment and dedication over the years and wishes him the best in his future endeavours. Pursuant to the retirement of Mr. Kitili Mbathi, the Board appointed Mr. Joseph L.O. Muganda as the Chairman of the Board, effective 1st January 2024.

Mr. Muganda was appointed to the Board as an Independent Non-Executive Director on 12th October 2021. Mr. Muganda has had a career spanning over 25 years, during which he has led several blue-chip companies, including British American Tobacco, East Africa Breweries Limited, Nation Media Group and Vivo Energy.



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. The Workplan sets out the dates for Board and Committee meetings, AGMs, investor briefings, dates for training and focus areas, among other details.



Chairman's Retirement Luncheon held on 25th January 2024.

Skills and Experience 2023

No	Competencies	Kitili Mbathi	Patrick Mweheire	Peter Gethi	Rose Osoro	Dorcas Kombo	Wambui Mbesa	Samuel Gikandi*	Joseph Muganda
1	Financial Services/Insurance/Asset Management	Primary Skill	Primary Skill	Secondary Skill					
2	Customer/Marketing	Primary Skill	Primary Skill				Secondary Skill		Primary Skill
3	Sub-Saharan Africa Experience	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill
4	People/Organisational Development	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Secondary Skill	Primary Skill	Primary Skill
5	Capital/Risk Management	Primary Skill	Secondary Skill						
6	Accounting/Auditing	Primary Skill	Secondary Skill		Primary Skill	Primary Skill			Primary Skill
7	IT/IT Governance	Secondary Skill	Secondary Skill			Primary Skill	Primary Skill	Primary Skill	
8	Governance Leadership	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill
9	Large Corporate/Industrial	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill
10	Regulation/Public Policy	Primary Skill	Primary Skill		Primary Skill	Secondary Skill	Primary Skill		Primary Skill
11	Legal	Secondary Skill	Secondary Skill						
12	Remuneration	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Primary Skill	Secondary Skill	Primary Skill	Primary Skill
13	Global Capital Markets	Secondary Skill	Primary Skill						
14	Digital & New Economy			Secondary Skill			Primary Skill	Primary Skill	
15	Directors Age	65	53	58	52	69	56	41	58
16	Directors Tenure	17	4	11	6	6	3	4	2

*Ceased being a director on 18th May 2023

Primary Skill Secondary Skill



Board of Directors Strategy Workshop held on 18 & 19th October 2023 in Naivasha.

Board Composition and Evaluation

The Board comprised eight directors as at 31st December 2023, 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
Joseph Muganda	Independent Non-Executive Director
Nancy Kiruki	Company Secretary

* Ceased being a director/ Chairman on 31st December 2023

** Ceased being a director on 18th May 2023

The Group'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. Where necessary, the Board has access to independent professional advice.

Strategy

The boards of the Group and its the Boards of 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 Group'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 Group 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 new 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 Group. 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 2023, the Board trainings met and exceeded the 12-hour minimum training requirement by the CMA as follows:

Date	Training	No of Training Hours
19 th January 2023	Directors' & Officers' Liability Insurance Cover-Deep Dive	2
2 nd February 2023	Finance for Non-finance Persons	2
23 rd March 2023	Integrated Reporting and Emerging Accounting Standards	2
8 th June 2023	Digital Transformation and Big Data-Strategic Impact	2
6 th July 2023	Sustainability & Crisis Management	2
23 rd August 2023	Corporate Governance-Driving Board Excellence	2
7 th September 2023	Cyber Security – Emerging trends and threats	2
5 th October 2023	Capital Adequacy, Assets and Liquidity Management	2
14 th December 2023	Risk & Anti-Money Laundering	2
Total Training hours		18

Board Evaluation

The Chairman is responsible for ensuring that the Group has an effective Board. Supported by the Company Secretary, the Chairman 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 2023 was conducted by an independent consultant. It 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, the Chief Executive, and the Company Secretary.

The outcome of the Board Evaluation exercise confirmed the effectiveness of the Chairman of the Board, its committees, individual directors, the Chief Executive, and the Company Secretary. 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 specific areas of training. At the beginning of every year, the Board identifies its key performance indicators (KPI) aligned with its mandate. The KPIs are tracked, monitored, and reported at every quarterly Board meeting.

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 Group 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 annually.

Social Responsibility

The Group 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. The Group's Climate Risk Policy seeks to support the Group in achieving climate objectives and sustainable economic growth. These include ensuring that the social, economic, and environmental impacts of its activities create a net positive impact. The policy is part of a comprehensive roadmap to reduce exposure to climate-related risk and the risk arising from transition.

In line with this, the Group'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 implement 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.

Shareholder and Stakeholder 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 Group'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 Group'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 Group is headed by a Board of Directors, which has ultimate accountability for the management and strategic guidance of the Group and assumes the primary responsibility of fostering the sustainability of the Group. 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 to ensure that they have adequate time to review the documentation and prepare for the meetings.

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

STANBIC HOLDINGS PLC BOARD ATTENDANCE FOR 2023						
	DIRECTOR'S NAME	Q1, 8 TH MARCH 2023	Q2, 18 TH MAY 2023	Q3, 9 TH AUG 2023	Q4, 22 ND NOV 2023	Q4 20 TH DEC 2023 SPECIAL
1	Kitili Mbathi	P	P	P	P	P
2	Patrick Mweheire	P	P	P	P	AP
3	Peter Gethi	AP	P	P	P	P
4	Rose Osoro	P	P	P	P	P
5	Dorcas Kombo	P	P	P	P	P
6	Samuel N. Gikandi	P	P	N/A	NA	N/A
7	Wambui K. Mbesa	P	P	P	P	P
8	Joseph Muganda	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 Group's assets and evaluating the internal control frameworks within the Group. The Audit Committee is made up of three members, all of whom are independent. Two members of the Committee are members of the Institute of Certified Public Accountants of Kenya (ICPAK), in good standing.

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 2023, 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 2023, 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 Group's External Auditors in one 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 Group 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 Group 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 Group 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 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 2024 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 Group'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.
- 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 one formal exclusive meetings.
- Based on the above, the Committee formed the

opinion that, as at 31 December 2023, 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 7th March 2023	Q3 16th August 2023
1.	Dorcas Kombo (Chairman)	P	P
2.	Rose Osoro	P	P
3.	Joseph Muganda	P	P

*P denotes that the director was present in 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**

5th March 2024

Report of the Board Nominations 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 five 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 2023 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 set out on 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 Stanbic Bank Kenya Limited and Stanbic Holdings Plc
- 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 Board Succession Planning Policy for submission to the Board for approval;
- 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 Financial Year 2023 Employee Remuneration
- Considered and endorsed the report on the independence of Board members for submission to the Board for approval;
- Considered and endorsed the independent governance audit flight plan for Stanbic Holdings Plc for submission to the Board for approval;
- Considered and endorsed the Board Evaluation flight plan and tools for submission to the Board for approval;
- Considered and endorsed the Subsidiary Governance Framework for submission to the Board for approval;
- 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 the proposed appointment of the Head, Internal Audit, Head, Technology, Head Operations and Head, Personal and Private Banking and endorsed the same for submission to the Board for approval;
- Considered and approved the Committee's work plan for the year 2024;
- Considered and endorsed the proposed trainings for the Board for the year 2024 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 2024; and
- Considered and endorsed the Corporate Governance scorecard for the Company for the year 2023 for submission to the Board for approval, prior to submission to the Capital Markets Authority for assessment.
- Considered and endorsed the Annual General Meeting agenda for submission to the Board for approval;
- Considered and noted the state of implementation of the Governance Audit recommendations.
- Reviewed and endorsed staff policies and succession plans.

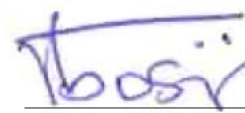
The Committee composition in the year of 2023 consisted of five members, namely, two Independent Non-Executive Directors, two Non-Executive Directors (one being the Chairman of the Board of the Company) and one Executive Director.

The Committee held three scheduled meetings during the year. The attendance of meetings by members was as follows:

	NAME	Q1 2023 28th Feb 2023	Q3 2023 3rd July 2023	Q4 2023 6th Nov 2023
1.	Rose Osoro (Chairperson)	P	P	P
2.	Kitili Mbathi	P	P	AP
3.	Patrick Mweheire	AP	P	P
4.	Peter Gethi	P	P	P
5.	Joseph Muganda	P	P	P

P = Present; AP = Absent with Apology

On behalf of the Board Nominations Committee




**Chairperson,
Board Nominations Committee**

5th March 2024

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 155](#) of the financial statements. 

Remuneration for Executive Directors

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.

The Company's 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 [page 155](#) of the financial statements. 

GOVERNANCE POLICIES

Standard Bank Code of Ethics and Conduct, 2022

The Standard Bank Code of Ethics and Conduct provides the foundation for Stanbic's policies, standards and controls, while ensuring that the values and ethics are reflected in the way we make decisions and engage with our stakeholders.

The Code has been adopted by the Board of Stanbic Holdings Plc, and is applicable to the Company and its subsidiaries.

The Code provides clarity on our personal conduct, societal conduct and conduct in the market. On Personal Conduct, some of the responsibilities set out include:

- Promotion of diversity and inclusion
- Support for employees to develop their skills and careers;
- Encouraging innovation and collaboration;
- Maintaining of a healthy and safe work environment

On Societal Conduct, the Code provides for:

- Management of social, economic and environmental (SEE) impacts
- Creation of shared value for our stakeholders
- Respect for human rights
- Promotion of financial inclusion
- Constructive engagement with our stakeholders
- Commitment to reduce our operational and financed carbon emissions
- Promotion of corporate social investment that creates sustainable benefits for our communities.

On Conduct in the Market, the Code provides for:

- Treating clients fairly
- Effective and proactive communication
- Right to privacy
- Proactive detection and prevention of financial crime
- Support to the orderly, fair and transparent functioning of the financial markets;
- Accurate public reporting of our financial statements and transparency on tax matters.

The Code applies to all Stanbic employees, full-time and part-time and consultants. It also applies to Board members including non-executive directors. The Code of Ethics and Conduct is available on the Company's website. The Board receives quarterly reports on the Company's performance on ethics.

The reports provide information on conduct issues, breaches on the Company's policies, sanctions enforced and mechanisms for strengthening the Company's ethics. The reports also provide updates on whistleblowing matters. Pursuant to this, the Board confirms that an assessment on the Company's performance on ethics is undertaken every quarter.

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-blowing Policy 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-blowing 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

GOVERNANCE POLICIES

Procurement Policy



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 as well as the Third-Party Risk Management Policy.

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.

Third-Party Risk Management



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.
- promotes Inclusivity by setting favourable standards for marginalized groups such as women, youths and people differently abled to participate in supply of goods and services to the Company.

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. The Company's IT governance framework is robust and is continuously updated to incorporate dynamic issues in the IT environment.

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.

9. Privileged Access Management Standard

The purpose of the PAM standard is to provide the appropriate guidelines for the secure configuration and implementation of privileged user accounts in Standard Bank.

10. Client Authentication Standard:

The purpose of the standard is to provide the appropriate controls for the authentication of Entities such as Bank Clients, users, devices, and messages within the Standard Bank environment.

11. Bring Your Own Device Standard

The purpose of the standard is to provide the appropriate endpoint security controls to be implemented for 3rd Party devices and BYOD. The Standard is meant to ensure compliance with the requirements of the Endpoint Security Standard in relation to the restricted use of a 3rd Party devices and (BYOD) accessing SBG resources.

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.

The Promotion of Diversity Policy is reinforced by the diversity considerations set out in the Board Succession Planning Policy.



Communication Policy

The Company has the Communications and External Relations Framework which sets out the procedures and guidelines for internal and external communication.

The objective of the policy is to ensure that stakeholders are efficiently engaged. A Crisis Communication Plan has also been put in place.

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.

During the year, the Company engaged a number of its stakeholders including regulators, shareholders, investors, media, staff, among others. The engagements were critical in informing the Company's strategy, sustainability and collaboration.

The Annual General Meeting for the Company held on 18th May 2023, together with a number of investor briefings provided useful opportunities to engage with shareholders, investors, the media and other stakeholders.



Stanbic Holdings Dispute Resolution Policy

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.

Directors are encouraged to express their views candidly, debate them rigorously and find consensus.

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. The Policy advocates for confidentiality, mutual respect, commitment, collegiality, effective communication and constructive consensus.



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. 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.



Non-Financial Risk Policy

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

1. Non-Financial Risk Policy

The purpose of the Non-Financial 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.

2. Non-Financial Risk Governance Framework

This framework covers all the risk types within the Non-Financial 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 riskbased 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. Non-Financial Risk Management Manual (User Guide)

The NFR 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. For Board and management meetings, declaration of conflicts of interest is a standing agenda item. 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. communication and constructive consensus.

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.



GOVERNANCE AUDITOR'S REPORT

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), requires the Board of a listed Company to subject the Company to an annual Governance Audit to check the level of compliance with sound governance practices.

The Code specifically requires the Annual Governance Audit to be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). In compliance with the Code, Stanbic Holdings PLC retained Ms. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment and Sustainability.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Company in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our Audit in accordance with the Institute of Certified Secretaries Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the Company's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a governance framework that is broadly compliant with the legal and regulatory corporate governance requirements and in this regard, we issue an unqualified opinion.

FCS. Catherine Musakali, ICPSK GA. No 006

Dorion Associates
Green Shade Apartments, Arwings Kodhek Rd., House C1 Nairobi.
12th February 2024



06 ANNUAL FINANCIAL STATEMENTS

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CORPORATE INFORMATION

For the year ended 31 December 2023

Chairman:	Kitili Mbatia (Outgoing 31 December 2023) Joseph Muganda (Effective 1 January 2024)
Chief Executive:	Patrick Mweheire*
Chief Executive of Stanbic Bank Kenya Limited:	Joshua Oigara
Non-Executive Directors:	Dorcas Kombo Peter N. Gethi Rose B. Osoro Samuel N. Gikandi (Retired 18th May 2023) Wambui K. Mbesa * Ugandan
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 2023, 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, bancassurance intermediation 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 -:

- Credit risk
- Liquidity risk
- Market risk
- 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

The global economy grew by 3.1% in 2023, compared to 3.5% growth recorded in 2022. The slowdown in the Global economy’s growth was majorly due to the persistent inflationary pressures occasioned by high global fuel and energy prices. Output levels fluctuated during the year with the highest Stanbic Purchase Managers Index (PMI) being in January at 52 points followed by August at 50.6 points. By December, the PMI was at a low of 48.8 points. June had the lowest PMI at 45.5 attributable to instability in the political environment, increase in fuel prices and further tightening of financial conditions.

The Kenyan shilling recorded a significant depreciation in the year as interest rates rose in major economies and foreign- exchange inflows from exports declined as offshore investors reduced their holdings.. The currency depreciated by 26.4% against the dollar in 2023. Inflation averaged 7.7% in 2023 from 7.6% in 2022, as the effects of impact of the severe drought of 2022 and geopolitical tensions that caused a spike in energy prices began to unwind.

The Central Bank’s Monetary Policy Committee (MPC) hiked the policy rate by 375 basis points in 2023 (through three raises) to 12.50% in December. The year has also been characterized by increased taxation and regulatory levies, further reducing the disposable income by consumers.

The banking sector recorded a decline in pre-tax profits from KShs. 185 billion in September 2022 to KShs. 178 billion in September 2023 largely attributable to increase in costs and higher credit provisions compared to the increase in income. Profit after Tax (PAT) declined by 2% year-on-year. The banking sector recorded significant growth in interest income driven by higher lending rates as well as interest rate on government securities. Similarly, interest expenses grew driven by an increase in the effective interest rate on customer deposits.

The growth in interest expense outpaced the growth in interest income for the sector leading to compressed net interest rate margins. The average lending rate stood at 14% while the average deposit rate stood at 8.6% as at 30 September 2023, up from 12.4% and 6.8%, respectively in September 2022.

Industry growth in customer deposits (20%) outpaced the growth in the loan book (14%). Growth in deposits could be attributed to customers’ intent to preserve liquidity, rising interest rates, and commercial banks’ leveraging of digital channels to enhance deposit mobilization.

REPORT OF THE DIRECTORS (CONTINUED)

Business review and financial performance (continued)

The Group reported a profit after tax of KShs. 12.2Bn. This represents a 34% increase from the year ended 31 December 2022.

The Group's performance was driven by improved net interest margins, balance sheet growth and strong trading revenue. Balance sheet efficiency improved, and key performance drivers demonstrated decent growth. Lending book expanded by 10% growth largely driven by client demand on the asset side. Deposits from customers grew by 18% following increased average deposit rates.

Summary results for the year are as follows:

	2023 KShs. billion	2022 KShs. billion	Change %
Total income	41.3	32.1	28.8%
Credit impairment charge	6.2	4.9	26.1%
Total operating expenses	18.0	15.0	20.2%
Profit for the year	12.2	9.1	34.2%
Loans and advances to customers	260.5	235.9	10.4%
Non performing loans	26.5	28.5	(7.0%)
Total assets	459.3	399.8	14.9%
Deposits from customers	321.2	271.6	18.3%
Total equity	68.6	62.2	10.2%
Cost to income ratio	43.5%	46.7%	(6.7%)

Dividends

During the year, the Company paid an interim dividend of KShs. 1.15 (2022: nil) per ordinary share amounting to KShs. 454,095,000 (2022: KShs. nil)

Subject to the approval of the shareholders at the Annual General Meeting to be held on 16th May 2024, the Directors' recommend payment of a final dividend of KShs. 14.20 (2022: KShs. 12.60) per ordinary share equivalent to a total sum of KShs. 5,613,567,260 (2022: KShs. 4,981,053,000). The total dividend for the year, therefore, will be KShs. 15.35 (2022: KShs. 12.60) for every ordinary share amounting to KShs. 6,067,662,260 (2022: KShs. 4,981,053,000).

Share capital

The total number of authorised shares as at 31 December 2023 was 473,684,211 (2022: 473,684,211), ordinary shares of KShs. 5 each, with 395,321,638 shares being issued and fully paid up (2022: 395,321,638).

Directors

The Directors who held office during the year and to the date of this report are set out on page 150.

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.

REPORT OF THE DIRECTORS (CONTINUED)

Business review and financial performance (continued)

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:

- there was, as far as each Director is aware, no relevant audit information of which the company's auditor is unaware; and
- 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

KPMG Kenya will retire as auditor of the Group at the next Annual General Meeting. The Board will recommend to the shareholders the appointment of Deloitte & Touche LLP as the new auditor in accordance with section 721 of the Kenyan Companies Act, No 17 of 2015 and to authorize the Directors to fix their remuneration.

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 05 March 2024

By Order of the Board,



Nancy Kiruki

Company Secretary
Date: 05 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2023

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 statements comprises the Group and Company statements of financial position as at 31 December 2023, 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 material 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 IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting standards) 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 IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

Having made an assessment of the 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 05 March 2024 and signed on its behalf by:



Joseph Muganda
Chairman



Patrick Mweheire
Chief Executive



Dorcas Kombo
Director

Date: 05 March 2024

DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2023

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.

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

During the Annual General Meeting held on 18 May 2023 the shareholders approved the payments of directors' fees for the year ended 31 December 2022.

At the Annual General Meeting to be held on 16 May 2024, approval will be sought from shareholders for the directors' fees for the financial year ended 31 December 2023.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

For the year ended 31 December 2023

Information subject to audit

Year ended 31 December 2023 (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	1,200	1,600	11,208	12,808
Patrick Mweheire*	Chief Executive	26,574	34,030	5,856	16,343	-	-	82,803	1,893	84,696
Peter Gethi	Non Executive	-	-	-	-	300	720	1,020	8,491	9,511
Rose Osoro	Non Executive	-	-	-	-	300	1,260	1,560	8,259	9,819
Dorcas Kombo	Non Executive	-	-	-	-	300	1,020	1,320	7,145	8,465
Samuel Gikandi	Non Executive	-	-	-	-	150	360	510	4,046	4,556
Joseph Muganda	Non Executive	-	-	-	-	300	1,200	1,500	7,145	8,645
Wambui Mbesa	Non Executive	-	-	-	-	300	720	1,020	10,285	11,305
Total		26,574	34,030	5,856	16,343	2,050	6,480	91,333	58,472	149,805

*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.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

For the year ended 31 December 2023

Directors' remuneration report (continued)

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

*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 05 March 2024



Rose Osoro

Chairperson Board Nominations Committee

05 March 2024



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

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Email info@kpmg.co.ke
Website www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT 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 164 to 317 which comprise the group and company statement of financial position as at 31 December 2023, and the group and company statement of profit or loss, the group and company statement of other comprehensive income, the group and company statement of changes in equity and the group and company statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material 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 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANBIC HOLDINGS PLC (CONTINUED) Report on the audit of the consolidated and separate financial statements (Continued) Key Audit matters (Continued)

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 – Material 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

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 is applied in determining the macroeconomic information used and 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 if a loan's current rating migrates three notches worse into the medium risk and low risk categories of the Standard Bank Rating Scale compared to the best rating in the nine years prior, the facility is 30-days past due, and deterioration of forward-looking outlook of the customer's industry.
- Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD") based on historical loan performance data, loss given default ("LGD") estimated based on historical default experience and the loss experience given default, and exposures at default ("EAD"). The PD model is a key driver of complexity in the Group's and Bank's ECL modelling approach.
- 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.

How the matter was addressed in our audit

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:
 - Evaluating the appropriateness of the modelling principles implemented in the framework, including the definition of significant increase in credit risk, the use of contractual/ behavioural lifetime, use of a contractual/ effective interest rate and allowances for forward-looking macroeconomic information in the estimation of risk parameters used in the expected credit loss calculation;
 - 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 performance of additional substantive testing on some of these models through reperformance. With the assistance of our internal experts, we also assessed the input assumptions applied within the PD and LGD models for compliance with the requirements of IFRS 9 *Financial Instruments*;
 - Assessing the Group's approach to incorporating the economic strain induced by rising inflation and geopolitical events through the use of an indicative independent impact assessment thereof;
 - 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; 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 key assumptions and judgements in accordance with IFRS 9 Financial Instruments



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANBIC HOLDINGS PLC (CONTINUED)
Report on the audit of the consolidated and separate financial statements (Continued)
Key Audit matters (Continued)

Impairment of goodwill in the consolidated financial statements	
<p>The disclosure associated with goodwill is set out in the financial statements in the following notes:</p> <ul style="list-style-type: none"> - Note 2.9 – Significant accounting policies, <i>Intangible assets - goodwill</i> - Note 3.12 – Impairment of goodwill - Note 29 – Intangible assets – goodwill 	
The key audit matter	How the matter was addressed in our audit
<p>Impairment of goodwill is considered a key audit matter because:</p> <ul style="list-style-type: none"> - 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 when considering management's assessment of goodwill impairment. <p>The preparation of the estimate of the recoverable amount using the value in use ('VIU') involves subjective judgement and uncertainties and hence was considered as a key audit matter.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Using our internal 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 <i>Impairment of Assets</i>; - Evaluating the forecasting process and assessing 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; - Challenging the Group's valuation methodology, discount rates and growth rates by comparing the Group's macroeconomic inputs, such as inflation rate, policy rate, T-bill rate, exchange rate, real gross domestic product (GDP) growth rate, and sovereign rating) to external data such as economic growth projections and interest rates; and - Assessing the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements in accordance with IAS 36 <i>Impairment of Assets</i>.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANBIC HOLDINGS PLC (CONTINUED)
Report on the audit of the consolidated and separate financial statements (Continued)

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 2023*, 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 Accounting 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.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANBIC HOLDINGS PLC (CONTINUED)

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)

- 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, actions taken to eliminate threats or safeguards applied.

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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANBIC HOLDINGS PLC (CONTINUED)

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:

- The information given in the Report of the Directors on pages 151 to 153 is consistent with the consolidated and separate financial statements; and
- The auditable part of the directors' remuneration report on page 156 to 157 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: 05 March 2024

GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS

	Note	GROUP Year ended 31 December		COMPANY Year ended 31 December	
		2023	2022	2023	2022
		KShs. Million	KShs. Million	KShs. Million	KShs. Million
Interest income	6	37,942	26,087	16	6
Interest expense	7	(12,294)	(7,142)	-	-
Net interest income		25,648	18,945	16	6
Fees and commission revenue	8	6,670	5,100	-	-
Fees and commission expense	9	(1,032)	(947)	-	-
Net fees and commission income		5,638	4,153	-	-
Trading revenue	10	10,247	8,805	-	-
Net (loss)/ income from financial instruments at fair value through profit or loss	11 (a)	(92)	141	-	-
Other income	12	153	42	5,654	2,920
Other losses on financial instruments	11 (b)	(277)	(2)	-	-
Trading and other income		10,031	8,986	5,654	2,920
Total income		41,317	32,084	5,670	2,926
Credit impairment losses	23 (d)	(6,236)	(4,944)	-	-
Net income before operating expenses		35,081	27,140	5,670	2,926
Employee benefits expense	13	(8,656)	(7,279)	(81)	(61)
Depreciation and amortisation expense	26,27, 28	(622)	(748)	-	-
Depreciation on right of-use assets	30	(336)	(331)	-	-
Other operating expenses		(8,367)	(6,594)	(27)	(28)
Finance costs	15	(6)	(16)	(1)	-
Total operating expenses		(17,987)	(14,968)	(109)	(89)
Profit before income tax		17,094	12,172	5,561	2,837
Income tax expense	16	(4,936)	(3,112)	-	(2)
Profit for the year		12,158	9,060	5,561	2,835
Earnings per share					
Basic and diluted (KShs. per share)	17	30.75	22.92	14.07	7.17

The notes on pages 170 to 317 form an integral part of these consolidated and separate financial statements

GROUP AND COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	GROUP Year ended 31 December		COMPANY Year ended 31 December	
		2023	2022	2023	2022
		KShs. Million	KShs. Million	KShs. Million	KShs. Million
Profit for the year		12,158	9,060	5,561	2,835
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		(223)	(370)	-	-
Net gains in debt financial assets measured at fair value through other comprehensive income (FVOCI)*	21.2	(144)	(58)	-	-
Total other comprehensive income for the year, net of income tax		(367)	(428)	-	-
Total comprehensive income for the year		11,791	8,632	5,561	2,835

* Income tax relating to each component of other comprehensive income is disclosed in note 38

The notes on pages 170 to 317 form an integral part of these consolidated and separate financial statements

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	GROUP		COMPANY	
		As at 31 December		As at 31 December	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Assets					
Cash and balances with Central Bank of Kenya	19	25,503	20,771	-	-
Financial assets – (FVTPL)	20 (a)	2,898	25,126	-	-
Financial assets – (FVOCI)	21	19,892	32,136	-	-
Financial assets – (amortised cost)	22	22,555	26,289	-	-
Derivative assets	33	2,250	2,259	-	-
Current tax asset	37	-	21	13	10
Loans and advances to banks	23 (a)	95,705	30,962	216	58
Loans and advances to customers	23 (b)	260,509	235,867	-	-
Other assets and prepayments	24	7,608	6,101	20	20
Investment in subsidiaries and other investments	25	18	18	18,218	18,218
Property and equipment	26	2,078	1,901	-	-
Right-of-use assets (buildings)	30	858	924	-	-
Right-of-use assets (leasehold land)	27	33	36	-	-
Other intangible assets	28	740	837	-	-
Intangible assets - goodwill	29	9,350	9,350	-	-
Deferred tax asset	38	9,287	7,232	-	-
Total assets		459,284	399,830	18,467	18,306
Equity and liabilities					
Liabilities					
Derivative liabilities	33	2,570	1,687	-	-
Financial liabilities – FVTPL	20 (b)	14,071	8,001	-	-
Current tax liability	37	2,192	1,430	-	-
Deposits from banks	34 (a)	26,004	32,753	-	-
Deposits from customers	34 (b)	321,234	271,564	-	-
Borrowings	35	12,713	10,141	-	-
Other liabilities and accrued expenses	36	10,939	10,899	156	121
Lease liabilities	31	1,007	1,157	-	-
Total liabilities		390,730	337,632	156	121
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	(1,065)	(2,100)	-	-
Retained earnings		50,745	45,424	(563)	(689)
Total shareholders' equity		68,554	62,198	18,311	18,185
Total equity and liabilities		459,284	399,830	18,467	18,306

The notes on pages 170 to 317 form an integral part of these consolidated and separate financial statements

The financial statements on pages 164 to 317 were approved and authorised for issue by the Board of Directors on 05 March 2024 and signed on its behalf by:

Chairman
Joseph Muganda

Chief Executive
Patrick Mweheire

Director
Dorcas Kombo

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023	Note	Share Capital KShs. Million	Share Premium KShs. Million	Other Reserves KShs. Million	Retained earnings KShs. Million	Total Equity KShs. Million
At 1 January 2023		1,977	16,897	(2,100)	45,424	62,198
Profit for the year		-	-	-	12,158	12,158
Other comprehensive income, net of tax		-	-	(367)	-	(367)
Transfer of statutory credit risk reserve		-	-	1,410	(1,410)	-
Transfer of revaluation reserves		-	-	(8)	8	-
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group						
2022 final dividend paid	18	-	-	-	(4,981)	(4,981)
2023 interim dividend paid	18	-	-	-	(454)	(454)
Total transactions with owners of the Group		-	-	-	(5,435)	(5,435)
At 31 December 2023		1,977	16,897	(1,065)	50,745	68,554
For the year ended 31 December 2022	Note	Share Capital KShs. Million	Share Premium KShs. Million	Other Reserves KShs. Million	Retained earnings KShs. Million	Total Equity KShs. Million
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	-
Transfer of revaluation reserves		-	-	-	-	-
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group						
2021 final dividend paid	18	-	-	-	(2,886)	(2,886)
2022 interim dividend paid	18	-	-	-	-	-
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

The notes on pages 170 to 317 form an integral part of these consolidated and separate financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders			
		Share Capital KShs. Million	Share Premium KShs. Million	Retained earnings KShs. Million	Total Equity KShs. Million
For the year ended 31 December 2023					
At 1 January 2023		1,977	16,897	(689)	18,185
Profit for the year		-	-	5,561	5,561
Contribution and distributions to owners					
2022 final dividend paid	18	-	-	(4,981)	(4,981)
2023 interim dividend paid	18	-	-	(454)	(454)
Total contributions by and distributions to owners		-	-	(5,435)	(5,435)
At 31 December 2023		1,977	16,897	(563)	18,311
For the 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					
2021 final dividend paid	18	-	-	(2,886)	(2,886)
2022 interim dividend paid	18	-	-	-	-
Total contributions by and distributions to owners		-	-	(2,886)	(2,886)
At 31 December 2022		1,977	16,897	(689)	18,185

The notes on pages 170 to 317 form an integral part of these consolidated and separate financial statements

GROUP AND COMPANY STATEMENT OF CASHFLOWS

	Note	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
For the year ended 31 December					
Cash flows from operating activities	39 (a)	(3,368)	(3,320)	5,561	2,837
Interest received		36,277	23,538	-	-
Interest paid		(13,860)	(7,359)	-	-
Income tax paid	37 (a)	(6,173)	(4,992)	(3)	(3)
Cash flows from operating activities before changes in operating assets and liabilities		12,876	7,867	5,558	2,834
Changes in operating assets and liabilities:					
Net change in loans and advances to customers		(24,642)	(50,554)	-	-
Net change in financial assets – FVOCI		10,024	(5,771)	-	-
Net change in financial assets – FVTPL		(1,633)	6,314	-	-
Net change in cash reserve requirements		(3,696)	(1,152)	-	-
Net change in other assets and prepayments		(1,507)	(2,397)	(1)	-
Net change in deposits from banks		(13,931)	15,848	-	-
Net change in other liabilities and accrued expenses		40	3,750	36	(7)
Net change in deposits from customers		49,670	29,219	-	-
Net change in financial liabilities – FVTPL		6,070	7,644	-	-
Net cash generated from operating activities		33,271	10,768	5,593	2,827
Cash flows from investing activities:					
Net change in financial assets – at amortised cost		3,734	(4,516)	-	-
Additions to property and equipment	26	(615)	(477)	-	-
Additions to intangible assets	28	(122)	(145)	-	-
Proceeds from sale of property and equipment		15	9	-	-
Net cash generated from/ (used in) investing activities		3,012	(5,129)	-	-
Cash flows from financing activities:					
Dividends paid		(5,435)	(2,886)	(5,435)	(2,886)
Proceeds from borrowings	35	-	3,762	-	-
Payment of lease liabilities	31	(476)	(337)	-	-
Net cash (used in)/ generated from financing activities		(5,911)	539	(5,435)	(2,886)
Net increase/(decrease) in cash and cash equivalents		30,372	6,178	158	(59)
Effect of exchange rate changes		2,483	412	-	-
Cash and cash equivalents at start of year		69,189	62,599	58	117
Cash and cash equivalents at end of year	39 (b)	102,044	69,189	216	58

The notes on pages 170 to 317 form an integral part of these consolidated and separate financial statements

Notes

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 2023 were approved and authorised for issue by the Board of Directors on 05 March 2024. The financial statements comprise the Group and Company statements of financial position as at 31 December 2023, 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 Material 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 IFRS[®] accounting standards 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 Accounting Standards 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

Notes (continued)

2 Summary of material accounting policies (continued)

a) Basis of preparation (continued)

- hyperinflation - the South Sudan economy was considered hyperinflationary for the previous reporting period. However for the year ended 31 December 2023, the economy was assessed to have ceased being hyperinflationary and as such hyperinflation accounting was discontinued. Refer to accounting policy 2.22 applicable for the comparative period.

Use of estimates

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Directors to exercise 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 (KSh.) which is the functional and presentation currency of the parent company. All amounts are stated in millions of shillings (KSh. 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 (KSh.) for Kenya operations.

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
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (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
Amendments to IAS 7 and IFRS 7- Supplier Finance Arrangements (issued in May 2023)	The amendments introduce new disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are not expected to have a material impact on the Group's financial statements.	01 January 2024

Notes (continued)

2 Summary of material accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

(i) Standards and interpretations that have been published but are not yet effective (continued)

Standards and amendments	Key requirements	Effective date
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued in January 2020 and October 2022)	<p>The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. The amendments are not expected to have a material impact on the Group's financial statements.</p> <p>The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period.</p> <p>The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants. The amendments will be applied retrospectively and are not expected to have a material impact on the Group's financial statements.</p>	01 January 2024
Lack of Exchangeability (Amendments to IAS 21) (issued in August 2023)	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are not expected to have a material impact on the Group's financial statements.	01 January 2025

(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 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates - Amendments to IAS 8 - The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish between changes in accounting estimates, changes in accounting policies, and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. These amendments had no impact on the financial statements of the Group.

Notes (continued)

c) Changes in accounting policies and disclosures (continued)

(ii) Adoption of new and amended standards effective for the current period (continued)

IFRS 17 Insurance Contracts - 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.

These amendments had no significant impact on the financial statements of the Group as the Group do not issue insurance contracts.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - 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 amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12. 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 amendments had no impact on the Group's financial statements.

International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

The Amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The exception is effective immediately and applies retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. It will apply until the IASB decides either to remove it or to make it permanent.

Kenya has not yet enacted BEPS Pillar 2 legislation. The Group does not anticipate that this will have a material impact on the entity.

Notes (continued)

2 Summary of Material accounting policies (continued)

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 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.

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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.1 Consolidation (continued)

(i) Subsidiaries (continued)

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 Other Comprehensive Income (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.

Notes (continued)

2 Summary of Material accounting policies (continued)

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 asset is 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 administration fees, electronic banking fees, foreign service fees, documentation and administration 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.4 Non-interest revenue (continued)

(a) Net fee and commission revenue (continued)

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.

2.5 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

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	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> 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. <p>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.</p>
Fair value through OCI	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> 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. <p>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.</p> <p>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.</p>
Held-for-trading	<p>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.</p>
Designated at fair value through profit	<p>Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.</p>
Fair value through profit or loss - default	<p>Financial assets that are not classified into one of the above mentioned financial asset categories.</p>

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

(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	<p>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.</p> <p>Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.</p>
Fair value through OCI (FVOCI)	<p>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.</p> <p>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.</p> <p>Dividends received on equity instruments are recognised in other revenue within non interest revenue.</p>
Held-for-trading	<p>Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.</p>
Designated at fair value through profit or loss	<p>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.</p>
Fair value through profit or loss - default	<p>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.</p> <p>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.</p>

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

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)	<p>A lifetime ECL is calculated for financial assets that are assessed to be credit impaired.</p> <p>The following criteria are used in determining whether the financial asset is impaired:</p> <ul style="list-style-type: none"> • 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 (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (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	<p>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:</p> <ul style="list-style-type: none"> • 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

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 (continued)

2 Summary of Material 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: <ul style="list-style-type: none"> 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	DERECOGNITION	MODIFICATION
Financial assets	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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).</p>
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 (continued)

2 Summary of Material 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial guarantee contracts (continued)

Derivative and embedded derivatives (continued)

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.

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 date.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.7 Fair value (continued)

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.

Notes (continued)

2 Summary of Material accounting policies (continued)

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 in 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

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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.9 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.9 Intangible assets (continued)

Computer software (continued)

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 (continued)

2 Summary of Material 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.12 Accounting for leases (continued)

Reassessment and modification of leases (continued)

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 (continued)

2 Summary of Material 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 control.

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

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

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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.14 Taxation (continued)

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.

(iii) 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.15 Employee benefits (continued)

(iii) Short-term benefits (continued)

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.

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 shares 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.

Notes (continued)

2 Summary of Material accounting policies (continued)

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 were expressed in terms of the measuring unit at the reporting date. The results, cash flows and financial position were also expressed in terms of the measuring unit at the reporting date for the previous period.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts were not adjusted for changes in the price level or exchange rates in the period. The prior period adjustments related to non-monetary items and differences arising on translation of comparative amounts were accounted for directly in retained earnings. The carrying amounts of non-monetary assets and liabilities were adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year in prior period.

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).

The South Sudan economy however exited hyperinflation as of 31 December 2023. The Branch discontinued the preparation and presentation of financial statements in accordance with IAS29 as of 31 December 2023. It has treated the amounts expressed in the measuring unit current at the end of the previous reporting period 31 December 2022 as the basis for the carrying amounts in the financial statements for the period 31 December 2023.

Notes (continued)

2 Summary of Material 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.

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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

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 Accounting Standards, 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.

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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.4 Fair value of financial instruments (continued)

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 Accounting Standards.
- 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 inputs into 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.

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 2023 was a profit of KShs. nil (2022: KShs. nil).

Additional disclosures on fair value measurements of financial instruments are set out in notes 2.7 and 4.6.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

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 two 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. The Branch discontinued the preparation and presentation of financial statements in accordance with IAS 29 as of 31 December 2023. It has treated the amounts expressed in the measuring unit current at the end of the previous reporting period 31 December 2022 as the basis for the carrying amounts in the financial statements for the period ended 31 December 2023.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.8 Hyperinflation (continued)

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 hyperinflationary economy. 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 account;
- 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 until 31 December 2022. The results, cash flows and financial position have been expressed in terms of the measuring units' current at the reporting date as of 31 December 2022.

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	Inflation rate
31 December 2022	2021	7,505.94	87.51%
31 December 2021	2020	10,507.09	112.67%

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2023	2022
	KShs. Million	KShs. Million
Impact on statement of profit or loss		
Profit for the year before hyperinflation	-	9,006
Net monetary gain/(loss)*	-	54
Profit for the year after hyperinflation	-	9,060

* 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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.9 Provisions

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

During the current reporting period models have been enhanced but no material changes to assumptions have occurred.

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

Personal and Private Banking (PPB) and Business and Commercial Banking Clients (BCB)

- 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 PPB and BCB'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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

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 band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

Personal and Private Banking (PPB) and Business and Commercial Banking (BCB)

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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

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.

Macroeconomic factors	31 December 2023			31 December 2022		
	Base	Bear	Bull	Base	Bear	Bull
Inflation	7.4	8.1	7	6.9	8.3	5.5
Policy rate	10.5	11	10	8	9	7.5
3m Tbill rate	16.1	18.1	14.1	8.2	7.7	8.8
6m Tbill rate	16.2	18.8	15	9.4	8.7	10.2
Exchange rate (USD/KES)	156.2	161.0	153.5	120.1	121.6	117.9
Real GDP	5.5	4.1	6.9	3.7	1.4	6
Sovereign Rating	B	B	B	B	B	B

PPB and BCB

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.

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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

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 PPB and BCB 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 2023, had the average credit ratings for all counterparties shifted one notch down expected credit losses would have increased by KShs. 484,252,481 (2022: KShs. 348,635,369) higher where if the credit ratings had improved by one notch the expected credit losses would have decreased by KShs. 593,398,790 (2022: KShs. 356,280,064).

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. 78,104,330 higher or KShs. 78,104,330 lower (2022: KShs 126,216,271 higher or KShs. 126,216,271 lower) respectively.

Notes (continued)

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.

Notes (continued)

3 Critical accounting estimates and judgements in applying accounting policies (continued)

3.13 Climate-related emerging risks (continued)

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 (continued)

4 Financial risk management

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.

Notes (continued)

4 Financial risk management (continued)

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).

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.

Notes (continued)

4 Financial risk management (continued)

b) Regulatory capital assessment (continued)

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 2023 (2022: KShs. 1 billion);
- A core capital (tier 1) of not less than 10.5% (2022: 10.5%) of total risk weighted assets plus risk weighted off-balance sheet items;
- A core capital (tier 1) of not less than 8% (2022: 8%) of its total deposit liabilities; and
- A total capital (tier 1 + tier 2) of not less than 14.5% (2022: 14.5%) of its total risk weighted assets plus risk adjusted off-balance sheet 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, deferred tax asset, goodwill and investments in subsidiary institutions and equity instruments of other institutions. Tier 2 capital includes the Bank's qualifying 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.

Notes (continued)

4 Financial risk management (continued)

4.2 Capital management - Group (continued)

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:

	2023 KShs. Million	2022 KShs. Million
Tier 1 capital (Core capital)		
Share capital	3,412	3,445
Share premium	3,445	3,412
Retained earnings	47,119	42,390
Less: Deferred tax asset	(3,865)	(2,296)
Total Tier 1 capital (Core capital)	50,111	46,951
Tier 2 capital		
Regulatory credit risk reserve	1,410	-
Qualifying subordinate liabilities	12,681	10,141
Total Tier 2 capital	14,091	10,141
Total capital (Tier 1 + Tier 2)	64,202	57,092
Risk - weighted assets		
Operational risk	48,379	43,617
Market risk	4,081	5,579
Credit risk on-statement of financial position	287,381	247,883
Credit risk off-statement of financial position	47,075	42,528
Total risk - weighted assets	386,916	339,607
Capital adequacy ratios		
Core capital / total deposit liabilities	15.1%	16.5%
Minimum statutory ratio	8.0%	8.0%
Core capital / total risk - weighted assets	13.0%	13.8%
Minimum statutory ratio	10.5%	10.5%
Total capital / total risk - weighted assets	16.6%	16.8%
Minimum statutory ratio	14.5%	14.5%

Notes (continued)

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 conditions;
- 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.

Notes (continued)

4 Financial risk management (continued)

4.3.2 General approach to managing credit risk (continued)

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 (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.4 Credit risk measurement

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.

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.4 Credit risk measurement (continued)

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	Close monitoring
21 - 25	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		
Default	C	D	D	D	D

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies

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 Banking (BCB) ; and
- Personal and Private Banking (PPB) (formerly Consumer and High Net Worth Clients(CHNW))

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.

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

a) Credit tailored to customer profile (continued)

Corporate and Investment Banking (CIB): Corporate, sovereign and bank portfolios (continued)

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.

Personal and Private Banking, and Business and Commercial Banking (PPB and BCB): 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 (continued)

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 Banking and Personal and Private Banking (BCB & PPB)	
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.

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

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 Accounting Standards 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, 79% (2022: 77%) is fully collateralized. The total average collateral coverage for all retail mortgage exposures above 50% collateral coverage category is 100% (2022: 100%). Of the Group's total exposure, 39% (2022: 57%) 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. 25,195,189,000 (2022: KShs.34,654,617,000).

Notes (continued)

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 2023	Asset class	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
	Corporate	171,222	48	171,174	-	171,174	-	171,174	-
	Sovereign	45,345	45,345	-	-	-	-	-	-
	Loans and advances to bank	95,706	95,706	-	-	-	-	-	-
	Group	90,578	90,578	-	-	-	-	-	-
	Other banks	5,128	5,128	-	-	-	-	-	-
	Retail	108,501	21,938	86,563	-	86,563	-	86,563	-
	Retail mortgage	40,416	-	40,416	-	40,416	-	40,416	-
	Other retail	68,085	21,938	46,147	-	46,147	-	46,147	-
	Total	420,774	163,037	257,737	-	257,737	-	257,737	-
	Less: Impairments for loans and advances	(19,300)							
	Total exposures	401,474							

31 December 2022

31 December 2022	Asset class	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
	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 exposure	350,322							

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 (continued)

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	2023	2022
	KShs. Million	KShs. Million
Residential property	614	394
Assets financed under VAF	243	178
	857	572

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.

	2023	2022
	KShs. Million	KShs. Million
Vehicle and asset finance	87	180
Other loans and advances	2,606	6,946
	2,693	7,126

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).

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.6 Default and provisioning policy (continued)

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:

- 66% of the total maximum exposure is derived from loans and advances to customers (2022: 69%); 11% represents investments in debt securities (2022: 23%);
- 89% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2022: 82%);
- 81% of the loans and advances portfolio are considered to be Stage 1 (2022: 82%); and
- 99.6% of all the debt securities, which the Bank has invested in, are issued by the Central Bank of Kenya (2022: 99.8%).

Notes (continued)

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 2023	Gross Carrying amount KShs. Million	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
		Stage 1 KShs. Million	Stage 2 KShs. Million	Stage 1 KShs. Million	Stage 2 KShs. Million	Stage 1 KShs. Million	Stage 2 KShs. Million	Stage 3 KShs. Million	Purchased/ originated credit impaired KShs. Million
Off-balance sheet exposure									
Letters of credit and bankers' acceptances	30,976	1,014	-	29,942	20	-	-	-	-
Guarantees	65,303	50,246	-	13,416	1,600	2	-	39	-
Unutilised facilities	16,794	1,812	-	14,896	78	6	-	2	-
Gross carrying amount	113,073	53,072	-	58,254	1,698	8	-	41	-
Less: Total expected credit lossess	(93)								
Net carrying amount of off-balance sheet exposure	112,980								

Off-balance sheet exposure Year ended 31 December 2022									
Letters of credit and bankers' acceptances	3,033	551	-	2,449	33	-	-	-	-
Guarantees	73,632	51,947	-	19,149	2,496	1	-	39	-
Unutilised facilities	17,581	2,517	49	14,945	70	-	-	-	-
Gross carrying amount	94,246	55,015	49	36,543	2,599	1	-	39	-
Less: Total expected credit lossess	(115)								
Net carrying amount of off-balance sheet exposure	94,131								

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

c) Ageing analysis of Stage 2 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 2023	Performing (Early arrears)				Non - performing		Total KShs. Million
	1 to 29 days KShs. Million	30 to 59 days KShs. Million	60 to 89 days KShs. Million	90 to 180 days KShs. Million	More than 180 days KShs. Million		
PPB (formerly CHNW)	5,559	1,239	732	-	-	-	7,530
Mortgage lending	3,592	800	471	-	-	-	4,863
Vehicle and asset finance	520	89	19	-	-	-	628
Other loans and advances	1,447	350	242	-	-	-	2,039
BCB (formerly BCC)	11,219	430	693	-	-	-	12,342
Mortgage lending	4,006	-	-	-	-	-	4,006
Vehicle and asset finance	1,075	170	53	-	-	-	1,298
Other loans and advances	6,138	260	640	-	-	-	7,038
Corporate and Investment Banking	6,946	-	3	-	-	-	6,949
Corporate lending	6,946	-	3	-	-	-	6,949
Total recognised financial instruments	23,724	1,669	1,428	-	-	-	26,821

Notes (continued)

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 (continued)

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)				Non - performing		Total KShs. Million
	1 to 29 days KShs. Million	30 to 59 days KShs. Million	60 to 89 days KShs. Million	90 to 180 days KShs. Million	More than 180 days KShs. Million		
PPB	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	
BCB	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	

Notes (continued)

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.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

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 (continued)

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 four steps:

- 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 2022 aggregate normal VaR, and aggregate SVaR.

Notes (continued)

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)

Normal VaR Exposures

31 December 2023		Normal VAR (KShs. 'million')		
Desk name	Maximum	Minimum	Average	Closing
FX trading	71	2	19	27
Money market trading	22	4	11	4
Fixed income trading	7	1	3	5
Money market banking	16	5	9	15
Bankwide	65	13	25	30

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

SVaR Exposures

31 December 2023		SVAR (KShs. 'million')		
Desk name	Maximum	Minimum	Average	Closing
FX trading	168	22	90	116
Money market trading	122	16	69	18
Fixed income trading	78	22	34	23
Money market banking	156	60	98	98
Bankwide	156	66	103	119

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

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.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.5 Approach to managing market risk in the trading book (continued)

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 2023 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.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

Approach to managing foreign currency risk (continued)

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 2023.

Included in the table are the Group's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Kenya Shillings):

At 31 December 2023	USD	GBP	EUR	Others	Total
Assets					
Cash and bank balances with banks abroad	12,851	646	1,660	2,454	17,611
Loans and advances	82,820	268	7,321	26	90,435
Investment in government securities	3,062	-	-	-	3,062
Balances due from group companies	87,014	4,035	6,577	688	98,314
Other foreign currency assets	1,302	18	1	450	1,771
Total foreign currency denominated financial assets	187,049	4,967	15,559	3,618	211,193
Liabilities					
Amounts due to banking institutions abroad	9,154	-	3,659	-	12,813
Deposits	137,754	4,870	11,822	2,135	156,581
Borrowings	12,710	-	-	-	12,710
Balances due to group companies	12,840	28	102	-	12,970
Other foreign currency liabilities	5,863	9	475	1,795	8,142
Total foreign currency denominated financial liabilities	178,321	4,907	16,058	3,930	203,216
Net on balance sheet financial position	8,728	60	(499)	(312)	7,977
Off balance sheet net notional position	(9,323)	6	1,136	(63)	(8,244)
Overall net position	(595)	66	637	(375)	(267)

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange 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	3,579	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

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 Group 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 (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

Year ended 31 December 2023	Increase in currency rate in % 2023	Effect on profit before tax 2023	Effect on equity 2023	Decrease in currency rate in % 2023	Effect on profit before tax 2023	Effect on equity 2023
Currency		KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
USD	12.26%	(73)	(51)	(10.59%)	63	44
GBP	7.87%	5	4	(12.98%)	(9)	(6)
EUR	8.09%	51	36	(9.22%)	(59)	(41)

Year ended 31 December 2022	Increase in currency rate in % 2022	Effect on profit before tax 2022	Effect on equity 2022	Decrease in currency rate in % 2022	Effect on profit before tax 2022	Effect on equity 2022
Currency		KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
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)

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.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.7 Interest rate risk (continued)

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.

The Treasury team is responsible for measuring the impact on earnings and economic value as well as monitoring and reporting against the stated limits and guidelines to the various entity ALCO and board committees.

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.

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.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.7 Interest rate risk (continued)

Hedging of endowment risk (continued)

Currency	Increase in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income	Decrease in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income
	2023	2023	2023	2023	2023	2023
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
KShs.	250	1,445	(88)	(200)	(1,107)	70
Others*	100	3	-	(100)	(4)	-

Currency	Increase in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income	Decrease in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income
	2022	2022	2022	2022	2022	2022
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
KShs.	250	1,223	(201)	(200)	(1,096)	160
Others*	100	5	-	(100)	(5)	-

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.

Notes (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

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.

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.

Notes (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

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 Private Banking, Business Commercial Banking, Insurance and Asset Management, 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.

Notes (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

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:

	2023 %	2022 %
At 31 December	40.3	45.2
Average for the year	41.4	40.3
Maximum for the year	47.2	47.8
Minimum for the year	35.8	35.9
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 (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities - Group

	Carrying value 2023 KShs. Million	Gross nominal inflow/(outflow) 2023 KShs. Million	Redeemable on demand 2023 KShs. Million	Maturing within 1 month 2023 KShs. Million	Maturing after 1 month but within 6 months 2023 KShs. Million	Maturing after 6 months but within 12 months 2023 KShs. Million	Maturing after 12 months but within 5 years 2023 KShs. Million	Maturing After 5 years 2023 KShs. Million
Non-derivative financial assets								
Cash and balances to banks	25,503	25,503	25,503	-	-	-	-	-
Financial assets at FVTPL	2,898	5,233	-	5	318	321	4,370	219
Financial assets at FVOCI	19,892	20,279	-	-	13,487	580	6,212	-
Financial assets at amortised cost	22,555	27,929	-	8	7,871	3,889	8,557	7,604
Loans and advances to banks	95,705	97,277	5,037	49,207	17,381	20,841	3,849	962
Loans and advances to customers	260,509	408,011	32,518	6,771	34,655	40,625	251,638	41,804
Other assets	5,906	5,906	5,906	-	-	-	-	-
	432,968	590,138	68,964	55,991	73,712	66,256	274,626	50,589
Derivative assets:								
- Outflows	2,250	(10,577)	-	(1,977)	(5,671)	(2,926)	(3)	-
- Inflows	-	28,992	-	3,961	16,422	8,609	-	-
	2,250	18,415	-	1,984	10,751	5,683	(3)	-
Non-derivative financial liabilities								
Amounts due to other banks	(26,004)	(26,462)	(16,021)	(318)	(1,543)	(21)	(8,559)	-
Customer deposits	(321,234)	(325,338)	(192,147)	(102,685)	(9,551)	(6,895)	(14,060)	-
Financial liabilities at FVTPL	(14,071)	(10,547)	-	(1,353)	(2,558)	(1,338)	(4,607)	(691)
Borrowings	(12,713)	(16,943)	-	(230)	(1,149)	(1,379)	(11,028)	(3,157)
Other liabilities	(8,110)	(8,110)	(8,110)	-	-	-	-	-
	(382,132)	(387,400)	(216,278)	(104,586)	(14,801)	(9,633)	(38,254)	(3,848)
Derivative liabilities:								
- Outflows	(2,570)	(40,304)	-	(4,954)	(27,250)	(8,212)	101	11
- Inflows	-	10,875	-	2,011	4,652	4,212	-	-
	(2,570)	(29,429)	-	(2,943)	(22,598)	(4,000)	101	11

Notes (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities - Group (continued)

	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	-	21	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	243,971	39,013
Derivative assets:								
- Inflows	2,259	1,608	62	639	365	542	-	-
- Outflows	-	(744)	172	(398)	(440)	(57)	(21)	-
	2,259	864	234	241	(75)	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 at FVTPL	(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:								
- Inflows	(1,687)	32	(171)	240	(36)	(1)	-	-
- Outflows	-	(1,029)	(19)	(312)	(177)	(521)	-	-
	(1,687)	(997)	(190)	(72)	(213)	(522)	-	-

Notes (continued)

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 liabilities and financial assets	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.

COMPANY	0-3 MONTHS KShs. Million
At 31 December 2023	
Cash and balances to banks	216
Other liabilities	(156)
	60
At 31 December 2022	
Cash and balances to banks	58
Other liabilities	(121)
	(63)

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.

Notes (continued)

4 Financial risk management (continued)

4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar (continued)

As at 31 December 2023, the Group had cash margins of KShs. 2,339,196,128 (2022: KShs. 2,993,000,000) 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.

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.

Notes (continued)

4 Financial risk management (continued)

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 predominantly 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). In certain instances, other suitable rates are used, such as Central Bank Policy Rates.

During the year, the Group undertook amendments to most Financial Instruments with contractual terms indexed to IBORs such that they incorporated new benchmark rates thus replacing the LIBOR rates 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).

During the 2022 financial year, the South African Revenue Bank (SARB) had indicated its intention to move away from JIBAR and has identified a potential successor in the South African Rand Overnight Index Average Rate (ZARONIA). The new ZARONIA rate was published for observation during 2022 and was endorsed as a successor rate in 2023.

There are minimal IBOR-linked contracts remaining with transition having taken place predominantly in Q2 and Q3 2023. Synthetic USD Libor is being published for a limited period, to assist the market with tough legacy transactions to be transitioned. Use of synthetic Libor is limited across the Group with a focus on transitioning client transactions to the target alternative reference rates.

The Group has in place an established steering committee and working group within treasury and capital management (TCM) which continues to monitor the progression of the remaining transitions.

Communications to clients are ongoing via multiple platforms along with one-on-one engagements to discuss transition where where exposed to USD LIBOR rates that mature post cessation date.

The IBOR reform exposes the Group to various risks, which the steering committee has been managing and monitoring closely. These risks include but are not limited to the following:

- i) **Model risk** – risk of the valuation models used within the Group not being able to cater for the changes in the intended manner.
- ii) **Legal risk** – risk of being non-compliant to the agreements previously agreed with clients.
- iii) **Operational risk** – risk of the Group's systems not being able to accommodate for the changes to the interest rates as agreed.
- iv) **Financial risk** – risk of not appropriately pricing the deals which will result in a transfer of value between the Group and clients.
- v) **Compliance/regulatory risk** – risk that the Group is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.
- vi) **Reputational risk** – the risk to the Group's reputation from failing to adequately prepare for the transition.
- vi) **Conduct risk** – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

Notes (continued)

4 Financial risk management (continued)

4.7 Interest rate benchmarks and reference interest rate reform (Continued)

Financial instruments impacted by the reform which are yet to transition

	USD LIBOR 2023 KShs. million	USD LIBOR 2022 KShs. million
Total assets subject to IBOR reform	2,147	28,596
Derivative Assets ¹	-	-
Financial assets – (FVTPL)	100	-
Loans and Advances ²	2,047	28,596
Total liabilities subject to IBOR reform	(3,359)	(15,633)
Derivative Liabilities ¹	-	-
Deposits and debt funding	-	(9,257)
Borrowings	(3,259)	(6,376)
Financial liabilities – FVTPL	(100)	-
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).

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.

During 2023, the Group has made significant structural changes to better serve its clients. The Group's operating model is client led and structured around segments, namely: Personal & Private Banking (PPB) formerly CHNW, Business & Commercial Banking (BCB) formerly BCC, Corporate & Investment Banking (CIB) and Insurance & Asset Management (IAM) (Segment introduced in 2023).

Notes (continued)

5 Segment information (continued)

Business unit reporting evolves to reflect changes in reporting responsibility for individual cost centres and divisions across the group. 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.

Insurance and Asset Management (IAM)

The Insurance & Asset Management (IAM) business unit offers partnerships for the sale of the Group's insurance agency offerings within the Group's banking sales channels. Its clients, who range from individual customers to corporate and institutional clients, can leverage Group's extensive market leading range of propositions and services to help build and protect their wealth and lifestyle.

PPB and BCB

PPB and BCB provides banking services to individual customers and small to medium sized enterprises. The products offered include:

- Mortgage Lending – provides residential accommodation loans to individual customers.
- 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.
- Card Products – provides card facilities to individuals and businesses.
- 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 (2022: None).

Notes (continued)

5 Segment information (continued)

5 (a) Results by business units*

	Total 2023 KShs. Million	CIB		BCB		BCB		PPB		PPB		IAM*	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Statement of profit and loss													
Interest income	37,942	25,457	15,935	4,719	3,846	7,758	6,306	8	8				
Interest expense	(12,294)	(12,047)	(6,057)	1,220	412	(1,469)	(1,497)	2	2				
Net interest income	25,648	13,410	9,878	5,939	4,258	6,289	4,809	10	10				
Fees and commission revenue	6,670	3,660	2,828	1,347	1,234	1,222	1,038	441	441				
Fees and commission expense	(1,032)	(148)	(193)	(323)	(224)	(561)	(530)	-	-				
Net fees and commission income	5,638	3,512	2,635	1,024	1,010	661	508	441	441				
Trading revenue	10,247	7,326	5,365	1,737	2,040	1,095	1,400	89	89				
Net (loss)/ income from financial instruments at fair value through profit or loss	(92)	(92)	(53)	-	67	-	127	-	-				
Other income	153	142	34	7	4	4	4	-	-				
Other losses on financial instruments	(277)	(277)	(2)	-	-	-	-	-	-				
Trading and other income	10,031	7,099	5,344	1,744	2,111	1,099	1,531	89	89				
Total income	41,317	32,084	17,857	8,707	7,379	8,049	6,848	540	540				
Credit impairment losses	(6,236)	(4,944)	(1,738)	(3,407)	(1,338)	(1,687)	(1,868)	-	-				
Net income before operating expenses	35,081	27,140	16,119	5,300	6,041	6,362	4,980	540	540				
Employee benefits expense	(8,656)	(7,279)	(2,900)	(2,257)	(2,138)	(2,015)	(2,241)	(185)	(185)				
Depreciation and amortisation expense	(622)	(748)	(227)	(170)	(261)	(201)	(260)	(3)	(3)				
Depreciation on right-of use assets	(336)	(331)	(112)	(118)	(112)	(128)	(99)	(1)	(1)				
Other operating expenses	(8,367)	(6,594)	(2,618)	(1,719)	(2,246)	(2,240)	(1,730)	(77)	(77)				
Finance costs	(6)	(16)	(11)	-	-	-	(5)	-	-				
Total operating expenses	(17,987)	(14,968)	(5,876)	(4,264)	(4,757)	(4,584)	(4,335)	(266)	(266)				
Profit before income tax	17,094	12,172	10,243	1,036	1,284	1,778	645	274	274				
Income tax expense	(4,936)	(3,112)	(2,589)	(321)	(410)	(509)	(113)	(78)	(78)				
Profit for the year	12,158	9,060	7,654	715	874	1,269	532	196	196				

* The business unit statement of financial position has been updated to better align to how management analyses and reviews business units. IAM unit became operational in 2023. In the previous year, the IAM business unit was reported in other segments.

Notes (continued)

5 Segment information (continued)

5 (a) Results by business units*

Statement of financial position	Total 2023		CIB 2023		CIB 2022		BCB 2023		BCB 2022		PPB 2023		PPB 2022		IAM 2023		IAM* 2022		
	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	
Assets																			
Cash and balances with Central Bank of Kenya	25,503	20,771	23,814	19,845	1,039	574	650	352	-	-	-	-	-	-	-	-	-	-	
Financial assets – (FVTPL)	2,898	25,126	2,898	25,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial assets – (FVOCI)	19,892	32,136	19,892	32,136	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial assets – (amortised cost)	22,555	26,289	22,555	26,289	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Derivative assets	2,250	2,259	2,250	2,259	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current tax asset	-	21	-	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loans and advances to banks	95,705	30,962	95,266	28,000	337	2,137	-	825	-	-	-	-	-	-	-	-	-	-	
Loans and advances to customers	260,509	235,867	167,178	144,369	39,820	38,655	53,511	52,843	-	-	-	-	-	-	-	-	-	-	
Other assets and prepayments	7608	6,101	1,934	1,866	2,004	2,060	3,426	2,175	-	-	-	-	-	-	-	-	-	-	
Investment in subsidiaries and other investments	18	18	11	11	4	3	3	4	-	-	-	-	-	-	-	-	-	-	
Property and equipment	2,078	1,901	684	756	663	239	731	906	-	-	-	-	-	-	-	-	-	-	
Right-of-use assets (buildings)	858	924	282	345	319	330	257	249	-	-	-	-	-	-	-	-	-	-	
Right-of-use assets (leasehold land)	33	36	17	21	7	7	9	8	-	-	-	-	-	-	-	-	-	-	
Other intangible assets	740	837	338	491	113	149	282	197	-	-	-	-	-	-	-	-	-	-	
Intangible assets - goodwill	9,350	9,350	7,572	8,882	616	468	1,162	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax asset	9,287	7,232	6,194	4,746	1,504	1,161	1,584	1,325	-	-	-	-	-	-	-	-	-	-	
Total assets	459,284	399,830	350,885	295,163	46,426	45,783	61,615	58,884	61,615	58,884	358	358	358	358	358	358	358	358	
Liabilities																			
Derivative liabilities	2,570	1,687	2,570	1,687	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial liabilities – FVTPL	14,071	8,001	14,071	8,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current tax liability	2,192	1,430	1,515	936	307	199	318	295	-	-	-	-	-	-	-	-	-	-	
Deposits from banks	26,004	32,753	24,869	32,753	1,135	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deposits from customers	321,234	271,564	153,498	132,511	79,951	65,371	87,785	73,682	-	-	-	-	-	-	-	-	-	-	
Borrowings	12,713	10,141	7,725	6,050	2,591	1,921	2,397	2,170	-	-	-	-	-	-	-	-	-	-	
Other liabilities and accrued expenses	10,939	10,899	5,189	7,469	3,249	574	2,437	2,856	-	-	-	-	-	-	-	-	-	-	
Lease liabilities	1,007	1,157	618	643	298	75	91	439	-	-	-	-	-	-	-	-	-	-	
Total liabilities	390,730	337,632	210,055	190,050	87,531	68,140	93,028	79,442	93,028	79,442	116	116	116	116	116	116	116	116	
Equity	68,554	62,198	40,162	37,506	14,013	11,969	14,118	12,723	14,118	12,723	261	261	261	261	261	261	261	261	
Inter-divisional funding	-	-	100,668	67,607	(55,118)	(34,326)	(45,531)	(33,281)	(45,531)	(33,281)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	
Total equity and liabilities	459,284	399,830	350,885	295,163	46,426	45,783	61,615	58,884	61,615	58,884	358	358	358	358	358	358	358	358	

Notes (continued)

5 Segment information (continued)

5 (b) Results by geographical area

Statement of profit and loss	Total 2023		Kenya 2023		Kenya 2022		South Sudan 2023		South Sudan 2022	
	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million	KShs. Million	Million
Interest income	37,942	26,087	37,935	26,085	7	2	-	-	-	-
Interest expense	(12,294)	(7,142)	(12,272)	(7,113)	(22)	(29)	-	-	-	-
Net interest income	25,648	18,945	25,663	18,972	(15)	(27)	1,101	697	1,101	697
Fees and commission revenue	6,670	5,100	5,569	4,403	(945)	(6)	-	-	-	-
Fees and commission expense	(1,032)	(947)	(1,026)	(945)	(6)	(2)	-	-	-	-
Net fees and commission income	5,638	4,153	4,543	3,458	1,095	695	916	654	916	654
Trading revenue	10,247	8,805	9,331	8,151	-	-	-	-	-	-
Net (loss)/ income from financial instruments at fair value through profit or loss	(92)	141	(92)	141	-	-	-	-	-	-
Other income	153	42	153	42	(2)	(2)	-	-	-	-
Other losses on financial instruments	(277)	(2)	(277)	(2)	-	-	-	-	-	-
Trading and other income	10,031	8,986	9,115	8,332	916	654	1,996	1,322	1,996	1,322
Total income	41,317	32,084	39,321	30,762	(11)	1	1,985	1,323	1,985	1,323
Credit impairment losses	(6,236)	(4,944)	(6,225)	(4,945)	-	-	-	-	-	-
Net income before operating expenses	35,081	27,140	33,096	25,817	(754)	(434)	1,985	1,323	1,985	1,323
Employee benefits expense	(8,656)	(7,279)	(7,902)	(6,845)	(23)	(18)	-	-	-	-
Depreciation and amortisation expense	(622)	(748)	(599)	(730)	(38)	(31)	-	-	-	-
Depreciation on right-of use assets	(336)	(331)	(298)	(300)	(507)	(374)	-	-	-	-
Other operating expenses	(8,367)	(6,594)	(7,860)	(6,220)	(6)	(10)	-	-	-	-
Finance costs	(6)	(16)	(1)	(6)	-	-	-	-	-	-
Total operating expenses	(17,987)	(14,968)	(16,660)	(14,101)	(1,327)	(867)	(1,327)	(867)	(1,327)	(867)
Profit before income tax	17,094	12,172	16,436	11,716	658	456	658	456	658	456
Income tax expense	(4,936)	(3,112)	(4,738)	(2,963)	(198)	(149)	-	-	-	-
Profit for the year	12,158	9,060	11,698	8,753	460	307	460	307	460	307

Notes (continued)

5 Segment information (continued) 5 (b) Results by geographical area (continued)

Statement of financial position	Total 2023		Total 2022		Kenya 2023		Kenya 2022		South Sudan 2023		South Sudan 2022	
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
Assets												
Cash and balances with Central Bank of Kenya		25,503		20,771		16,617		14,300		8,886		6,471
Financial assets – (FVTPL)		2,898		25,126		2,898		25,126		-		-
Financial assets – (FVOCI)		19,892		32,136		19,892		32,136		-		-
Financial assets – (amortised cost)		22,555		26,289		22,555		26,289		-		-
Derivative assets		2,250		2,259		2,250		2,259		-		-
Current tax asset		-		21		-		-		-		21
Loans and advances to banks		95,705		30,962		82,150		13,186		13,555		17,776
Loans and advances to customers		260,509		235,867		260,482		235,858		27		9
Other assets and prepayments		7,608		6,101		7,551		6,092		57		9
Investment in subsidiaries and other investments		18		18		18		18		-		-
Property and equipment		2,078		1,901		1,981		1,840		97		61
Right-of-use assets (buildings)		858		924		814		839		44		85
Right-of-use assets (leasehold land)		33		36		33		36		-		-
Other intangible assets		740		837		736		829		4		8
Intangible assets - goodwill		9,350		9,350		9,350		9,350		-		-
Deferred tax asset		9,287		7,232		9,206		7,217		81		15
Total assets	459,284	399,830	436,533	375,375	436,533	375,375	436,533	375,375	22,751	22,751	24,455	24,455
Liabilities												
Derivative liabilities		2,570		1,687		2,570		1,687		-		-
Financial liabilities – FVTPL		14,071		8,001		14,071		8,001		-		-
Current tax liability		2,192		1,430		2,073		1,430		119		-
Deposits from banks		26,004		32,753		25,989		32,743		15		10
Deposits from customers		321,234		271,564		301,960		251,069		19,274		20,495
Borrowings		12,713		10,141		12,713		10,141		-		-
Other liabilities and accrued expenses		10,939		10,899		8,988		8,217		1,951		2,682
Lease liabilities		1,007		1,157		846		882		161		275
Total liabilities	390,730	337,632	369,210	314,170	369,210	314,170	369,210	314,170	21,520	21,520	23,462	23,462
Equity	68,554	62,198	67,323	61,205	67,323	61,205	67,323	61,205	1,231	1,231	993	993
Total equity and liabilities	459,284	399,830	436,533	375,375	436,533	375,375	436,533	375,375	22,751	22,751	24,455	24,455

Notes (continued)

5 Segment information (continued)

5 (b) Results by geographical area (continued)

Reconciliation of reportable assets and liabilities

	GROUP	
	2023 KShs. million	2022 KShs. million
Assets		
Total assets for reportable segments	483,503	426,267
Elimination of inter-branch balances with South Sudan	(24,219)	(26,437)
Entity's assets	459,284	399,830
Liabilities		
Total liabilities and equities for reportable segments	483,503	426,267
Elimination of inter-branch balances with South Sudan	(24,219)	(26,437)
Entity's liabilities and equities	459,284	399,830

6 Interest income

	COMPANY		GROUP	
	2023 KShs. million	2022 KShs. million	2023 KShs. million	2022 KShs. million
Loans and advances to customers	29,469	19,898	-	-
Financial assets – (FVOCI)	2,530	2,480	-	-
Financial assets – (amortised cost)	2,547	2,706	-	-
Placements and other bank balances	3,396	1,003	16	6
	37,942	26,087	16	6

Interest income calculated using the effective interest method

7 Interest expense

Current accounts	2,624	1,721	-	-
Savings and term deposit accounts	7,928	4,690	-	-
Deposits and placements from other banks	537	174	-	-
Interest on borrowed funds (Note 35)	1,084	443	-	-
Interest expense on lease liabilities (Note 31)	121	114	-	-
	12,294	7,142	-	-
Net interest income	25,648	18,945	16	6

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 (continued)

8 Fees and commission revenue

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Account transaction fees	1,856	1,333	-	-
Knowledge based and client administration fees	1,705	1,402	-	-
Electronic banking fees	1,204	678	-	-
Foreign service fees	644	709	-	-
Documentation and administration fees	109	124	-	-
Brokerage commission	204	248	-	-
Other bank related fees and commission	948	606	-	-
	6,670	5,100	-	-

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. 353,397,281 (2022: KShs. 356,199,136).

All net fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.

Fees and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

9 Fees and commission expense

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Card based commission expenses	473	346	-	-
Brokerage fees	27	30	-	-
Other bank related fees and commission expenses	532	571	-	-
	1,032	947	-	-

10 Trading revenue

Net foreign exchange income	10,247	8,751	-	-
Gain in monetary value	-	54	-	-
	10,247	8,805	-	-

11 (a) Net (loss)/ income from financial instruments at fair value through profit or loss

Fixed (loss)/ income-financial assets-(FVTPL)	(92)	141	-	-
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11 (b) Other (losses)/gains on financial instruments

Net loss on disposal of financial assets	(277)	(2)	-	-
	(277)	(2)	-	-

Notes (continued)

12 Other income

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Gain on disposal of property and equipment	14	7	-	-
Dividend income	-	-	5,654	2,920
Other income	139	35	-	-
	153	42	5,654	2,920

13 Employee benefits expense

Salaries and wages	8,027	6,740	76	53
Retirement benefit costs	629	539	5	8
	8,656	7,279	81	61

Included in retirement benefit costs are;

Defined contribution scheme	610	535	-	-
National Social Security Fund	19	4	-	-
	629	539	-	-

Average staff numbers for the year;

Management	445	428	-	-
Supervisory	471	429	-	-
Clerical and other categories	258	280	-	-
Total	1,174	1,137	-	-

14 Breakdown of expenses by nature

	Notes	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Profit before tax has been arrived at after charging-;					
Employee benefits	13	8,656	7,279	81	61
Audit fees		54	44	4	3
Directors' fees	42(f)	150	119	8	9
Depreciation of property and equipment	26	400	416	-	-
Depreciation on right-of use assets	30	336	331	-	-
Amortisation of right-of-use leasehold land	27	3	3	-	-
Amortisation of intangible assets	28	219	329	-	-
Franchise fees	42 (i)	1,221	944	-	-

Notes (continued)

15 Finance costs

	Notes	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Bank charges		6	16	1	-
		6	16	1	-

16 Income tax expense

	Notes	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Current income tax		6,904	4,671	-	2
Current year charge	37 (a)	7,231	4,963	-	2
Previous year current income tax over provision		(327)	(292)	-	-
Deferred income tax		(1,968)	(1,559)	-	-
Current year (credit)/charge Kenya operations	38 (a)	(1,899)	(1,561)	-	-
Current year (credit)/charge foreign	38 (b)	(69)	2	-	-
Income tax expense for the year		4,936	3,112	-	2

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:

	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Profit before income tax	17,094	12,172	5,561	2,837
Tax at statutory tax rate of 30% (2022: 30%)	5,133	3,655	1,668	851
Tax effect of:				
Income not subjected to tax	(298)	(519)	(1,696)	(876)
Expenses not deductible for tax purposes	501	310	28	27
Previous year's current tax over provision	(327)	(292)	-	-
Effect of tax paid in other jurisdictions	(73)	(42)	-	-
Income tax expense	4,936	3,112	-	2

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.

Notes (continued)

17 Earnings per share (continued)

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Earnings (Profit after tax)				
Earnings for the purposes of basic earnings per share (KShs. Million)	12,158	9,060	5,561	2,835
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	30.75	22.92	14.07	7.17

There were no dilutive potential ordinary shares as at 31 December 2023 or 31 December 2022. Therefore, diluted earnings per share are the same as basic earnings per share.

18 Dividend

	GROUP AND COMPANY	
	2023 KShs. Million	2022 KShs. Million
The calculation of dividends per share is based on:		
Dividends for the year attributable to ordinary shareholders:		
Interim dividend paid (KShs. 'millions)	454	-
Final dividend proposed (KShs. 'millions)	5,614	4,981
	6,068	4,981
Number of ordinary shares at issue date (in millions)	395	395
Dividends per share – KShs.	15.35	12.60

Proposed dividends are presented within retained earnings until they have been approved at an Annual General Meeting.

At the next annual general meeting, a final dividend in respect of the year ended 31 December 2023 of KShs. 14.20. (2022: KShs. 12.60) per share amounting to a total of KShs. 5,613,567,260 (2022: KShs. 4,981,053,000) is to be proposed. These financial statements do not reflect this dividends as payable.

During the year an interim dividend of KShs. 1.15 per share amounting to a total of KShs. 454,095,000 was paid (2022: nil).

Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 15% for non-resident shareholders. Dividend paid to resident shareholders who own more than 12.5% shareholding are exempt from withholding tax.

Notes (continued)

19 Cash and balances with Central Bank of Kenya

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Cash in hand	4,177	3,704	-	-
Balances with Central Bank of Kenya	21,326	17,067	-	-
	25,503	20,771	-	-

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 2023, the cash reserve requirement was 4.25% of the eligible deposits (2022: 4.25%).

The cash reserve requirement balance for the year ended 31 December 2023 is KShs. 13,259,326,588 (2022: KShs. 10,111,774,505). The Central Bank of Kenya allows a daily minimum of 3% (2022: 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. 9,359,524,650 as at 31 December 2023 (2022: KShs. 7,137,723,180). 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	
	2023 KShs. Million	2022 KShs. Million
Debt securities		
Government treasury bills and bonds	2,898	25,126
	2,898	25,126
Maturity analysis:		
Maturing within 1 month	5	143
Maturing after 1 months but within 6 months	2	24,321
Maturing after 6 months but within 12 months	37	-
Maturing after 12 months but within 5 years	2,675	30
Maturing after 5 years	179	632
	2,898	25,126

The maturities represent periods to contractual redemption of financial assets - FVTPL. Financial assets - FVTPL had a redemption value at 31 December 2023 of KShs. 2,974,921,000 (2022: KShs. 25,713,346,000). The weighted average effective interest yield on debt securities held for trading at 31 December 2023 was 17.81% (2022: 9.54%).

20 (b) Financial liabilities – FVTPL

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Unlisted	14,071	8,001
Maturity analysis:		
Maturing within 1 month	88	-
Maturing after 1 months but within 6 months	6,316	1,741
Maturing after 6 months but within 12 months	3,044	135
Maturing after 12 months but within 5 years	4,055	5,474
Maturing after 5 years	568	651
	14,071	8,001

Notes (continued)

20 Financial assets and liabilities – FVTPL (continued)

20 (b) Financial liabilities – FVTPL (continued)

The maturities represent periods to contractual redemption of trading liabilities recorded. Dated trading liabilities had a redemption value at 31 December 2023 of KShs. 14,395,175,000 (2022: KShs. 7,905,004,000). The weighted average effective interest cost on debt securities held for trading at 31 December 2023 was 10.12% (2022: 11.33%).

21 Financial assets – (FVOCI)

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Financial assets – (FVOCI)	21 (a)	19,892	32,065
Pledged assets – (FVOCI)	21 (b)	-	71
		19,892	32,136

21 (a) Financial assets – (FVOCI)

Debt securities – at fair value:

Listed	7,964	5,895
Unlisted	11,934	26,174
	19,898	32,069

Comprising:

Government bonds	7,964	5,895
Government treasury bills	11,772	25,959
Corporate Bonds	162	215
	19,898	32,069

Allowances for impairments

Expected credit loss for debt securities measured at fair value through OCI (IFRS 9)	(6)	(4)
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Credit impairment losses (Note 21.1)

	(6)	(4)
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Net debt securities at FVOCI

	19,892	32,065
Maturity analysis		
Maturing within 1 month	985	16,001
Maturing after 1 month but within 6 months	11,799	10,252
Maturing after 6 months but within 12 months	188	-
Maturing after 12 months but within 5 years	6,920	5,812
	19,892	32,065

Financial investment securities had a redemption value at 31 December 2023 of KShs. 20,270,000,000 (2022: KShs. 32,339,500,000). The weighted average effective interest cost on debt securities held for trading at 31 December 2023 was 15.66% (2022: 9.84%).

Notes (continued)

21 Financial assets – (FVOCI) (continued)

21 (b) Pledged assets – (FVOCI)

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Fair value through OCI	-	71
	-	71
Maturity analysis		
Maturing after 1 months 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 2023 of KShs.. nil (2022: KShs.. nil).

The weighted average effective interest yield on investment securities at FVOCI on 31 December 2023 was nil (2022: nil).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

Notes (continued)

21 Financial assets – (FVOCI) (continued)

21.1 Reconciliation of expected credit losses for debt financial assets measured at fair value through OCI:

GROUP	Opening ECL 1 Jan 2023 KShs.	Total transfers between stages KShs.	Income statement movements			Net ECL raised/(released) ¹ KShs.	Impairment accounts written-off KShs.	Exchange and other movements KShs.	Closing ECL 31 Dec 2023 KShs.
			ECL on new exposure raised KShs.	Change in ECL due to modifications KShs.	Subsequent changes in ECL KShs.				
Debt securities	4		5	-	(1)	2	-	-	6
Stage 1	4	-	5	-	(1)	2	-	-	6
Total	4	-	5	-	(1)	2	-	-	6

Financial assets (Fair value through OCI)

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 (continued)

21 Financial assets – (FVOCI) (continued)

21.1 Reconciliation of expected credit losses for debt financial assets measured at fair value through OCI: (continued)

GROUP	Opening ECL 1 Jan 2022	Total transfers between stages	Income statement movements		Net ECL raised/ (released) ¹	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2022
			ECL on new exposure raised	Change in ECL due to modifications				
	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
Financial assets (Fair value through OCI)								
Debt securities	2	-	5	(1)	2	-	-	4
Stage 1	2	-	5	(1)	2	-	-	4
Total	2	-	5	(1)	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)

21.2 Reconciliation of fair value through OCI reserve for debt financial assets measured at fair value through OCI

GROUP	Balance at beginning of the year 2023	Reclassifications	Net change in fair value	Realised fair value adjustments and reversal to profit or loss	Net expected credit loss raised/ (released) during the period	Exchange and other movements	Balance at end of the year 2023
Debt securities	45	-	144	-	144	-	189
Total	45	-	144	-	144	-	189

Notes (continued)

21 Financial assets – (FVOCI) (continued)

21.2 Reconciliation of fair value through OCI reserve for debt financial assets measured at fair value through OCI (continued)

GROUP	Balance at beginning of the year 2022	Reclassifications	Net change in fair value	Realised fair value adjustments and reversal to profit or loss	Net expected credit loss raised/ (released) during the period	Exchange and other movements	Balance at end of the year 2022
Debt securities	(13)	-	58	-	58	-	45
Total	(13)	-	58	-	58	-	45

Notes (continued)

22 Financial assets – (amortised cost)

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Pledged assets – (amortised cost)	22 (a)	2,600	3,497
Financial assets – (amortised cost)	22 (b)	19,955	22,792
		22,555	26,289

22 (a) Pledged assets – (amortised cost)

Amortised cost/held to collect debt securities		2,673	3,498
Gross pledged assets at amortised cost		2,673	3,498
Allowances for impairments			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	(73)	(1)
Credit impairment losses		(73)	(1)
Net pledged assets at amortised cost		2,600	3,497
Maturity analysis:			
Maturing after 1 months but within 6 months		690	500
Maturing after 6 months but within 12 months		-	-
Maturing after 12 months but within 5 years		-	2,497
Maturing after 5 years		1,910	500
		2,600	3,497

Dated pledged assets at amortized cost had a redemption value at 31 December 2023 of KShs. 2,625,600 (2022: KShs. 3,500,000,000).

The weighted average effective interest yield on investment securities at FVOCI on 31 December 2023 was 16.15% (2022: 11.49%).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

22 (b) Financial assets – (amortised cost)

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Debt securities:			
Listed		19,966	22,845
Unlisted		-	-
Gross financial assets at amortised cost		19,966	22,845
Allowances for impairments			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	(11)	(53)
Credit impairment losses		(11)	(53)
Net debt securities at amortised cost		19,955	22,792

Notes (continued)

22 Financial assets – (amortised cost) (continued)

22 (b) Financial assets – (amortised cost) (continued)

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Comprising:			
Government bonds		19,966	22,845
Corporate bonds		-	-
		19,966	22,845
Maturity analysis:			
Maturing within 1 month		1,036	-
Maturing after 1 month but within 6 months		11,819	-
Maturing after 6 months but within 12 months		188	-
Maturing after 12 months but within 5 years		6,923	16,498
Maturing after 5 years		-	6,347
		19,966	22,845

Dated held to collect assets had a redemption value at 31 December 2023 of KShs. 19,540,235,000 (2022: KShs. 22,657,142,000)

The weighted average effective interest yield on held to collect investment securities at 31 December 2023 was 15.69% (2022: 12.68%).

Notes (continued)

22 Financial assets – (amortised cost) (continued)

22.1 Reconciliation of expected credit losses for debt financial assets measured at amortised cost

	Opening ECL 1 January 2023 KShs.	Total transfers between stages KShs.	Income statement movements			Net ECL raised/(released) ¹ KShs.	Impairment accounts written-off KShs.	Exchange and other movements KShs.	Closing ECL 31 December 2023 KShs.
			ECL on new exposure raised KShs.	Change in ECL due to modifications KShs.	Subsequent changes in ECL KShs.				
Financial assets Amortised cost									
Sovereign - Debt securities	53	-	24	-	12	(6)	-	1	84
Stage 1	53	-	24	-	12	(6)	-	1	84
Pledged assets	1	-	-	-	-	-	-	(1)	-
Stage 1	1	-	-	-	-	-	-	(1)	-
Stage 2	-	-	-	-	-	-	-	-	-
Total	54	-	24	-	12	(6)	-	-	84

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 (continued)

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 January 2022 KShs.	Total transfers between stages KShs.	Income statement movements			Net ECL raised/(released) ¹ KShs.	Impairment accounts written-off KShs.	Exchange and other movements KShs.	Closing ECL 31 December 2022 KShs.
			ECL on new exposure raised KShs.	Change in ECL due to modifications KShs.	Subsequent changes in ECL KShs.				
Sovereign - Debt securities	23	-	24	-	12	(6)	-	-	53
Stage 1	23	-	24	-	12	(6)	-	-	53
Pledged assets	1	-	-	-	-	-	-	-	1
Stage 1	1	-	-	-	-	-	-	-	1
Total	24	-	24	-	12	(6)	-	-	54

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 (continued)

23 Loans and advances

23 (a) Loans and advances to banks

	Note	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Balances with banks		5,128	15,848	-	-
Balances due from Group banks	42 (a)	90,578	15,114	216	58
		95,706	30,962	216	58
Allowances for impairments*					
Impairment Stages 1 & 2 (performing loans)		(1)	-	-	-
Impairment Stage 3 (non-performing loans)		-	-	-	-
Credit impairment allowances		(1)	-	-	-
Net loans and advances		95,705	30,962	216	58
Maturity analysis:					
Redeemable on demand		5,036	8,659	216	58
Maturing within 1 month		46,192	18,847	-	-
Maturing after 1 month but within 12 months		39,565	-	-	-
Maturing after 12 month but within 5 years		-	1,750	-	-
Maturing after 5 years		4,912	1,706	-	-
Net loans and advances to banks		95,705	30,962	216	58

* The group hold balances with well rated commercial banks categorised under stage 1.

Notes (continued)

23 Loans and advances (continued)

23 (a) Loans and advances to banks (continued)

23.1 Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost:

BANKS	Opening ECL 1 January 2023 KShs.	Total transfers between stages KShs.	Income statement movements			Net ECL raised/ (released) ¹ KShs.	Impairment accounts written-off KShs.	Exchange and other movements KShs.	Closing ECL 31 December 2023 KShs.
			ECL on new exposure raised KShs.	Change in ECL due to modifications KShs.	Subsequent changes in ECL KShs.				
Stage 1	-	-	(1)	-	-	(1)	-	-	(1)
Total	-	-	(1)	-	-	(1)	-	-	(1)

¹Net 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).

BANKS	Opening ECL 1 January 2022 KShs.	Total transfers between stages KShs.	Income statement movements			Net ECL raised/ (released) ¹ KShs.	Impairment accounts written-off KShs.	Exchange and other movements KShs.	Closing ECL 31 December 2022 KShs.
			ECL on new exposure raised KShs.	Change in ECL due to modifications KShs.	Subsequent changes in ECL KShs.				
Stage 1	1	-	-	-	-	-	-	(1)	-
Total	1	-	-	-	-	-	-	(1)	-

Notes (Continued)

23 Loans and advances (continued)

23 (b) Loans and advances to customers

	Note	2023 KShs. Million	2022 KShs. Million
Mortgage lending		40,794	37,831
Vehicle and asset finance (note 23(e))		13,047	10,030
Overdraft and other demand lending		32,518	15,155
Term lending		192,564	192,725
Card lending		801	722
Gross loans and advances to customers		279,724	256,463
Allowances for impairments			
Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	23(c (i))	(19,215)	(20,596)
Credit impairment allowances		(19,215)	(20,596)
Net loans and advances		260,509	235,867
Maturity analysis:			
Redeemable on demand		5,670	17,683
Maturing within 1 month		50,921	26,279
Maturing after 1 month but within 6 months		55,387	51,253
Maturing after 6 months but within 12 months		6,674	7,234
Maturing after 12 months but within 5 years		78,251	75,485
Maturing after 5 years		63,606	57,933
Net loans and advances		260,509	235,867

The weighted average effective interest rate on loans and advances to customers as at 31 December 2023 was 12.33% (2022: 9.70%). 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 (Continued)

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:

Customers	Opening ECL 1 Jan 2023	Total transfers between stages	Income statement movements			Net ECL raised/(released) ¹	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2023	Interest in suspense	Total
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition						
	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million	KShs. million
Mortgage loans	2,096	-	26	428	-	454	(131)	(16)	2,403	(27)	2,376
Stage 1	78	65	9	(75)	-	(1)	-	-	77	-	77
Stage 2	319	(46)	16	103	-	73	-	-	392	-	392
Stage 3	1,699	(19)	1	400	-	382	(131)	(16)	1,934	(27)	1,907
Vehicle and asset finance	1,368	-	328	99	-	427	(604)	(108)	1,083	(114)	969
Stage 1	71	17	46	(43)	-	20	-	-	91	-	91
Stage 2	235	4	23	211	-	238	-	-	473	-	473
Stage 3	1,062	(21)	259	(69)	-	169	(604)	(108)	519	(114)	405
Card debtors	58	-	-	81	-	81	(61)	-	78	-	78
Stage 1	18	-	-	-	-	-	-	-	18	-	18
Stage 2	19	(1)	-	16	-	15	-	-	34	-	34
Stage 3	21	1	-	65	-	66	(61)	-	26	-	26
Other loans and advances	8,831	-	814	3,794	-	4,608	(3,642)	(275)	9,522	(12)	9,510
Stage 1	434	10	234	(196)	-	48	-	-	482	-	482
Stage 2	1,159	(203)	292	20	-	109	-	(190)	1,078	-	1,078
Stage 3	7,238	193	288	3,970	-	4,451	(3,642)	(85)	7,962	(12)	7,950
Corporate	8,243	-	8,054	(413)	-	1,746	(4,052)	746	6,683	(401)	6,282
Stage 1	789	-	722	36	-	(31)	-	(1)	757	-	757
Stage 2	157	-	50	(329)	-	(430)	-	325	52	-	52
Stage 3	7,297	-	7,282	(120)	-	2,207	(4,052)	422	5,874	(401)	5,473
Total	20,596	-	9,222	3,989	-	7,316	(8,490)	347	19,769	(554)	19,215

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 (continued)

23 Loans and advances (continued)

23 (c) Allowances for Impairment (continued)

23(c (i)) Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost: (continued)

	Opening ECL 1 Jan 2022 KShs. million.	Total transfers between stages KShs. million	Income statement movements			Net ECL raised/ (released) ¹ KShs. million	Impairment accounts written-off KShs. million	Exchange and other movements KShs. million	Closing ECL 31 Dec 2022 KShs. million	Interest in suspense KShs. million	Total KShs. million
			ECL on new exposure raised KShs. million	Subsequent changes in ECL KShs. million	Change in ECL derecognition KShs. million						
Customers	1,721	-	183	224	407	(51)	10	2,087	9	2,096	
Mortgage loans	32	27	7	(32)	2	-	44	78	-	78	
Stage 1	392	(29)	12	1	(16)	-	(57)	319	-	319	
Stage 2	1,297	2	164	255	421	(51)	23	1,690	9	1,699	
Stage 3	2,397	-	216	(229)	(13)	(564)	(246)	1,574	(206)	1,368	
Vehicle and asset finance	77	39	30	(74)	(5)	-	(1)	71	-	71	
Stage 1	368	(38)	24	(142)	(156)	-	23	235	-	235	
Stage 2	1,952	(1)	162	(13)	148	(564)	(268)	1,268	(206)	1,062	
Stage 3	61	-	3	28	31	(40)	6	58	-	58	
Card debtors	22	14	2	(19)	(3)	-	(1)	18	-	18	
Stage 1	51	(16)	1	(12)	(27)	-	(5)	19	-	19	
Stage 2	(12)	2	-	59	61	(40)	12	21	-	21	
Stage 3	6,063	-	2,526	449	2,975	(752)	399	8,685	146	8,831	
Other loans and advances	389	41	234	(187)	88	-	(43)	434	-	434	
Stage 1	952	(198)	193	429	424	-	(217)	1,159	-	1,159	
Stage 2	4,722	157	2,099	207	2,463	(752)	659	7,092	146	7,238	
Stage 3	5,386	-	780	1,715	1,878	-	232	7,496	747	8,243	
Corporate	569	63	528	(9)	220	-	-	789	-	789	
Stage 1	424	(17)	146	(322)	(414)	-	147	157	-	157	
Stage 2	4,393	(46)	106	2,046	2,072	-	85	6,550	747	7,297	
Stage 3	15,628	-	3,708	2,187	(617)	5,278	401	19,900	696	20,596	
Total											

¹Net 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 (continued)

23 Loans and advances (continued)

23 (d) Credit impairment losses

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Loans impairment charge for financial assets		31	32
Loans impairment for customer loans		7,316	5,278
Loans impairment charge/(credit) for performing bank loans		1	(1)
Loans impairment for non-performing off balance sheet			
Letters of credit and guarantees	43 (c)	-	(40)
Loans impairment for performing off balance sheet			
Letters of credit and guarantees	43 (c)	(24)	(3)
Amounts recovered during the year		(1,088)	(322)
Net credit impairment losses		6,236	4,944

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	
	2023 KShs. Million	2022 KShs. Million
Maturity analysis:		
Not later than 1 year	1,058	1,390
Later than 1 year and not later than 5 years	11,396	8,334
Later than 5 years	593	306
	13,047	10,030

Notes (continued)

23 Loans and advances (continued)

23 (f) Loans to employees

The aggregate amount of loans and advances to employees on the statement of financial position is:

	GROUP	
	2023 KShs. Million	2022 KShs. Million
At start of year	4,290	4,204
New loans issued	1,430	1,377
Interest on loans	597	518
Loan repayments	(2,419)	(1,809)
At end of year	3,898	4,290

24 Other assets and prepayments

	Note	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Uncleared effects		5,002	4,139	20	20
Off market loan adjustment		1,057	672	-	-
Trade receivables and prepayments		1,087	1,093	-	-
Due from related companies	42 (g)	408	167	-	-
Others		54	30	-	-
		7,608	6,101	20	20

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.

25 Investment in subsidiaries and other investments

25 (a) Investment in subsidiaries

Company	GROUP		COMPANY	
	Beneficial ownership	Country of Incorporation	2023 KShs. Million	2022 KShs. Million
Stanbic Bank Kenya Limited	100%	Kenya	18,010	18,010
SBG Securities Limited	100%	Kenya	166	166
Stanbic Bancassurance Intermediary Limited	100%	Kenya	42	42
Stanbic Kenya Foundation Limited*	100%	Kenya	-	-
			18,218	18,218

*The Stanbic Kenya Foundation Limited is fully owned by Stanbic Bank Kenya Limited.

Notes (continued)

25 Investment in subsidiaries and other investments (continued)

25 (a) Investment in subsidiaries (continued)

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-relations>.

The principal place of business for the subsidiaries is Stanbic Bank Centre, Chiromo Road.

There were no significant restrictions on the Group'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

Unquoted:	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 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.

Notes (continued)

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 2023					
Cost					
At 1 January 2023	385	5,174	156	11	5,726
Additions	-	588	7	20	615
Disposals/retirement	-	(7)	(39)	-	(46)
Foreign exchange revaluation	-	(35)	(2)	(1)	(38)
At 31 December 2023	385	5,720	122	30	6,257
Depreciation					
At 1 January 2023	(177)	(3,519)	(129)	-	(3,825)
Depreciation for the year	(13)	(377)	(10)	-	(400)
Disposals/ Retirement	-	7	39	-	46
At 31 December 2023	(190)	(3,889)	(100)	-	(4,179)
Carrying amount at 31 December 2023	195	1,831	22	30	2,078

Notes (continued)

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 2022*					
Cost					
At 1 January 2022	385	4,763	153	50	5,351
Additions	-	454	23	-	477
Disposals/retirement	-	(11)	(18)	-	(29)
Impairment	-	-	-	(9)	(9)
Transfers from work in progress	-	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

*South Sudan was considered Hyperinflationary in 2022 and IAS 29 was applicable as at 31 December 2022.

Notes (continued)

26 Property and equipment (continued)

26 (b) COMPANY

	Computer Equipment	
	2023 KShs. Million	2022 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 2023 and 31 December 2022, 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.

27 Right-of-use leasehold land

	Group	
	2023 KShs. Million	2022 KShs. Million
Cost		
At 1 January	85	85
At 31 December	85	85
Amortisation		
At 1 January	(49)	(46)
Charge for the year	(3)	(3)
At 31 December	(52)	(49)
Carrying amount at 31 December	33	36

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 a lease liability in respect of this lease is non-current.

Notes (continued)

28 Other Intangible assets

	GROUP			
	Work in progress KShs. Million	Software KShs. Million	Other intangible assets KShs. Million	Total KShs. Million
Year ended 31 December 2023				
Cost				
At 1 January 2023	101	3,857	1,099	5,057
Additions	122	-	-	122
Transfer from work in progress	(27)	-	27	-
At 31 December 2023	196	3,857	1,126	5,179
Amortisation				
At 1 January 2023	-	(3,140)	(1,080)	(4,220)
Amortisation charge for the year	-	(173)	(46)	(219)
At 31 December 2023	-	(3,313)	(1,126)	(4,439)
Carrying amount at 31 December 2023	196	544	-	740
Year ended 31 December 2022				
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 (continued)

28 Other Intangible assets (continued)

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 2023, the intangible assets had an average remaining useful life of 3 years.

The intangible assets that arose 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

Cost	Group		Company	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
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 2023. The recoverable amount was Goodwill relating to Stanbic Holdings Plc was tested for impairment on 31 December 2023. The recoverable amount was determined to be the value in use. Unless indicated otherwise, the value in use in 2023 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 five-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 7.37% (2022: 8.7%). 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.

(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 21.73% per annum (2022: 20.18%). 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.

Notes (continued)

29 Intangible assets - goodwill (continued)

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)

Year ended 31 December 2023

	Buildings KShs. Million	Branches KShs. Million	ATM Space KShs. Million	Others KShs. Million	Total KShs. Million
Cost					
At start of year	228	1,773	91	167	2,259
Additions	86	139	5	53	283
Modifications	-	5	-	-	5
Translation difference	-	(44)	(1)	-	(45)
	314	1,873	95	220	2,502
Depreciation					
At start of year	165	1,002	59	109	1,335
Depreciation charge for the year	53	235	15	33	336
Translation difference	-	(27)	-	-	(27)
	218	1,210	74	142	1,644
At end of year	96	663	21	78	858

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

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 (continued)

31 Lease liabilities

	2023 KShs. Million	2022 KShs. Million
Non-current	571	721
Current	436	436
	1,007	1,157

Reconciliation of lease liabilities arising from financing activities:

	Buildings KShs. Million	Branches KShs. Million	ATM Space KShs. Million	Others KShs. Million	Total KShs. Million
31 December 2023					
At start of year	95	949	47	66	1,157
Additions	86	144	3	53	286
Interest charged to profit or loss	14	95	3	9	121
Foreign exchange (gain)/loss	-	(61)	(1)	-	(62)
Translation difference	-	102	-	-	102
Cash flows:					
- Operating activities (interest paid)	(14)	(95)	(3)	(9)	(121)
- Payments under leases	(68)	(353)	(15)	(40)	(476)
At end of year	113	781	34	79	1,007

	Buildings KShs. Million	Branches KShs. Million	ATM Space KShs. Million	Others KShs. Million	Total KShs. Million
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
Translation difference	-	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

	2023 %	2022 %
Weighted average effective interest rates at the reporting date was:	18.12	11.61

	Group 2023 KShs. Million	Group 2022 KShs. Million
Maturity analysis of lease liabilities is as follows:		
Within 1 year	482	138
From 1 year to 5 years	747	1,003
More than 5 years	19	185
	1,248	1,326

The maturity analysis disclosed refers to undiscounted amounts as required by IFRS 7.

Notes (continued)

32 Ordinary share capital and share premium(Group and Company)

32 (a) Authorised share capital

	2023		2022	
	Number of shares (Millions)	Share capital KShs. Million	Number of shares (Millions)	Share capital KShs. Million
Balance as at 1 January and 31 December	474	2,368	474	2,368

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

32 (c) Ordinary share premium

	2023 KShs. Million	2022 KShs. Million
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 general 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.

Notes (continued)

33 Derivative assets and derivative liabilities (continued)

33.1 Use and measurement of derivative instruments (continued)

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 exchanges.

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:

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).

Notes (continued)

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.

Notes (continued)

33 Derivative assets and derivative liabilities (continued)

33.5 Notional amount (continued)

	GROUP					
	2023			2022		
	Fair values		Notional contract amount	Fair values		Notional contract amount
Assets	Liabilities	Assets		Liabilities		
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
Foreign exchange derivative						
Currency forwards	6,473	312	104	41,133	938	854
Currency swaps	81,851	1,578	1,620	43,988	488	217
Currency options	2,565	100	147	8,025	290	37
Total over-the-counter derivatives	90,889	1,990	1,871	93,146	1,716	1,108
Interest rate derivatives						
Cross currency interest rate swaps	2,411	260	699	38,617	543	579
Total over-the-counter derivatives	2,411	260	699	38,617	543	579
Total derivative assets held for trading	93,300	2,250	2,570	131,763	2,259	1,687
Current	90,887	2,250	2,044	99,905	1,673	1,259
Non-current	2,413	175	526	31,858	586	428
Total	93,300	2,250	2,570	131,763	2,259	1,687

Notes (continued)

34 Deposits and current accounts from banks and customers

34 (a) Deposits from banks

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Deposits from banks		12,972	10,241
Deposits due to Group banks	42 (b)	13,032	22,512
Total deposits from banks		26,004	32,753

Maturity analysis of deposits from banks

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Repayable on demand	2,668	22,769
Maturing within 1 month	11,404	318
Maturing after 1 month but within 6 months	869	1,526
Maturing after 6 months but within 12 months	32	21
Maturing after 12 months	11,031	8,119
	26,004	32,753

Included in balances due to group companies are borrowings of KShs. 10,185,211,000 (2022: KShs.21,070,138,680). The average interest rate for these borrowings is 6.77% (2022: 4.61%).

34 (b) Deposits from customers

Current accounts	170,757	168,513
Call deposits	24,460	8,221
Savings accounts	74,150	65,256
Term deposits	50,986	23,997
LC acceptances	881	5,577
Total deposits from customers	321,234	271,564
Total deposits from banks and customers	347,238	304,317

Maturity analysis of deposits from customers

The maturity analysis is based on the remaining periods to contractual maturity from year end.

Repayable on demand	192,147	169,100
Maturing within 1 month	100,373	81,930
Maturing after 1 month but within 6 months	9,336	16,787
Maturing after 6 months but within 12 months	6,740	3,240
Maturing after 12 months	12,638	507
	321,234	271,564

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 2023 was 4.28% (2022: 1.79%).

Notes (continued)

35 Borrowings

At 31 December 2023						
	Notional value KShs. Million	Carrying amounts KShs. Million	Interest Rate	Date of Issue	Maturity date	
Subordinated debt - USD 30M	4,705	4,742	9.18%	01-Mar-23	01-Mar-33	
Subordinated debt - USD 20M	3,137	3,259	10.09%	30-Jan-19	12-Dec-28	
Subordinated debt - USD 30M	4,705	4,712	9.86%	28-Sep-22	30-Sep-32	
Total	12,547	12,713				

At 31 December 2022						
	Notional value KShs. Million	Carrying amounts KShs. Million	Interest Rate	Date of Issue	Maturity date	
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				

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. 1,017,194,674 (2022: KShs. 439,573,819). The weighted average effective interest rate on borrowings as at 31 December 2023 was 9.45% (2022: 4.57%) on the back of higher SOFR rate Year on Year

The Group has not had any defaults of principal, interest or other breaches with regard to any borrowings during 2023 and 2022. The borrowings are payable on their maturity dates at the notional value. Counterparties and covenants to the subordinated debt facilities are as follows:

- USD 30 million obtained from Standard Bank of South Africa in 2018. There are no covenants relating to this financing.
- USD 20 million obtained from the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) in 2019. The Group has complied with all covenants throughout the reporting year.
- USD 30 million obtained from Standard Bank of South Africa in 2022. There are no covenants relating to this financing.

Notes (continued)

35 Borrowings (continued)

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Reconciliation of liabilities arising from financing activities:		
At start of year	10,141	5,700
Additions in the year	-	3,762
Interest charged to profit or loss	1,084	440
Foreign exchange loss/(gain)	2,452	630
Cash flows:		
- Operating activities (Interest paid)	(964)	(391)
At end of year	12,713	10,141

Notes (continued)

36 Other liabilities and accrued expenses

36 (a) Other liabilities and accrued expenses

Note	Group		Company	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Accruals	3,816	3,354	38	29
Deferred bonus scheme	36 (b) 250	139	-	-
Unpresented bank drafts	70	67	-	-
Margin on guarantees and letters of credit	1,774	2,820	-	-
Items in transit	233	326	-	-
Due to group companies	42 (h) 1,002	898	-	-
Sundry creditors	3,701	3,180	118	92
Expected credit losses on off balance sheet items	43 (c) 93	115	-	-
	10,939	10,899	156	121

Sundry creditors relate to accounts payable, credits in transit, PAYE and VAT payables.

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. 250,224,853 at 31 December 2023 (2022: KShs. 138,449,362) and the amount charged for the year was KShs. 277,101,514 (2022: KShs. 122,495,123).

	Units 2023	Units 2022
Reconciliation		
Units outstanding at beginning of the year	53,408	27,495
Granted	40,597	32,333
Exercised	(24,639)	(6,420)
Lapsed	-	-
Transfers	(1,529)	-
Units outstanding at end of the year	67,837	53,408
Weighted average fair value at grant date (ZAR)*	162	146.12
Expected life (years)	3	2.51

* South African Rand

Notes (continued)

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:

Note	GROUP	
	2023 KShs. Million	2022 KShs. Million
Kenya operations	37 (a) (2,073)	(1,430)
Foreign operations	37 (b) (119)	21
As at 31 December	(2,192)	(1,409)

37 (a) Current income tax asset/ (liability)

Note	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
At 1 January	(1,409)	(1,751)	10	9
Current income tax charge	16 (7,231)	(4,963)	-	(2)
Income tax paid	6,173	4,992	3	3
Prior year over-provision	327	292	-	-
South Sudan tax receivable	-	21	-	-
Tax reallocation	(52)	-	-	-
	(2,192)	(1,409)	13	10
Made up of:				
Tax payable	(2,192)	(1,430)	-	-
Tax recoverable	-	21	13	10
	(2,192)	(1,409)	13	10

The Group and Company amount above relates to current income tax receivable/ (payable) from the Kenyan tax authority and is current.

37 (b) Current income tax asset/ (liability)

Foreign operations

Note	GROUP	
	2023 KShs. Million	2022 KShs. Million
As at 1 January	-	-
Current tax charge	(266)	(151)
Tax paid	131	184
Transfer to tax receivable/ (payable) account prior year	37 (a) 21	(19)
Prior year-provision	(5)	7
Transfer to tax payable/ (receivable) account	37 (a) 119	(21)
As at 31 December	-	-

The Group has operations in South Sudan. The amount above relates to current income tax payable/ (receivable) in South Sudan.

Notes (continued)

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

	Note	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
At start of year		7,232	5,648	-	-
Credit /debit to statement of profit or loss	16	1,899	1,561	-	-
Credit /debit to statement of profit or loss - Foreign operations	38 (b)	69	(2)	-	-
Credit/ debit to OCI		87	29	-	-
Exchange difference on translation		-	(4)	-	-
At 31 December		9,287	7,232	-	-

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:

	01.01.2023	(Credited)/ charged to statement of profit or loss	Charge to SOCI	Translation difference	31.12.2023
Year ended 31 December 2023	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
Arising from:					
Property and equipment	545	550	-	-	1,095
Unrealised gain on bonds- FVOCI	33	(48)	-	-	(15)
Unrealised gain on bonds- FVTPL	(40)	266	-	-	226
Right-of-use assets	30	125	-	-	155
Impairment charges on loans and advances	4,966	1,385	-	-	6,351
Other provisions	1,760	(296)	-	-	1,464
Group intangible assets	(76)	6	-	-	(70)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	(7)	-	-	(2)	(9)
South Sudan deferred tax asset	29	69	-	-	98
Net deferred asset	7,232	2,057	-	(2)	9,287

Notes (continued)

38 Deferred income tax asset/ (liability)

38 (a) Deferred income tax asset/ (liability) (continued)

	01.01.2022	(Charge)/ Credited to statement of profit or loss	Charge to SOCI	Translation movement	31.12.2022
Year ended 31 December 2022	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
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 deferred tax asset	33	(2)	-	(2)	29
Net deferred asset	5,648	1,559	29	(4)	7,232

The total amount disclosed as deferred income tax asset is non-current.

Notes (continued)

38 Deferred income tax asset/ (liability)

38 (b) Deferred income tax asset/ (liability) (continued)

	Note	GROUP	
		2023 KShs. Million	2022 KShs. Million
Foreign operations			
At start of year		14	18
Debit/(credit) to statement of profit or loss	16	69	(2)
Exchange difference on translation		(2)	(2)
At end of year		81	14

The total amount disclosed as deferred income tax liability is a non-current liability.

	GROUP			
	01.01.2023	(Credited)/ charged to statement of profit or loss	Translation difference	31.12.2023
Year ended 31 December 2023				
Arising from:				
Property and equipment	1	2	-	3
Effect of tax rate change	3	-	-	3
Exchange difference on translation	(2)	-	(2)	(4)
Other provisions	18	51	-	69
Right-of-use assets	(6)	16	-	10
Net deferred income tax asset	14	69	(2)	81

	GROUP			
	01.01.2022	(Credited)/ charged to statement of profit or loss	Translation difference	31.12.2022
Year ended 31 December 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 (continued)

39 Notes to the cash flow statement

39 (a) Reconciliation of profit before income tax to net cash generated from operating activities

	Note	GROUP		COMPANY	
		2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Net profit before income tax		17,094	12,172	5,561	2,837
Adjusted for:					
Depreciation - property and equipment	26	400	416	-	-
Interest received		(36,277)	(23,538)	-	-
Interest paid		12,896	6,968	-	-
Amortisation of intangible assets	28	219	329	-	-
Amortisation of ROU assets - leasehold land/ prepaid operating lease	27	3	3	-	-
Depreciation on right-of-use assets (buildings)	30	336	331	-	-
Change in fair value of derivatives		892	(434)	-	-
Interest charged on borrowings	35	1,084	440	-	-
Gain on disposal of property and equipment		(15)	(7)	-	-
Cash flows from operating activities		(3,368)	(3,320)	5,561	2,837

39 (b) Analysis of balances of cash and cash equivalents as shown in the statement of cash flows

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Unrestricted cash and balances with CBK	12,244	10,659	-	-
Treasury bills	12,198	37,940	-	-
Loans and advances to banks	91,647	27,453	216	58
Amounts due to other banks	(14,045)	(6,863)	-	-
Cash and cash equivalents at the end of the year	102,044	69,189	216	58

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 (continued)

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 2023 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

Year ended 31 December 2023	Fair value through profit or loss - default		Fair value through profit or loss - designated		Amortised cost		Fair value through OCI		Other non-financial assets/liabilities		Total carrying amount		Fair value	
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
Assets														
Cash and balances with Central Bank of Kenya					4,426							25,503		25,503
Financial assets – held for trading	21,077											2,898		2,898
Financial assets – FVOCI	2,898						19,892					19,892		19,892
Financial assets – amortised cost					22,555							22,555		14,455
Derivative assets	2,250											2,250		2,250
Loans and advances to banks												95,705		65,954
Loans and advances to customers												260,509		215,576
Other financial assets					5,906							5,906		5,906
Investment securities	18											18		18
Other non-financial assets									24,048			24,048		-
	26,243				389,101		19,892		24,048			459,284		352,452
Liabilities														
Deposits from customers					(321,234)							321,234		(258,966)
Deposits from banks					(26,004)							(26,004)		(19,161)
Derivative liabilities	(2,570)											(2,570)		(2,570)
Trading liabilities	(14,071)											(14,071)		(14,071)
Borrowings					(12,713)							(12,713)		(8,255)
Other financial liabilities					(8,110)							(8,110)		(8,110)
Other non-financial liabilities									(6,028)			(6,028)		-
	(16,641)				(368,061)		-		(6,028)			(390,730)		(311,133)

Notes (continued)

40 Classification of assets and liabilities (continued)

Accounting classifications and fair values of assets and liabilities (continued)

Year ended 31 December 2022	Fair value through profit or loss - default		Fair value through profit or loss - designated		Amortised cost		Fair value through OCI		Other non-financial assets/liabilities		Total carrying amount		Fair value	
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
Assets														
Cash and balances with Central Bank of Kenya					8,386							20,771		20,771
Financial assets – held for trading	12,385											25,126		25,126
Financial assets – FVOCI	25,126						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		26,178
Loans and advances to customers												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 (continued)

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.

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 Accounting Standards
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing this exposure on a regular basis

Notes (continued)

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

At 31 December 2023	Note	Level 1 KShs. Million	Level 2 KShs. Million	Level 3 KShs. Million	Total KShs. Million
Assets					
Cash and balances with Central Bank of Kenya (minimum regulatory reserve)		21,077	-	-	21,077
Financial assets – FVTPL	20 (a)	-	2,898	-	2,898
Financial assets – FVOCI	21	-	19,892	-	19,892
Equity investments	25(b)	-	-	18	18
Derivative assets	33	-	2,250	-	2,250
		21,077	25,040	18	46,135
Liabilities					
Financial liabilities – FVTPL	20 (b)	-	14,071	-	14,071
Derivative liabilities	33	-	2,570	-	2,570
		-	16,641	-	16,641
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

There were no transfers between levels in 2023 and 2022.

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.

Notes (continued)

41 Fair value of financial instruments (continued)

41 (a) Financial instruments measured at fair value (continued)

Level 2 financial assets and financial liabilities

	Valuation basis/technique	Main assumptions ¹
Derivative instruments	Discounted cash flow model Black-Scholes model Multiple valuation technique	Discount rate Risk-free rate, volatility rate Valuation multiples
Financial assets – (FVTPL)	Discounted cash flow model Black-Scholes model	Discount rate, liquidity discount rate Risk-free rate, volatility rate
Financial assets -FVOCI	Discounted cash flow model Multiple valuation technique Quoted exit price adjusted for notice period	Discount rate, liquidity discount rate Valuation multiples 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

¹The main assumptions for all instruments include applicable credit spreads.

Notes (continued)

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:

At 31 December 2023	Level 1 KShs. Million	Level 2 KShs. Million	Level 3 KShs. Million	Fair Value KShs. Million	Carrying amount KShs. Million
Assets					
Cash and balances with Central Bank of Kenya	4,426	-	-	4,426	4,426
Loans and advances to banks	-	-	65,954	65,954	95,705
Loans and advances to customers	-	-	215,576	215,576	260,509
Financial assets - amortised cost	-	14,455	-	14,455	22,555
Other assets	-	-	5,906	5,906	5,906
	4,426	14,455	287,436	306,317	389,101
Liabilities					
Deposits from banks	-	-	(19,161)	(19,161)	(26,004)
Deposits from customers	-	-	(258,966)	(258,966)	(321,234)
Borrowings	-	-	(8,255)	(8,255)	(12,713)
Other liabilities	-	-	(8,110)	(8,110)	(8,110)
	-	-	(294,492)	(294,492)	(368,061)
At 31 December 2022					
Assets					
Cash and balances with 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 Investments	-	-	-	-	-
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)

Notes (continued)

41 Fair value of financial instruments (continued)

41 (b) Financial instruments not measured at fair value (continued)

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	Discounted cash flow model	Discount rate, liquidity discount rate
Loans and advances to Customers		
Deposits from banks		
Customer deposits		
Borrowings		
Other financial assets and liabilities		

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 2023, the Group has made provision for doubtful debts relating to long outstanding amounts owed by related parties KShs. 13,884,000 (2022: KShs. 289,174,000) as indicated on Note 42 (g).

Notes (continued)

42 Related party transactions (continued)

42 (a) Loans due from group banks

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Stanbic Bank Kenya Limited	-	-	216	58
Stanbic Bank Uganda Limited	886	274	-	-
Stanbic Bank Tanzania Limited	131	65	-	-
Standard Bank of South Africa Limited	9,727	3,727	-	-
Standard Bank Isle of Man Limited	79,834	11,048	-	-
	90,578	15,114	216	58
Interest income earned on the above is:	2,496	400	16	6

42 (b) Deposits due to group banks

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Standard Bank of South Africa Limited	2,128	519
Stanbic Bank Uganda Limited	636	1,248
Stanbic Bank Zambia Limited	2	3
Stanbic Bank Zimbabwe Limited	1	1
Stanbic Bank Botswana Limited	5	2
Standard Bank (Mauritius) Limited	1	4,567
Standard Bank Isle of Man Limited	10,185	16,130
Stanbic Bank Tanzania Limited	74	42
	13,032	22,512
Interest expense incurred on the above is:	903	559

The weighted average effective interest rate on loans and advances to group companies as at 31 December 2023 is 5.49% (2022: 4.85%) and on amounts due to group companies was 2.09% (2022: 5.74%).

Notes (continued)

42 Related party transactions (continued)

42 (c) Deposits due to group companies (non-bank)

	GROUP	
	2023 KShs. Million	2022 KShs. Million
The Heritage Insurance Company Limited	164	141
Stanbic Africa Holdings Limited	9	9
Liberty Life Assurance Kenya Ltd	480	226
Liberty Kenya Holdings Limited	19	-
	672	376

42 (d) Key management compensation

Key management personnel include: the members of the Stanbic Holdings Plc Board of Directors and prescribed officers effective for 2023 and 2022. 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 2023 and 31 December 2022 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. nil (2022: KShs. 24 million).

No specific credit impairments have been recognised in respect of loans granted to key management (2022: 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	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Fees for services as a director	150	119	8	9
Salaries and other short-term employment benefits	140	125	60	-
Post-employment pension	11	10	6	6
Share-based payments	17	25	17	4
	318	279	91	19

Notes (continued)

42 Related party transactions (continued)

42 (g) Amounts due from related companies

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Standard Bank Jersey Limited	7	1
Stanbic Bank Tanzania Limited	-	297
Standard Bank of South Africa Limited	388	129
SBSA Dubai Branch	-	2
Standard Bank Malawi Limited	1	2
Stanbic Uganda Holdings Limited	12	11
Standard Bank de Angola S.A.	14	14
	422	456
Provisions on regional costs balances	(14)	(289)
	408	167
Movement analysis		
At 1 January	456	545
Additions	1,355	875
Receipts	(1,092)	(964)
Write-off	(297)	-
	422	456
Provisions on regional costs balances	(14)	(289)
At 31 December	408	167

42 (h) Other payables due to related companies

	GROUP		COMPANY	
	2023 KShs. Million	2022 KShs. Million	2023 KShs. Million	2022 KShs. Million
Standard Bank of South Africa Limited	981	889	-	-
Stanbic Bank Uganda Limited	20	6	-	-
Standard Bank Malawi Limited	1	3	-	-
	1,002	898	-	-

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	
	2023 KShs. Million	2022 KShs. Million
Franchise fees	1,221	944
Information technology	763	595
Other operating costs	352	387
	2,336	1,926

Notes (continued)

43 Contingent liabilities - Group

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Commitments were with respect to:		
Letters of credit and acceptances	30,976	3,033
Guarantees	65,303	73,632
Unutilised facilities	16,794	17,581
	113,073	94,246

Contingent liabilities - maturity analysis

	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
31 December 2023							
Letters of credit and acceptances	-	247	30,729	-	-	-	30,976
Guarantees	204	3,819	13,121	27,182	20,591	386	65,303
Unutilised facilities	-	994	2,608	13,192	-	-	16,794
31 December 2022							
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

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 (continued)

43 Contingent liabilities - Group (Continued)

43 (b) Segmental analysis of off-balance sheet liabilities

	2023		2022	
	KShs. Million	%	KShs. Million	%
Agriculture	3,090	2.73%	5,083	5.39%
Manufacturing	3,500	3.10%	3,450	3.66%
Construction	23,976	21.20%	19,866	21.08%
Energy	130	0.11%	727	0.77%
Transport and communication	2,134	1.89%	2,544	2.70%
Distribution/wholesale	34,119	30.17%	20,942	22.22%
Financial Services	45,303	40.07%	38,239	40.57%
Tourism	-	0.00%	76	0.08%
Other activities and social service	821	0.73%	3,319	3.52%
	113,073	100.00%	94,246	100.00%

Notes (continued)

43 Contingent liabilities - Group (continued)

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.

	Opening ECL 1 January 2023	Total transfers between stages	Income statement movements		Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2023
			ECL on new exposure raised	Derecognition				
Off balance sheet	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
Stage 1	95	(1)	36	(37)	(6)	-	-	88
Letters of credit	17	-	20	(16)	4	-	-	21
Guarantees	78	(1)	16	(21)	(10)	-	-	67
Stage 2	21	1	-	(16)	(18)	-	1	5
Letters of credit	-	-	-	-	-	-	-	-
Guarantees	21	1	-	(16)	(18)	-	1	5
Stage 3	(1)	-	-	-	-	-	1	-
Letters of credit	-	-	-	-	-	-	-	-
Guarantees	(1)	-	-	-	-	-	1	-
Total ECL	115	-	36	(53)	(24)	-	2	93

Notes (continued)

43 Contingent liabilities - Group (continued)

43 (c) Reconciliation of expected credit losses for off balance sheet facilities measured at amortised cost

	Opening ECL 1 January 2022	Total transfers between stages	Income statement movements		Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2022
			ECL on new exposure raised	Derecognition				
Off balance sheet	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
Stage 1	91	20	30	(18)	(17)	-	1	95
Letters of credit	12	-	4	(4)	5	-	-	17
Guarantees	79	20	26	(14)	(22)	-	1	78
Stage 2	28	(15)	16	(1)	10	-	(2)	21
Letters of credit	-	-	-	-	-	-	-	-
Guarantees	28	(15)	16	(1)	10	-	(2)	21
Stage 3	39	(6)	-	(34)	(36)	-	2	(1)
Letters of credit	-	-	-	-	-	-	-	-
Guarantees	39	(6)	-	(34)	(36)	-	2	(1)
Total ECL	158	(1)	46	(53)	(43)	-	1	115

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. 1,119,103,589 (2022: KShs. 521,000,000).

Notes (continued)

44 Other reserves

	Pre-acquisition reserve	Revaluation of financial assets- at FVOCI	Regulatory credit risk reserve	Revaluation reserve on buildings	Share-based payment reserve	Foreign currency translation reserve	Total
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
For the year ended 31 December 2023							
At 1 January 2023	(126)	(46)	5	91	-	(2,024)	(2,100)
Total comprehensive income for the year	-	(144)	-	(8)	-	(223)	(375)
Currency translation difference for foreign operations	-	-	-	-	-	(223)	(223)
Transfer of revaluation reserves	-	-	-	(8)	-	-	(8)
Realised fair value adjustment on financial assets	-	-	-	-	-	-	-
Fair value through OCI transferred to profit or loss	-	(144)	-	-	-	-	(144)
Transfer of statutory credit risk reserve	-	-	1,410	-	-	-	1,410
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 2023	(126)	(190)	1,415	83	-	(2,247)	(1,065)

Notes (continued)

44 Other reserves (continued)

	Pre-acquisition reserve	Revaluation of financial assets- at FVOCI	Regulatory credit risk reserve	Revaluation reserve on buildings	Share-based payment reserve	Foreign currency translation reserve	Total
	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million	KShs. Million
For the year ended 31 December 2022							
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)

Notes (continued)

44 Other reserves (continued)

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Pre-acquisition reserve	(126)	(126)
Revaluation of financial assets- Fair value	(190)	(46)
Regulatory credit risk reserve	1,415	5
Revaluation reserve on buildings	83	91
Foreign currency translation reserve	(2,247)	(2,024)
At end of year	(1,065)	(2,100)

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.

Notes (continued)

45 Share-based payment reserve

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 2023, the total amount included in staff costs for Group Share Incentive Scheme was KShs. nil (2022: KShs. nil) and for Equity Growth Scheme was KShs. nil (2022: 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)	Number of options	
	2023	2023	2022
Options outstanding at beginning of the year		20,187	20,187
Granted		-	-
Transfers		-	-
Exercised	98.8 - 111.94	(187)	-
Lapsed		(20,000)	-
Options outstanding at end of the year		-	20,187

The weighted average SBG share price for the year to 31 December 2022 was ZAR 146.55. No outstanding options for the year 2023.

Notes (continued)

45 Share-based payment reserve (continued)

There were no options granted to employees that had not been exercised at 31 December 2023:

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 31 December 2023
20,187			

Equity Growth Scheme	Number of rights	
	2023	2022
Rights outstanding at beginning of the year	39,502	43,037
Transfers	-	2,500
Exercised	(1,251)	(6,035)
Lapsed	-	-
Rights outstanding at end of the year	38,251	39,502

At 31 December 2023 the Bank would need to issue 10,053 (2022: 8,711) SBG shares to settle the outstanding appreciated rights value.

All rights granted to employees have been exercised as at 31 December 2023.

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
38,251			

The following rights granted to employees had not been exercised 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			

Notes (continued)

46 Capital commitments

Capital commitments for the acquisition of property and equipment are summarised below:

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Authorised and contracted for	827	143
Authorised but not contracted for	1,163	1,900

47 Low value and short term 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:

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Less than one year	77	27
Between one and five years	78	41
	155	68

48 Fiduciary activities

The assets held on behalf of individuals, trusts, retirement benefit plans and other institutions:

	GROUP	
	2023 KShs. Million	2022 KShs. Million
Assets held on behalf of individual's trusts and other institutions	514,305	457,825

49 Subsequent event

There have been no other events or transactions subsequent to 31 December 2023 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.



07 ADDITIONAL INFORMATION

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Group Shareholding

Stanbic Holdings Plc

Shares Distribution Statistics as at 31 December 2023

	Range	Records	Range Total	Percentage
1	1 to 500	2022	320,536	.08%
2	501 to 1000	472	389,564	.10%
3	1001 to 5000	793	1,906,219	.48%
4	5001 to 10000	338	2,477,200	.63%
5	10001 to 50000	298	6,362,027	1.61%
6	50001 to 100000	66	4,514,590	1.14%
7	100001 to 500000	70	16,625,397	4.21%
8	500001 to 1000000	19	13,348,782	3.38%
9	1000001 to 2000000000	18	349,377,323	88.38%
	Grand Totals	4,096	395,321,638	100.00%

Top 10 Investors as at 31 December 2023

	Names	Address	Shares	Percentage
1	STANBIC NOMINEES LTD A/C NR00901	P.O. BOX 30550 - 00100 NAIROBI	296,188,531	74.92%
2	STANDARD CHARTERED NOMINEES LTD NON RESD A/C KE11663	P.O. BOX 40984 - 00100 NAIROBI	13,484,381	3.41%
3	STANDARD CHARTERED NOMINEES LTD NON RESD A/C KE9053	P.O. BOX 40984 - 00100 NAIROBI	5,680,003	1.44%
4	STANDARD CHARTERED NOMINEES LTD NON RESD A/C 9866	P.O. BOX 40984 - 00100 NAIROBI	4,693,622	1.19%
5	STANDARD CHARTERED NOMINEES LTD NON RESD A/C KE4667	P.O. BOX 40984 - 00100 NAIROBI	4,652,713	1.18%
6	THE PERMANENT SECRETARY TO THE TREASURY OF KENYA	(ON BEHALF OF THE GOVT. OF KENYA - TREASURY BUILDING KENYA)	4,342,548	1.10%
7	STANDARD CHARTERED NOMINEES RESD A/C KE11401	P.O. BOX 40984 - 00100 NAIROBI	3,089,651	0.78%
8	ICEA LION LIFE ASSURANCE COMPANY LIMITED-POOLED	P.O. BOX 46143 - 00100 GPO NAIROBI	2,646,389	0.67%
9	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	P.O. BOX 30664 - 00100 NAIROBI	2,137,651	0.54%
10	KINGSWAY NOMINEES LIMITED	P.O. BOX 42841 - 00100 NAIROBI	1,987,300	0.50%
11	OTHERS		56,418,819	14.27%
	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 69th Annual General Meeting (AGM) of the Company will be held as a virtual meeting by electronic means on **Thursday 16th May 2024** at 11:00 a.m. to transact the following business:

- The Secretary to read the notice convening the meeting and confirm the presence of a quorum.
- To receive and adopt the Audited Financial Statements for the year ended 31st December 2023, and the Directors' and Auditor's Report thereon.
- To confirm the payment of an interim dividend of Kshs.1.15 per ordinary share paid on 27th September 2023 and to consider and if thought fit, approve the recommendation by the Board for payment of a final dividend of Kshs. 14.20 per ordinary share, for the year ended 31st December 2023. The published book closure date is 17th May 2024 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 2024.
- To elect Directors:
 - In accordance with Article 102 of the Company's Articles of Association and the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Ms. Dorcas Florence Kombo retires upon attaining the age of seventy years and having been recommended by the Board, offers herself for re-election.
 - In accordance with Articles 104 and 106 of the Company's Articles of Association, Ms. Wambui Kihuha Mbasa retires by rotation and being eligible, offers herself for re-election.
 - In accordance with Articles 104 and 106 of the Company's Articles of Association, Ms. Rose Bosibori Osoro retires by rotation and being eligible, offers herself for re-election.
- 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 2023 as provided in the Audited Financial Statements.
- To consider and if thought fit, to pass an ordinary resolution approving the Directors' remuneration policy.
- To pass an ordinary resolution pursuant to Section 721(4) of the Companies Act, 2015, to appoint Messrs Deloitte & Touche LLP as auditors of the Company.
- 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.
- To consider and if thought 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:
 - Ms. Dorcas Florence Kombo
 - Ms. Rose Bosibori Osoro
 - Ms. Wambui Kihuha Mbasa
- Any other business for which due notice has been given.

BY ORDER OF THE BOARD



Nancy Kiruki
Company Secretary
22nd April 2024

Notes:

- Any shareholder wishing to participate in the meeting should register for the Annual General Meeting (AGM) by dialling ***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. For assistance, Shareholders should dial the following helpline numbers: 0709 170 033/ 0709 170 000 from 8 a.m. to 5 p.m. on a working day.
- Registration for the AGM opens on 24th April 2024 at 9:00 a.m. and will close on 14th May 2024 at 11:00 a.m.
- 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 2023; (iii) the Company's Annual Integrated Report; and (iv) the Proxy form.
- 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.
- 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 14th May 2024 at 11:00 a.m.
- 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
- 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.
- 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.
- 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.
- 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.
- A poll shall be conducted for all the resolutions put forward in the notice.
- 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.

DIVIDEND

- To facilitate timely receipt of dividends, shareholders are encouraged to update their contact details and register to receive their dividend payments via mobile (Mobile money) or bank payments. To do so, shareholders are requested to update their dividend payment details via any one of the following channels:
 - Complete an online opt-in form through <https://stanbic.azurewebsites.net/>
 - Send an email to Image Registrars Limited through stanbicshares@image.co.ke
 - Opt-In via USSD by dialling ***483*824#** as you register for the Annual General Meeting (AGM).
 - Shareholders who maintain CDS Accounts are also encouraged to notify any change of address or request for payment of dividends through bank accounts /MPESA via their stockbroker or investment bank.

Proxy Form

To: The Company Secretary

Stanbic Holdings Plc

PROXY FORM for 2024 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, 16th May 2024 and at any adjournment thereof.

Mobile Number (of the proxy holder):

Dated thisday of2024

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:.....

Proxy Form (continued)

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 16th May 2024.

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 2024 Annual General Meeting Resolutions by dialling *483*824#. This is a free service.

STEP 2

Shareholder responds by dialling 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 2023 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 final dividend of KShs.14.20 per ordinary share for the Financial Year ended 31 December 2023 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 Ms Dorcas Florence Kombo who retires at the end of this meeting having attained the age of seventy years and in accordance with provisions of Articles 102 of the Company's Articles of Association and the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, having been recommended by the Board 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 Ms Wambui Kihuha Mbesa 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 herself for re-election) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

Proxy Form (continued)

STEP 8

The fifth question (I re-elect Ms Rose Bosibori Osoro 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 herself for re-election) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 9

The sixth 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 2023) as presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 10

The eighth question (I approve the appointment of Messrs Deloitte & Touche LLP as the Auditor of the Company for the year 2024 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 ninth question (I authorise the Directors to fix the Auditor's remuneration for the year 2024 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 tenth 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.