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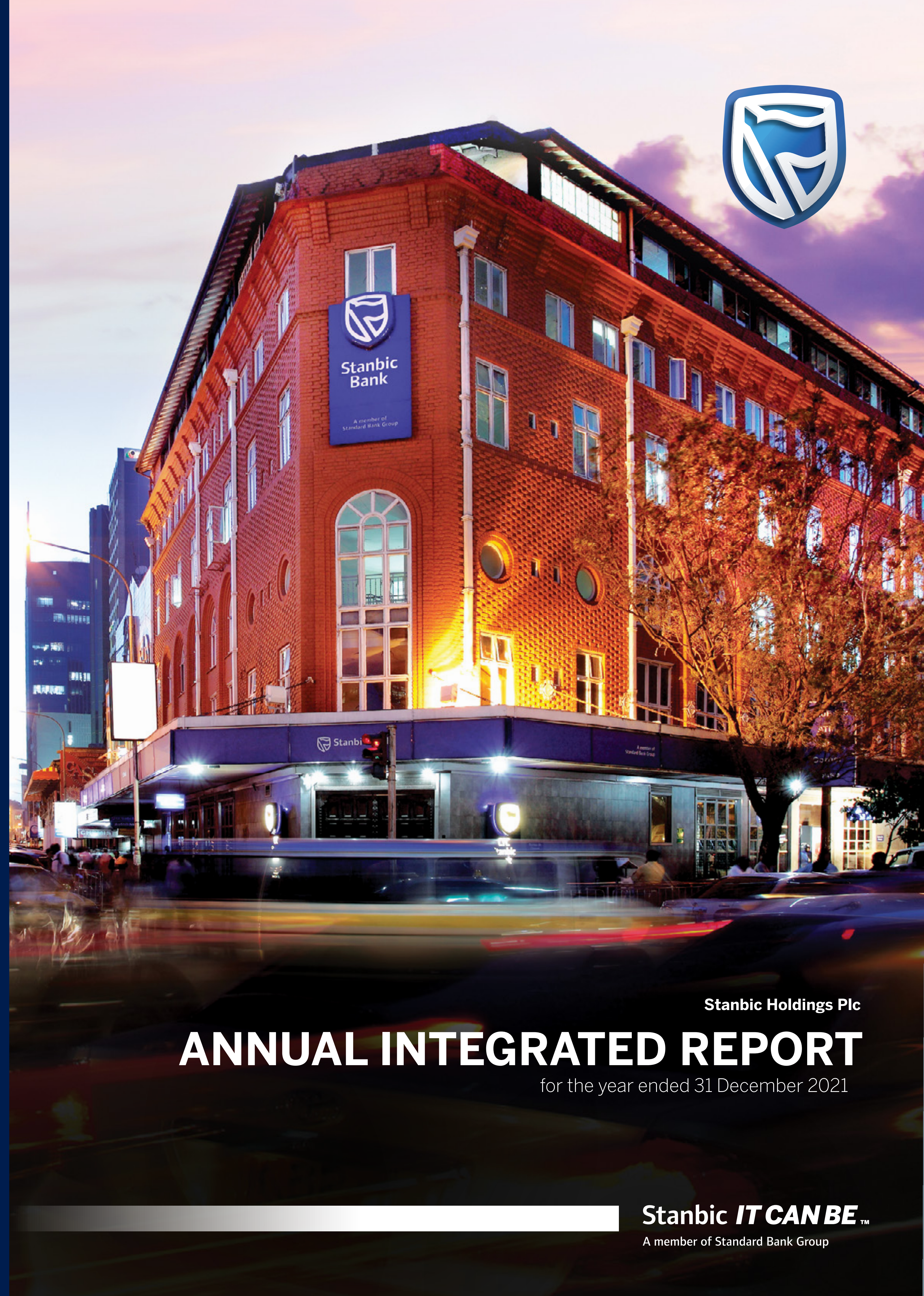
STANBIC HOLDINGS PLC ANNUAL INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2021



Stanbic Holdings Plc

ANNUAL INTEGRATED REPORT

for the year ended 31 December 2021

Stanbic *IT CAN BE*™

A member of Standard Bank Group

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

Our report sets out the progress we have made towards achieving our strategic priorities and 2025 Ambition in the period 1 January 2021 to 31 December 2021. Our progress is evaluated against our strategic value drivers. This report also provides an assessment of the opportunities, risks and impacts influencing our ability to create and preserve sustainable value, and guard against value erosion, as we deliver our purpose. The scope of information in this report related predominately to the medium term.

Stanbic has a strong presence in East Africa.

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

Our reporting suite

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

Our annual integrated report

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

Report to society (RTS)

An assessment of our social and environmental impacts in the seven areas in which we believe we have the greatest impact and opportunity.

Annual financial statements

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

Oversight

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

Feedback

We welcome the views of our stakeholders on this report.

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

Additional reports can be found at

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

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Navigating our report

Our strategic value drivers

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

United Nations Sustainable Development Goals (SDGs)

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

Our capitals

FINANCIAL CAPITAL
HUMAN CAPITAL
INTELLECTUAL CAPITAL
SOCIAL AND RELATIONSHIP CAPITAL
MANUFACTURED CAPITAL
NATURAL CAPITAL

Our stakeholders

CLIENTS
EMPLOYEES
REGULATORS AND GOVERNMENT
SHAREHOLDERS AND INVESTMENT ANALYSTS
COMMUNITIES

Our SEE impact areas

Driving Kenya and South Sudan's growth

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

Additional navigation tools include:

Refers readers to information within this report.

Understanding our audience

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

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

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

EMPLOYEES AND THEIR REPRESENTATIVES
- Long-term employees
- Short-term employees
- Banking, insurance, and finance union

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

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

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

SHAREHOLDERS AND INVESTMENT ANALYSTS
- Investors
- Shareholders
- Analysts

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

COMMUNITIES AND CIVIL SOCIETY
- Corporate Social Investment beneficiaries
- Suppliers/Partners
- Media
- Advocacy groups
- General Public
- Local Government

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

The mechanisms through we which we drive value

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

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

Our approach to integrated thinking

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

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

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

About our report

Our reporting scope and boundary

Our integrated report is the primary report of Stanbic Holdings Plc, which together with its subsidiaries is known as the Group. Unless otherwise stated, it covers the financial year from 1 January 2021 to 31 December 2021. This report aims to inform our stakeholders of both our financial and non-financial performance during the year. It reflects our commitment to our clients, people, shareholders, and communities, and describes our strategies and the way we implement them to create value for all our stakeholders.

It also includes a description of how we have structured our strategy to address the challenges, risks and opportunities that Stanbic faced in what was an eventful and demanding year. In demonstrating the integrated thinking that we apply to our business activities, this report also demonstrates our commitment to the principles of integrated reporting as they align with long-term value creation and the role we play as a financial services organisation in society, in striving to live our purpose of moving Kenya and South Sudan forward. This report outlines the material matters relating to our strategy, value-creation model, operating context, performance, governance, and the material risks that we have identified in line with best practice.

Read more on page 20.

Our reporting frameworks

Our 2021 Annual Integrated Report was prepared and aligned to the aspirations and ideals set out in the principles of the King IV Code on Corporate Governance (King IV). All financial information presented, including the comparative periods, is in accordance with the International Financial Reporting Standards (IFRS) applicable to our operations and businesses. The non-financial sections of this report are guided by the International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework.

Forward-looking statements

This report contains certain forward-looking statements in respect of our strategy, performance and operations and most particularly the advent, challenges and ramifications of the COVID-19 pandemic and the various governmental regulations pertaining to it. These forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict. They are thus by definition beyond the Group's control, and could cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Read more on page 42 - 47.

Directors' statement of responsibility

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

How to read our report

Sections	Commentary	Key Concepts	Frameworks applied
Our Business Read more on page 9.	As we embark on our digital transformation, this section provides an overview of how we are continually shaping ourselves to meet our clients' needs.	• Our purpose. • Our capitals. • Our client facing units.	• King IV Code • <IR> Framework of the International Integrated Reporting Council (IIRC)
Our Approach to Value Creation Read more on page 19.	Central to our digital transformation is consistently creating value for our clients and broader stakeholder landscape. This section provides an overview of how our digital transformation is spearheaded through a set of strategic value drivers that cascade into our client-facing units.	• Our strategic value drivers • Our defining features for the future • Our strategic milestones	• King IV Code • <IR>
A Perspective from our Leadership Read more on page 41.	Our leadership team provide insight into how we are positioned in our operating environment, our key achievements over the year and our prospects for the year ahead.	• Messages from the Chairman and Chief Executives	• IFRS • Companies Act • Banking Act • CBK Prudential Guidelines • King IV Code • Equator Principles • CMA Guidelines • Insurance Act • IRA guidelines
Delivering our strategy Read more on page 53.	This year, we focused on re-imagining ourselves as a Group that partners with clients, how we deepened our client relationships and how we did so responsibly. This section details the key initiatives we embarked on to reach our goals.	• Our innovative solutions • Future value-added services • Future fit approach	• IFRS • Companies Act • Banking Act • CBK Prudential Guidelines • King IV Code • Equator Principles • CMA Guidelines • Insurance Act • IRA guidelines
Safeguarding Value Read more on page 93.	Given that safeguarding and protecting value is as equally important as creating it, this section provides detail into the internal policies, procedures and controls we have in place to ensure our value creation is sustainable over time.	• Managing risk • Risk appetite	• Basel II & III • Companies Act • Banking Act • CBK Prudential Guidelines • King IV
Our Governance Read more on page 103.	This section provides a detailed review of the Group's corporate governance and remuneration practices including the Group's remuneration policy.	• Board of Directors • Governance policies	• Basel II & III • Companies Act • Banking Act • CBK Prudential Guidelines • King IV
Annual Financial Statements Read more on page 121.	This section sets out the Group's full audited annual financial statements.	• Financial statements	• IFRS • Companies Act • CBK Risk Management Guidelines • Banking Act • CBK Prudential Guidelines • The Group accounting policies • Assurance • Unmodified audit opinion expressed by KPMG Kenya
Additional information Read more on page 233.	This section includes other documents such as the Annual General Meeting (AGM) Notice and the Proxy Form as well as an appendix on our progress in the implementation of the CMA Guidelines on Corporate Governance.	• CMA report/score card • AGM notice • Proxy form	• Companies Act • CMA Guidelines

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

9 OUR BUSINESS

Who we are

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

Stanbic at a glance

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

Our purpose

The reason we exist:

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

Our vision

What we aspire to be:

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

Diversified Integrated financial services offering

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

Corporate and Investment Banking

Corporate and investment banking services provided to clients, including governments, larger corporates, financial institutions, local and multinational corporates.

What we offer

- Transactional products and services
- Global markets
- Investment banking
- Lending
- Deposit taking
- Digital banking solutions
- Trade finance
- Chinese desk
- Bancassurance

Alignment to SEE Impact Areas

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

Business and Commercial Clients

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

What we offer

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

Alignment to SEE Impact Areas

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

Consumer and High Net-Worth Clients

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

What we offer

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

Alignment to SEE Impact Areas

- Trade and Investment
- Financial Inclusion

2021 highlights

Our people. Our priority.

89%
staff vaccinated as at December 2021

Over 68%
Staff enabled to work remotely

Safeguarding and supporting our communities

Over 156,000
protective gear (PPEs) donated across 5 counties

Over KShs 3 million
spent on education to support needy children

845
SMEs trained in the health care sector

Over 10,000
people screened for cancer across 5 counties free of charge

5
MOUs signed with 5 counties Areas of collaboration – Enterprise development, Education and Health

Over 85%
Accounts opened digitally

Uplifting our clients financially

KShs 3.4 billion
Loans issued in support of DADAs

KShs 9.7 billion
Loans issued in support of SMEs

KShs 766 million
Disbursed to agents through the Mjeki platform

KShs 33 million
Grant funding provided to SMEs

Building resilience

Over 50,000
SMEs and individuals trained in ICT and entrepreneurship skills

Over 10,000
Women trained in financial management, and entrepreneurship

1,300
People trained at Financial fitness academies

Safeguarding our clients' future

10 minutes
To buy motor insurance through mobile phone

Financial highlights

PROFIT AFTER TAX
↑ **KShs 7.2bn**
2020: KShs 5.2bn

CUSTOMER LOANS
↑ **KShs 185.3bn**
2020: KShs 158.2bn

CUSTOMER DEPOSITS
↑ **KShs 242.3bn**
2020: KShs 217.4bn

TOTAL REVENUE
↑ **KShs 25.0bn**
2020: KShs 23.2bn

RETURN ON EQUITY
↑ **13.3%**
2020: 10.3%

COST TO INCOME
↓ **50.9%**
2020: 52.2%

EARNINGS PER SHARE
↑ **KShs 18.23**
2020: KShs 13.13

DIVIDEND PER SHARE
↑ **KShs 9.00**
2020: KShs 3.80

Our capitals

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

Where we operate

Kenya
Population: 54,9 million [1]
Currency: Kenyan shilling
GDP: USD 107 billion [2]
GDP Per capita: USD 1,838

South Sudan
Population: 11,4 million [3]
Currency: South Sudanese pound
GDP: USD 2 billion [4]
GDP Per capita: USD 1,119

OUR FOOTPRINT

Fit-for-purpose infrastructure
26
BRANCHES
2020: 26

Fit-for-purpose channel
57
ATMs
2020: 55

Fit-for-purpose channel
62
BULK NOTE ACCEPTORS
2020: 55

Fit-for-purpose channel
172
AGENT OUTLETS
2020: 148

Digital capabilities
MODERNISED BANKING PLATFORMS

Recognised brand
STANDARD BANK
STANBIC BANK
SBG SECURITIES

[1] Kenya Population Growth Rate 1950-2022 | MacroTrends
[2] Kenya GDP - 2021 Data - 2022 Forecast - 1960-2020 Historical - Chart - News (tradingeconomics.com)
[3] South Sudan Population (2022) - Worldometer (worldometers.info)
[4] South Sudan GDP - 2021 Data - 2022 Forecast - 2008-2020 Historical - Chart - News (tradingeconomics.com)

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 and 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 in 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.

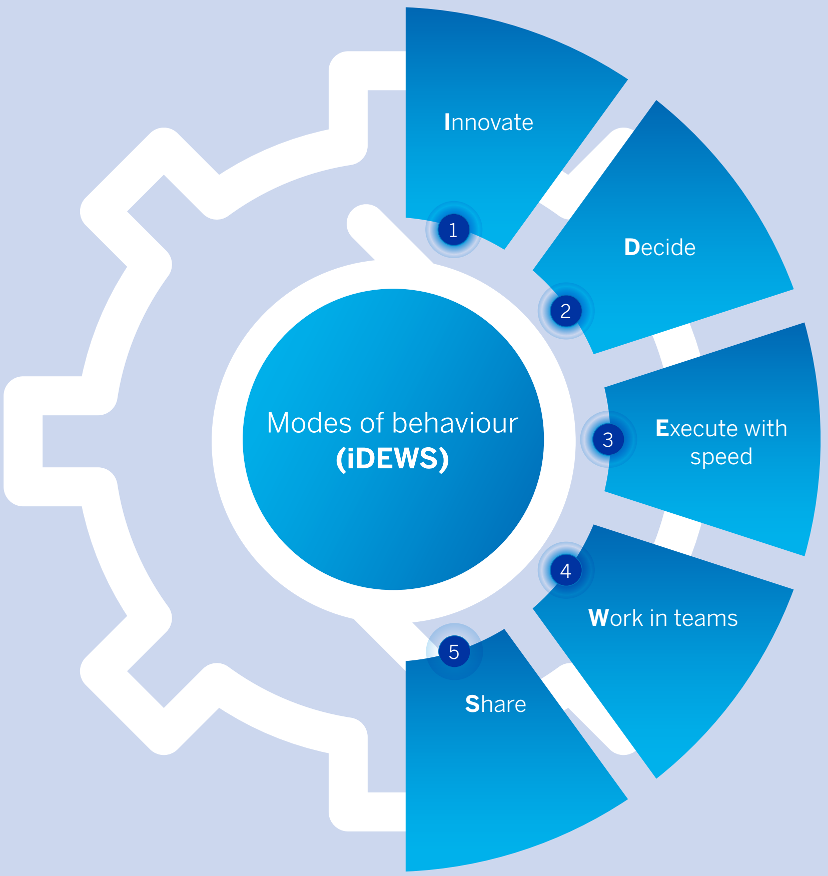
7. UPHOLDING THE HIGHEST LEVELS OF INTEGRITY

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

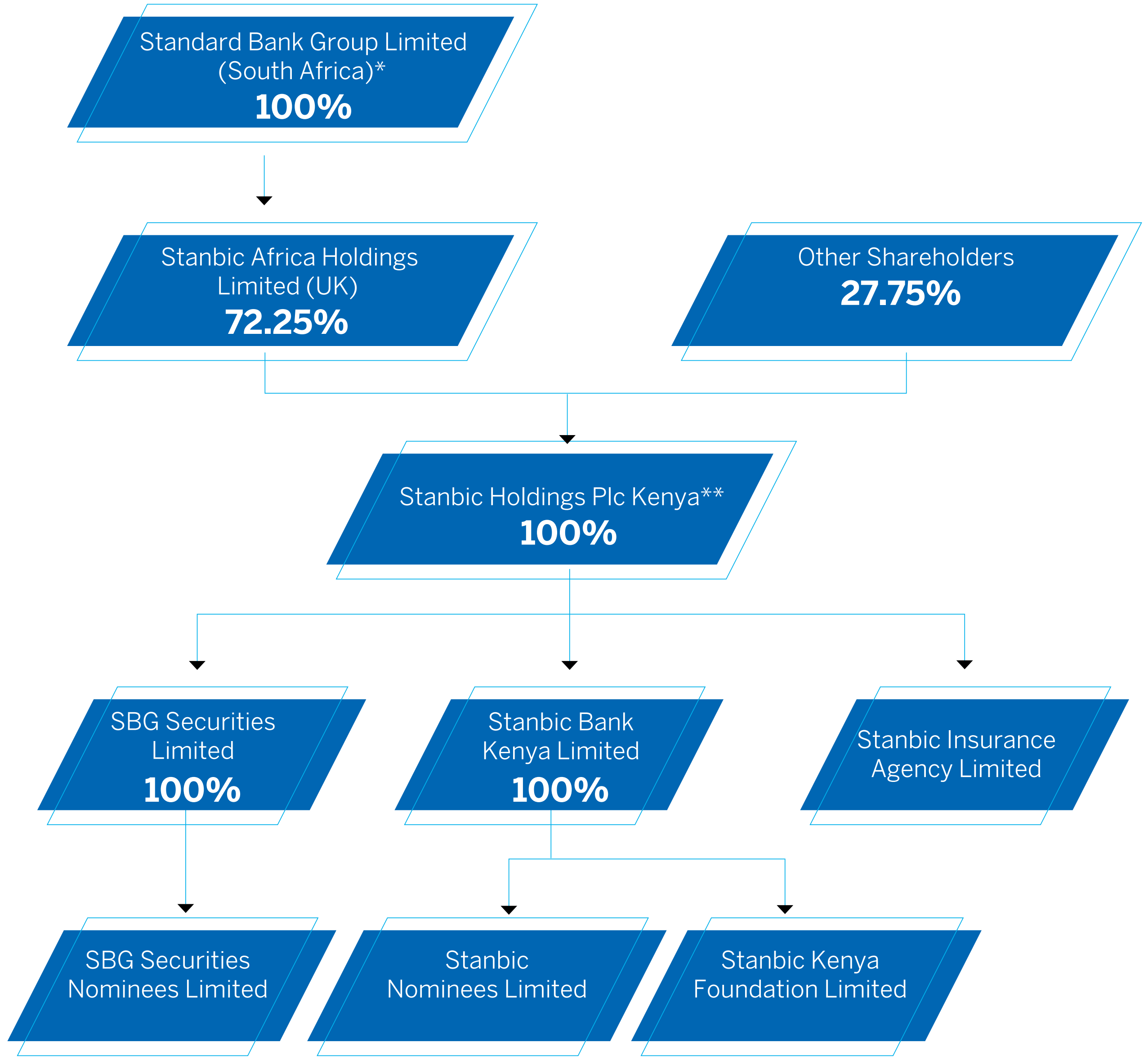
Central to our culture is the understanding that we all are pursuing a common purpose, guided by a common vision, exuding the same values and approaching all our work ethically. This frames the way we do our day-to-day work, and we firmly believe that it is in driving a values-driven culture in everything we do that we will deliver on our aspirations. Our code of ethics guides us in being responsible and respectful in our dealings with all our stakeholders, as we work to become East Africa's leading financial services organisation. It outlines acceptable business conduct and is an important reference point for employees acting on behalf of the Group. In driving a values-driven culture that is focused on achieving our purpose, we are committed to focusing on the following critical principles (5Cs) and modes of behaviour (iDEWS) as supporting elements along our strategic journey.

Our Five critical Principles (5Cs)

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



Our Business structure



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

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OUR APPROACH TO VALUE CREATION

Our Strategic Approach

Value creation is central to our relationship with our internal and external stakeholders. We rely on our stock of financial and non-financial capitals to ensure we deliver on our strategic drivers and ultimately positively impact our stakeholders.

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

Our people, shareholders, and other stakeholders	Our strategy	Our risk appetite
Having a deep understanding of our stakeholders and their unique needs, concerns and expectations, enables us to identify areas to address which informs our strategic decision-making.	Our strategy is a definitive guide on where we want to go, and importantly, how we intend to get there. Our strategic value drivers and focus areas align our allocation of resources to our strategy. Furthermore, they help us measure our progress towards achieving our strategy.	Having a deep understanding of our stakeholders and their unique needs, concerns and expectations, enables us to identify areas to address which informs our strategic decision-making.

Key inputs	Thrusts	Beneficiaries	Impact
Our capitals • Financial capital. • Social and relationship capital. • Human capital. • Intellectual capital. • Manufactured capital. • Natural capital.	**Our strategic value drivers** • Client focus. • Employee engagement. • Risk and conduct. • Operational excellence. • Financial outcome. • SEE impact.	**Our stakeholders** • Our clients. • Our people. • Regulators and Government Bodies. • Shareholders and investment analysts. • Our communities.	**Our SDGs** 

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

Our material issues

Our material issues are those that have an impact on our ability to create value in the short, medium and long term.

A fundamental part of our value creation approach is that of stakeholder centricity and responsiveness. Therefore, we make a concerted effort at integrating our stakeholders' unique needs, concerns and expectations when identifying opportunities and challenges in our environment. This allows us to remain agile in how we operate and continue to respond to emerging issues which informs our strategic decision-making.

How we determine our material issues

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

Identify

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

Prioritise

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

Approve

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

Engaging our stakeholders

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

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

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

Client focus

STAKEHOLDER PRIORITIES AND RELATED ENTERPRISE RISKS

Stanbic executives: Managing the continued economic fallout of COVID-19; delivering solutions aligned to client needs and strategic objectives.

Clients: Impact of COVID-19 on finances; value for money; personalised digital services; access to financial support; increased reliance on digital channels.

Investors: Competitiveness in a crowded market; speed and efficiency of our future ready transformation.

Regulators: Fair treatment of clients; affordability and access; measures to relieve financial distress; efficiency of relief measures and management of client's complaints.

2021 MATERIAL ISSUES

Focusing on our clients

- Form a client solutions team to facilitate a more integrated approach to serving clients.
- Provision of payment holidays, restructured loans, deferment of interest was extended to assist clients recover from the COVID-19 pandemic.
- SME training to improve clients' entrepreneurial skills and financial wellness.

Read more on page 52 - 54, 62 - 67

Employee engagement

Stanbic executives: Readiness of employees to support digital transformation; safety and wellness amid continuing pandemic; need for ongoing skills development and focus on gender equity.

Employees: Safety and wellness; balancing multiple responsibilities while working from home; reskilling for digital transformation and gender equity.

Regulators: Business continuity and safety of employees.

Investors: Sustainability performance in relation to diversity of board and management; diversity and anti-discrimination policies; access to appropriate skills and talent.

Engaging our employees

- Build on the skills and capabilities of our workforce.
- Offer holistic support to help our workforce respond to the unique needs associated with working from home.
- Focused on diversity and inclusion within the Group.

Read more on page 68-71

Risk and conduct

Stanbic executives: Cybersecurity; risk of cyber intrusion and third parties impacting the Group; information risk in the context of people working remotely.

Clients: Disruption caused by system outages.

Regulators: Fraud and cybercrime; third-party risk.

Investors: Governance; ethics; market conduct and internal conduct.

Managing our risk and conduct

- Protect and manage the integrity of our data and information assets.
- Manage third-party risks as we accelerate our digital transformation.
- Manage risk across geographies with different regulatory frameworks.

Read more on page 92-110

Operational excellence

STAKEHOLDER PRIORITIES AND RELATED ENTERPRISE RISKS

Stanbic executives: Delivering services to clients digitally without interruption; optimising products; investing in digital capabilities.

Employees: Job security; new ways of working.

Investors: Strategic planning; long-term value creation; innovative products.

2021 MATERIAL ISSUES

Bolstering our operational efficiency

- Re-organise our business units within the organisation to be more client-focused and provide services more holistically.

Read more on page 26, 29, 48, 61-62, 72-73

Financial outcome

Clients: Solutions on offer that are more efficient, and cost less; enhanced levels of efficiency when banking resulting in reduced costs of operations for clients.

Investors: Revenue pressure due to Covid-19; digitisation agenda to be monitised; grow market access; increase client numbers; increase diversity of client experience; enhanced levels of profitability, earnings and return on equity (ROE); reduction in losses linked to cybercrime and fraudulent behaviour.

Achieving our financial outcomes

- Developing new and sustainable revenue streams.
- Strengthen the balance sheet.
- Improve efficiencies and manage operational costs.
- See returns on investment in the innovation and engineering operational lines of the business.

Read more on page 30 - 31, 62-63

SEE impact

Clients: Increasing access to digital solutions, enhance financial fitness, promote partnerships to stimulate growth; increased opportunities for marginalised groups.

Regulators: Climate and environmental risks, partnering to achieve goals linked to SMEs, mortgages, infrastructure development, Covid-19 support, health screening, and financial literacy training.

Investors: Develop new solutions, including sustainable finance solutions.

Staff: Enhancing financial fitness and employee wellbeing.

Communities: Enhanced access to financial solutions across sectors in the economy.

Driving positive SEE impact

- Enhanced financial inclusion.
- Stimulation of economic growth and job creation.
- Enhanced access to enabling infrastructure.
- Increased access to sustainable financial solutions.
- Increased foreign direct investment, and increased import on export trade.
- Increased access to education and health care services.

Read more on page 76-89

Our strategy

Our strategy is a definitive guide on where we want to go, and importantly, how we intend to get there. It is at the heart of our continued digital transformation and will shape how we create value for all our stakeholders and respond to their unique needs, concerns, and expectations.

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

Our strategic priorities

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

Our success measures and value drivers

CLIENT FOCUS + EMPLOYEE ENGAGEMENT	RISK AND CONDUCT + OPERATIONAL EXCELLENCE	FINANCIAL OUTCOME, SEE IMPACT
Growth and scale	Efficiency and resilience	Legitimacy

OUR TARGET OUTCOMES →

In executing our strategy our key focus areas for 2021 were:

Re-imagining ourselves

• Responding to market needs through innovative solutions that make us more than a bank.

Read more on **page 54.**

Deepening our relationships with clients

• Safeguarding our client relationships through a transformed client experience and value-added services.

Read more on **page 64.**

Responsible Banking

• Responding to the pandemic while ramping up operational efficiencies and providing ongoing community support.

Read more on **page 70.**

Transforming the Group through the power of digital

The COVID-19 pandemic has only reaffirmed the importance of technology in the way people live, connect and work. As a Group, we are no different. The future of Stanbic will see us **transform** into Kenya and South Sudan's leading digital financial services business.

In transforming the Group, we will become:

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

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

What our defining features will be

We will serve our clients with the provision of complete financial solutions digitally.

Using enriched data analytic and insights, we will understand our clients and move closer to them through tailored service provision.

Our clients' needs will be fulfilled through the ability to scale our client networks.

We will earn higher revenues and margin premiums, underpinned by integrated and predictive risk management and resource allocation.

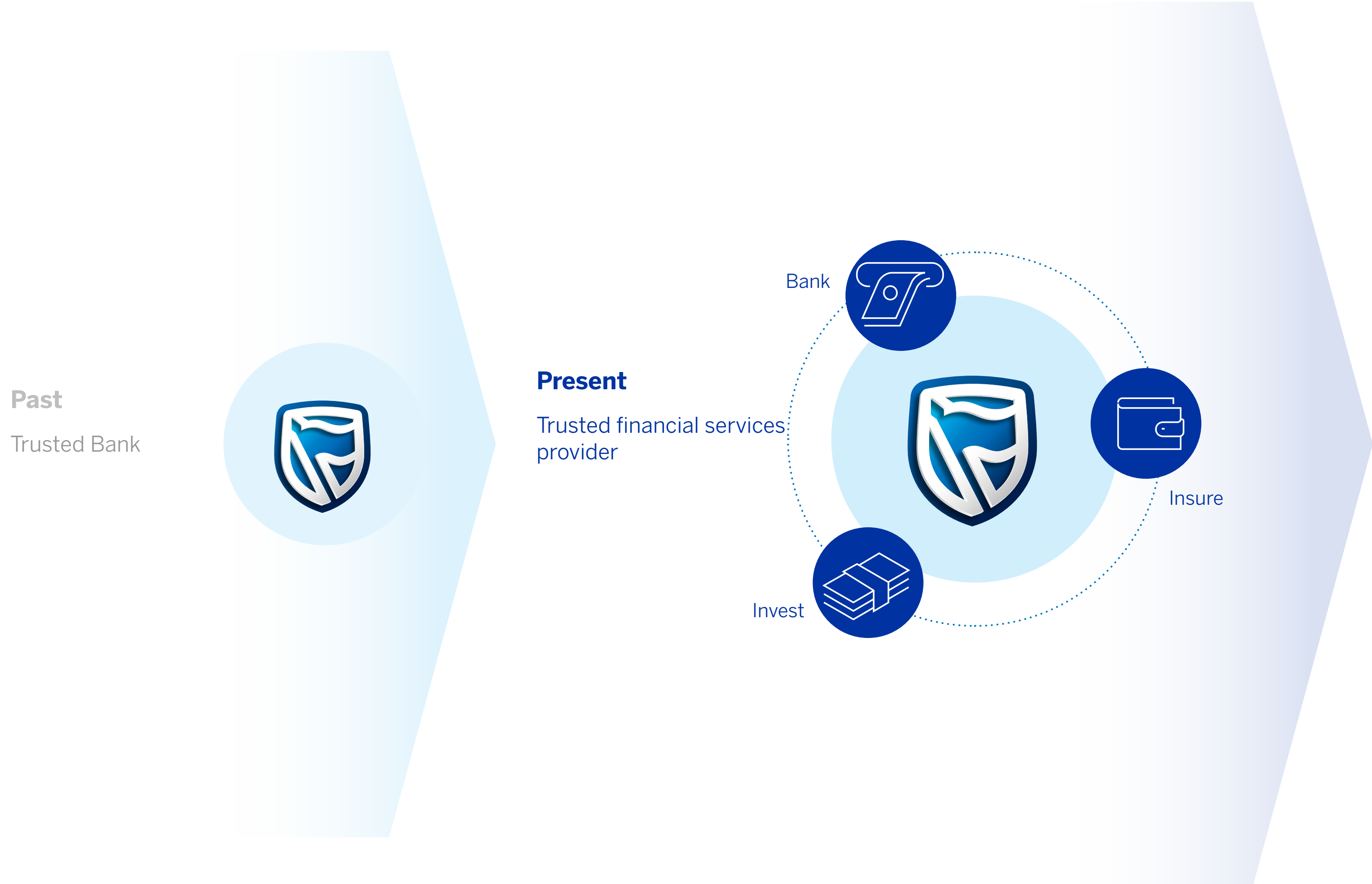
We will have strengthened stakeholder relationships that we leverage in collaborative partnerships.

We will be intentional in driving sustainable development in the countries we operate.

Transforming Beyond Financial Services

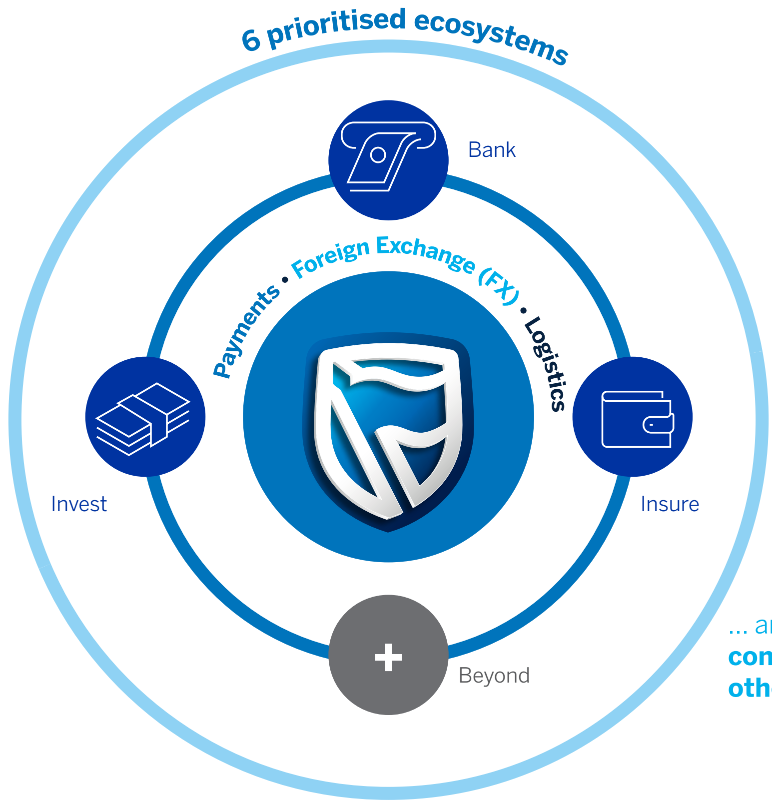
We have chosen to prioritise 6 ecosystems where we will play a leading role and which we can make a significant contribution.

We have a clear plan to build and launch a range of solutions which will improve our clients' lives and businesses and once scaled, create value for our shareholders.



We will **drive some ecosystems...**

...enabled by **common capabilities**



... and we will **contribute to others...**

Our 2025 Ambition

Our key milestones

HORIZON 1
Reshaping ourselves

The short term

Responding

Our intent:

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

Feedback from our leadership

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

Restoring

Our intent:

Facilitate a return to growth as we emerge.

Feedback from our leadership

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

Rebounding

Our intent:

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

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

HORIZON 3
Delivering on transformation and our purpose

The long term

Realising our future state

A transformed, truly digital, and truly human Group.

Delivering on our purpose

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

Continually guided by our vision

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

HORIZON 2
Accelerating transformation

The medium term

Transform client experience

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

Our intent

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

Commentary from our leadership

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

Transform operational efficiency

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

Our intent

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

Commentary from our leadership

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

Our Delivery model

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

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

Client focus

Inputs

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

Key constraints

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

Employee engagement

Inputs

- The collective skills, capabilities, and energy of 1,049 employees.
- Strong, experienced, and capable leadership team.
- High-performance, ethical culture deeply connected to our purpose.
- A leadership identity that defines behaviours we need to shift our culture.
- A compelling client and employee value proposition.
- KShs 43.3 million invested in training our people in 2021.

Key constraints

- The availability of the right skills for our digital transformation.
- Managing change fatigue and entrenching a sense of resilience to support our continued transformation.
- Managing the continual impact of COVD-19 on the emotional wellbeing of our people and increased online fatigue as people increasingly look to reconnect in the workplace.

Risk and conduct

Inputs

- Upholding an ethical and values-driven brand and culture with a strong governance framework and progressive ethical policies.
- Well-developed financial risk and capital management framework.
- Responsiveness to the ongoing measurement of conduct-related indicators.
- Strong and mutually beneficial relationship with government and regulatory bodies.
- Robust credit models and scenario planning supporting capital allocation and the potential cost of COVID-19.

Key constraints

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

Operational excellence

Inputs

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

Key constraints

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

Financial outcome

Inputs

- Client deposits: KShs 242.3 billion (2020: KShs 217.4 billion).
- Client loans: KShs 185.3 billion (2020: KShs 158.2 billion).
- Capital : KShs 56.5 billion (2020: KShs 51.7 billion).
- Net asset value per share: KShs 142.8 (2020: KShs 130.9).

Key constraints

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

SEE impact

Inputs

- Contribution to the big 4 agenda include the provision of loans to the manufacturing and agricultural sector to the value of KShs 30.4 billion and KShs 14.9 billion respectively.
- KShs 3.4 billion in loans disbursed through the DADA platform.
- SME loans issued to the value of KShs 9.7 billion.
- 50,807 SMEs and individuals trained on ICT and entrepreneurship skills.
- 1,300 people trained via the financial fitness academy.
- Value of loans issued under infrastructure KShs 3.8 billion.
- Accelerated access to trade finance solutions KShs 78.7 billion.
- Group is holding KShs 943 million in green assets.

Key constraints

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

OUTPUTS

How we organise ourselves

Implementing our strategy

Our capacity model defines how we execute our strategy.

Managing our risks and opportunities

We proactively manage risk in relation to our operating environment.

Embedding good governance

Our approach supports the achievement of good governance outcomes.

To achieve our strategy, we are changing our operating model to deliver relevant and complete solutions to our clients:

Banking
Deposit, pay, transfer, and borrow

Investment
Earn and grow

Insurance
Protect and safeguard

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

Our client value proposition

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

What we continuously keep in mind:

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

Our outcomes and impacts

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

	FINANCIAL VALUE CREATED	SOCIO-ECONOMIC VALUE CREATED	ENVIRONMENTAL VALUE CREATED
Serving our clients digitally	• Cost to income ratio decreased by 3% to 50.9% (2020 52.2%) directly impacted by the fact that revenue grew faster than expenditure.	• 7 client solutions launched. • Enhanced digital capabilities. • Total client base grew by 20% year on year. • Active clients grew by 31% year on year. • Primary clients grew by 35% year on year.	• Carbon footprint reduced by 19%. • 48,558 kgs of waste was collected and recycled. • Certification of PORs as green buildings underway. • Water conservation initiatives initiated.
Understand and moving closer to our clients	• Credit loss ratio improved to 1.40% (2020 3.01). • NPL ratio 2021 9.25% a decrease of 19% from the previous year (2020 11.48%).	• 90% Clients restored their loan repayments. • Helping clients pivot to take advantage of opportunities in the market.	• Provision of funding for green solutions. • Provision of green bonds.
Scaling our client network	• Total assets 2021 KShs 328.9 billion (2020 328.6 billion). • Earning assets up by 3% in 2021 to 92% (2020 89%). • Liquidity ratio 47.9% (statutory minimum 20%). • Core capital 15.3% (statutory minimum 10.5%). • Total capital 17.3% (statutory minimum 14.5%).	Investment made of KShs 49.5 billion towards the Kenyan Governments Big 4 Agenda: • Manufacturing representing 15%. • Agriculture representing 7%. • Home loans representing 18%. • Holding government bonds to the value of KShs 80 billion.	• 100% of suppliers screened for environmental and social risks. • 100% of wholesale clients screened for environmental and social risks. • 100% of business and corporate clients screened for environmental and social risks.
Earning higher revenue and margin	• Total Revenue 2021 KShs 25.0 billion (2020 KShs 23.2 billion). • Net interest margin for 2021 reported as 4.4% up 12% (2020 3.9%).Profit after tax increased by 39% year on year to KShs 7.2 billion.	• KShs 2.5 billion paid in taxes . • Managed KShs 242.3 billion in deposits on behalf of clients. • Driving local and international trade. KShs 78.7 billion extended as letters of credit and guarantees (trade finance). • KShs 185.3 million disbursed to clients in the form of loans. • KShs 33 million disbursed to clients in the form of grants.	• Investments made in green bond issuance. • Holding up to KShs 943 million in green assets.
Strengthened stakeholder relationships	• Return on equity 2021 at 13.3% (2020: 10.3%). • Earning per share 18.23 (2020 13.13). • Dividends per share 9.0 (2020 3.80).	• MOUs signed with local government and international organisations facilitating collaboration.	• Strategic partnerships being developed to assist with product design, as well as the optimisation of operational efficiencies.

Our Value Added Statement

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

Value Addition	2021	2020	2019	2018	2017
Interest income, fees and commission and other income	31,923	31,326	32,939	29,655	25,430
Interest paid to depositors and other costs	(13,496)	(17,311)	(16,673)	(14,020)	(13,152)
Interest paid on borrowings	(243)	(547)	(849)	(96)	(521)
Wealth created	18,184	**13,468**	**15,417**	**15,539**	**11,757**
Employee benefits	(6,519)	(5,929)	(6,632)	(5,894)	(5,735)
Government - Tax	(2,548)	(1,035)	(1,329)	(2,671)	(1,092)
Shareholders dividends paid	(3,558)	(1,502)	(2,787)	(2,293)	(2,075)
Retained earnings	(4,322)	(3,690)	(3,594)	(3,984)	(2,234)
Depreciations and amortisation	(1,165)	(1,262)	(1,062)	(668)	(614)
Social Capital - CSI	(72)	(50)	(13)	(29)	(7)
Distribution of Wealth	(18,184)	**(13,468)**	**(15,417)**	**(15,539)**	**(11,757)**

Our Strategic Outcomes

Client focus

Measure	Metric	2021	2020	2019	Benchmarks and targets
Our Strategic Outcomes	Overall NPS	36	31	35	Continually improve
	CIB CSI	8.2	8.2	8.1	Continually improve
	CHNW NPS	37	37	32	Continually improve
	BCC NPS	31	22	39	Continually improve

Employee engagement

Measure	Metric	2021	2020	2019	Benchmarks and targets
Employee engagement	eNPS Kenya	+42	+41	+7	Continually improve
	eNPS South Sudan	+51	+37	+29	Continually improve
	CHNW NPS	35	37	32	Continually improve

Risk and conduct

Measure	Metric	2021	2020	2019	Benchmarks and targets
Responsible risk-taking	Core capital ratio	15.3%	16.0%	15.2%	Above minimum statutory ratio of 10.5%
	Total capital adequacy ratio	17.3%	18.1%	18.3%	Above minimum statutory ratio of 14.5%
	Liquidity ratio	47.9%	56.4%	58.4%	Above minimum statutory ratio of 20%
	Credit Loss ratio (CLR)	1.4%	3%	1.9%	<2.5%
	LCY NSFR – Net Stable Funding Ratio	135%	131%	167%	>102.5%
	FCY NSFR – Net Stable Funding Ratio	201%	154%	145%	>102.5%
Conduct index	Compliance training completion rate	97%	97%	98.7%	>98%

Operational excellence

Measure	Metric	2021	2020	2019	Benchmarks and targets
System security and stability	Overall system uptime	99.9%	99.24%	98.84%	Increased security stability
	Core applications on cloud (%)	12	N/A	N/A	Increased security stability
Lower cost to serve	Reduction in legacy systems	8 servers decommissioned	N/A	N/A	Lower cost to serve

Financial outcome

Measure	Metric	2021	2020	2019
Tracking levels of profitability	Return on equity	13.3%	10.3%	14.3%
	Dividend per share	KShs 9.00	KShs 3.80	KShs 7.05
	Profit after tax	KShs 7.2bn	KShs 5.2bn	KShs 6.4bn
	Cost-to-income ratio	50.9%	52.2%	56.2%

Our Strategic Outcomes (continued)

SEE Impact			
Measure	**Metric**	**2021**	**2020**
Socio-Economic	Funding for Infrastructure projects	KShs 3.8 bn	KShs 4.7 bn
	Trade finance	KShs 78.7 bn	KShs 70.7 bn
	Funding for Sustainable Green projects	KShs 6.5 bn	KShs 1.6 bn
	Funding to SME	KShs 9.7 bn	KShs 8.4 bn
	Funding provided to women run businesses	KShs 3.4 bn	KShs 1.3 bn
	Spend on health care initiatives	KShs 7.8 mn	KShs 33.3 mn
	Education sponsorships	KShs 3 mn	KShs 3 mn
Environmental	Waste recycled	48,558 kgs	52,226 kgs
	Carbon footprint	149.3 tons CO_2 Equ.	131.1 tons CO_2 Equ

Macro-economic Environment in 2021

Kenya

Review of 2021

KENYA EXPERIENCED 3 WAVES OF COVID-19 IN 2021. THE FIRST WAVE PEAKED IN MARCH WHICH FORCED THE GOVERNMENT TO RE-IMPOSE THE MOST STRINGENT SET OF PUBLIC HEALTH RESTRICTIONS SINCE Q2 2020.

The second wave peaked in August, but less severe public health restrictions were imposed. After the second wave, the government gradually started lifting public health restrictions which culminated in the removal of the last significant public health restriction, the 10pm to 4am curfew in late October. The final wave of COVID-19 peaked in December and was attributed to the new Omicron variant. The government, however, did not impose stringent public health restrictions domestically. As of the end of the year, roughly 15.3% of the adult population had been vaccinated.

GDP growth over the first 3 quarters of 2021 was on the upside averaging 7.9% year-on-year. Cumulative growth over the first 3 quarters of 2021 of 6.5% has exceeded initial full-year forecasts of the World Bank and the IMF of 5.0% and 5.9% respectively. This is evidence that the post-pandemic recovery has been much stronger than anticipated. The fastest-growing sectors are the ones that were most impacted by the pandemic such as transport, trade, manufacturing, education, and tourism. Agriculture witnessed subdued growth due to adverse base effects and lower than average rainfall.

Inflation averaged 6.2% in 2021 from 5.4% in 2020. The higher inflation was on account of base effects from lapping a low inflationary period in 2020, higher energy prices driven by rising global oil prices, rising food prices due to adverse weather and global supply chain issues which affected local firms.

The Monetary Policy Committee held the policy rate stable at 7.0% to support a recovery in private sector credit growth which in turn would support a recovery in aggregate demand. However, as the year progressed, inflation began to rise. Yields and lending rates fell over the first 9 months of 2021 driven by excess liquidity in the system with banks lending less to the private sector.

However, as economic activity picked up following the relaxation of public health restrictions, yields on both treasury bills and bonds began to rise.

The USD/KShs exchange rate remained relatively stable over the first 3 quarters of 2021 on account of lower debt repayments (due to the G20 debt service suspension initiative), higher agricultural exports, lower oil imports (due to lower prices and consumption during lockdowns), and a reduction in dividend repatriations. However, in the final quarter, the local currency depreciated due to increased oil imports (higher prices and consumption), and less savings from the debt service suspension initiative.

Outlook for 2022

We expect fewer public health restrictions in 2022 relative to 2021. Improved vaccine rollout could limit adverse outcomes from the next waves of COVID-19.

The economy is likely to continue to recover following the lifting of the curfew in late October 2021. This means that the sectors that were adversely affected by the lockdowns could still see strong growth. The elections, however, are likely to result in a slowdown in economic activity as businesses postpone their expansion plans until after the elections. Agriculture could also have a slow start to the year based on lower-than-rainfall during the short rain season in the fourth quarter of 2021 and negative outlook for upcoming long rain season between March and May. Government expenditure could remain relatively high on account of fuel subsidies and measures to deal with a drought following lower-than-average rainfall.

A major factor to consider over the next year will be the Russia-Ukraine conflict. The military action that started in February 2022 could result in higher global commodity prices and lower exports to both countries. While trade between Kenya and both countries is not significant, the biggest impact of the conflict is likely to be on rising fuel, wheat and fertilizer prices in Kenya. Exports of tea and horticulture could decline marginally due to the conflict while imports could rise significantly based on rising import prices of fuel, wheat and fertilizer. Sourcing of wheat from alternative markets is also likely to result in higher freight costs in addition to the elevated global wheat prices. Fertilizer price hikes and shortages are also expected ahead of main planting season which could result in lower crop yields in the coming year. Over and above this, monetary policy tightening in developed markets is likely to result in a weaker local currency, subdued export demand and rising borrowing costs in hard currency. Another risk could emerge from a resurgence in COVID-19 but more stringent public health restrictions are unlikely going forward.

South Sudan

Review of 2021

SOUTH SUDAN HAD 2 WAVES OF COVID-19 IN 2021. THE FIRST WAVE PEAKED IN FEBRUARY FORCING THE GOVERNMENT TO RE-IMPOSE MORE STRINGENT PUBLIC HEALTH RESTRICTIONS. AS CASE NUMBERS FELL, PUBLIC HEALTH RESTRICTIONS WERE REMOVED. THE SECOND WAVE PEAKED IN DECEMBER DUE TO THE OMICRON VARIANT OF COVID-19.

The government responded by tightening public health restrictions. Vaccine rollout has been slow due to large numbers of displaced people, poor health infrastructure as well as vaccine apathy. The slow vaccine rollout could mean that the government might be forced to impose further rounds of lockdowns. As of the end of 2021, 1.4% of the country's population had been vaccinated.

On the political front, key political leaders and parties remain committed to the Revitalized Peace agreement signed in September 2018 despite delays in its implementation. In 2021, the President dissolved Parliament which paved the way for the swearing-in of 550 MPs into a new inclusive Transitional Parliament. Despite a few occasional localized outbreaks of intercommunal violence, most of South Sudan remained relatively peaceful in 2021.

GDP growth in South Sudan is expected to reach 1.0% in 2021/22 from a contraction of 5.4% in 2020. The recovery in growth is likely to be on account of increased oil production driven by higher global oil prices, the implementation of positive economic reforms, increased infrastructure spending and a recovery in agriculture after the worst floods in 60 years which killed livestock, damaged crops and destroyed food stocks. During the year, the government highlighted that some of the country's oil fields were reaching maturity as production had fallen to less than half of the prewar levels. This brought to attention the need to invest in new fields and diversify the economy away from oil.

The government plans on expanding national and regional networks to facilitate the transport of goods across the country.

Following the implementation of IMF driven reforms in October 2020, inflation in South Sudan declined from an average of 32.6% in 2020 to an average of 14.0% in 2021. Amongst the reforms implemented was the cessation of printing money by the Central Bank, the introduction of FX auctions and the convergence of the official and parallel market exchange rates.

The SSP strengthened against the USD in the first half of 2021 before remaining relatively stable in the second half. The introduction of regular FX auctions using funds received from the IMF helped alleviate FX liquidity issues and stabilize the SSP. As the year progressed, oil exports recovered driven by higher global oil prices.

Outlook for 2022

Despite low vaccination rate, further rounds of more stringent public health restrictions are unlikely going forward unless there is a severe wave of the COVID-19. The political situation remains fragile although there seems to be some commitment to the latest peace deal. Elections were scheduled to happen in 2022 but have been postponed.

The South Sudan economy is expected to continue growing in 2022. In Mid-2022, the Transitional Financial Arrangement with Sudan comes to an end which means that South Sudan could earn more from oil going forward. Higher oil prices could also incentivize higher production and further investment in oil fields.

The clearance of civil servants' overdue wages is also likely to boost consumption. Additionally, the government plans to continue diversifying away from oil in 2022.

Inflation is expected to continue falling in the coming year following the implementation of the reforms. Adverse weather and insecurity along trade routes continue to pose a risk to inflation in the coming years.

The SSP is likely to remain relatively stable supported by continued implementation of reforms. While consumer imports are expected to recover as economic activity picks up, higher oil exports could provide much-needed USD supply.

The FX auctions will continue to alleviate any FX liquidity issues. International agencies have called for better transparency around oil export receipts which could begin to happen in 2022.

41 A PERSPECTIVE FROM OUR LEADERSHIP

Message from the Chairman

Kitili Mbathi
Chairman

TOTAL DIVIDEND

3.6bn

(50% of 2021 Profit after tax)

The global political economy was once again characterised by COVID-19 and the ongoing impact of the Omicron variant. Despite navigating the severe headwinds caused by the pandemic in 2020, we managed three further waves of the virus in 2021 with remarkable resilience and continuity, ensuring we balanced the safety of our employees with the need to serve our clients uninterrupted.

Kenya's economic recovery has so far exceeded expectations, averaging a 7.9% GDP growth over the first three quarters of 2021. This recovery has, however, been somewhat stifled by the country's slow rate of vaccination, with only 15.3% of the adult population receiving full doses by the end of December 2021. Despite this, there has been a welcomed easing of lockdown restrictions, which has accelerated the restoration of economic activities for both our partners and our clients.

In South Sudan, the economic environment still faces challenges. We continue to proactively manage risks inherent in the operating environment while ensuring that we support our clients.

Operating seamlessly despite an uncertain environment

COVID-19 was a major overarching theme for us in 2021. In many ways, our focus areas remained unchanged and we intensified the application of our contingency plans. Despite a disrupted operating environment, we seamlessly provided services to our clients, helping them transition smoothly to our digital channels.

This business continuity was made possible by the strategic investments we made into bolstering our technology capabilities and taking a concerted focus on cascading our digital strategy into every client-facing business unit. This allowed us to not only continue operating through intermittent lockdowns but also to strengthen the relationships we have with our clients, prioritising client centricity and proactively anticipating client needs.

As custodians and implementing agents of our strategy, our valued employees again responded well and excelled while working from home. In the event of inevitable COVID infections, our employees received the medical care they needed and returned to work only when ready to perform optimally.

The resilience that our employees demonstrated this year was in large part down to an internal drive to shift our culture to one that is structured to work as a team to achieve our strategy. I am very proud of the ongoing resilience and innovation that our employees demonstrated during the year, this was an example to us all on what it means to be client centric.

The Board

With the experience of the past two years, as the Board we were aware of the potential impact the pandemic could have on our ability to execute on our strategic oversight responsibilities. To that end, we ensured that we remained digitally enabled, having fruitful board and committee engagements online, that could not otherwise be held in person.

We are also proud to have held another virtual Annual General Meeting (AGM). All protocol was observed, resolutions passed, and stakeholders were invited to prepare and submit questions which were answered in another successful event.

Stakeholders

Our stakeholders remained at the forefront of our priorities as we navigated our way through an uncertain environment. This year, we focused extensively on creating innovative solutions that would allow us to strengthen our relationship with clients, constantly reaffirming our key differentiators as a Group that offers superior client service through digital solutions.

We also maintained close contact with the regulator. Following our commitment last year, we continued to heed the Central Bank's call for us and our sector to play more of a role in safeguarding individuals from the impacts of the pandemic.

The activities we carried out through our foundation were a key intervention in that regard. To this end, we continued to contribute to the Kenyan Government's big 4 agenda by extending the provision of loans to the manufacturing and agricultural sectors. We also supported SMEs through various financing mechanisms, contributing to their overall post-lockdown recovery.

Board Committees

To safeguard the success of our digital transformation, our Board Engineering and Innovation Committee had a successful first year providing oversight into our information technology capabilities, an important measure towards the achievement of our digital strategy. The committee played a key role in ensuring that our digital client value proposition was aligned to our broader approach to managing key cyber risks. We are encouraged by the contribution that this new committee has made in facilitating our ongoing digital transformation.

Risk

As we forge ahead with our digital transformation and building the Stanbic Group of tomorrow, managing our risks becomes increasingly imperative. Our Board Risk Committee continued its commendable work in ensuring that our key decisions are in line with our risk approach and appetite.

The Board Engineering and Innovation Committee, established in the previous reporting cycle, supported our Risk Committee in these efforts. In keeping with our emphasis on open transparency and communication both internally and externally, feedback from management, particularly on the status of our restructuring, was frequent during the year under review. Management continued to use our various communication channels to alert the Board to emerging risks, stumbling blocks and concerning developments in our macroeconomic and geopolitical environment.

Looking Ahead

The strategic decisions we have made over the past two years have not been easy. However, we are optimistic that we are now positioned to reap the rewards of our continued focus on client value and digital innovation. This year we will be staying the course, focusing on using digital channels to onboard new clients, provide services and generate returns on the investments we have made in IT. With the economy in Kenya recovering and South Sudan showing signs of growth, we expect our clients to intensify their transacting and lending needs. We will thus use the momentum we have generated over the last two years to continue finding ways to serve their needs through value-added solutions.

Acknowledgements

The Board could not have operated seamlessly without the support and unwavering commitment of each of its members. I would like to thank them for their dedication and valuable contributions under trying circumstances. They have contributed to the maintenance of the high standards of governance we have been cultivating for several years.

A special thank you to our management team, whose efforts have ensured that our new solutions and internal ways of working have been internalised and cascaded throughout the Group. I would also like to thank our clients for their steadfast support as we continued to navigate and implement our digital and electronic platforms.

Finally, I would like to thank the Group's employees for their continued resilience and appetite to grow over the past year. It was their receptiveness to continual change and innovation that meant that our operations ran smoothly, and client needs were met. Without their dedication, our digital journey would not be where it is.

Message from the Chief Executive, Stanbic Holdings Plc

Mr Patrick M. Mweheire
Chief Executive

PROFIT AFTER TAX

↑ 7.2bn

(Up 39%)

This year saw us leverage the resilience we have generated over the past two years to elevate our client value position and forge ahead with our digital transformation. Operating in an economy still reeling from the continued effects of the pandemic, we are proud to have navigated several structural challenges and have positioned ourselves for a new chapter in our history.

Following the extraordinary events of the past two years, we have been continually challenged in managing our risks, safeguarding the health of our employees, ensuring our clients' needs are met and returning the support given by our shareholders. While the operating environment remained challenged with the continued effects of the pandemic, we still forged ahead with an enhanced client value preposition and accelerated our digital transformation.

I am very proud of the fact that we navigated several structural impediments and still delivered on all our key objectives over the past year, returning to a level of profitability comparable to the pre-pandemic environment. It has taken the collective efforts of everyone across our value chain to steer us clear of potential dangers, a fine illustration of what we can achieve together as a Group.

External Environment

2021 was a better year compared to 2020. Despite the challenges posed by Covid-19 and the emergence of new Covid variants, the economy showed signs of recovery across several sectors with improved business sentiment amidst a robust roll out of vaccines.

Reflecting on our strategic milestones

The implementation of our digital strategy ramped up this year. Sensing the need to innovate and re-imagine ourselves as a Group relative to our clients and their needs, we made subtle changes to our overarching group strategy. We focused on becoming more than a bank, which meant broadening the digital offering and touch points within which our clients could interact with us. This included extending the provision of insurance products, innovative transactional solutions, and new digital platforms to facilitate our clients' unique banking needs. This also meant becoming more than a traditional banking business by committing to creating value in ecosystems that are salient to our region and clients and designing digital platforms where our clients have touchpoints with us along their entire banking lifecycle. We believe that this shift in our strategy contributed positively in our results this past year.

A note on our performance and results

This year saw us perform positively amid a challenging environment. We saw a robust growth of 39% in profitability with a more efficient balance sheet. Encouragingly, our client base grew by 20% in the last reporting cycle, with lending and deposits growing steadily by 17% and 11% respectively. The growth in our loan book illustrated the trust clients have put in our ability to provide innovative financial solutions. From a digital perspective, our transformation has continued with speed. Over 85% of all transactions executed by our clients are digital and the number of new clients onboarded digitally has increased fourfold. We believe that this is a validation of our digital strategy, which is starting to bear fruit both on our results and our positioning in the market.

Client focus

Recognising the continued impact of the pandemic on our clients, we provided relief in various ways. This included restructuring arrangements with clients who were in financial distress, offering them the breathing room to recover from the losses in income they may have incurred due to the lockdowns. We also introduced several digital solutions that have improved client experience while driving scale in our retail segment. The solutions range from the ease and convenience created by our digital customer onboarding solution, the flexibility to buy motor insurance in less than 10 minutes through the Stansure app and digital lending on Stanbic's mobile app among others. Every initiative that we design for clients is done having listened to their unique needs and concerns and geared to increase our relevance in their financial life cycle.

Employee engagement

We continued to focus on ensuring our employees performed just as optimally from home as they did in the office. This included providing them digital tools and the necessary technological infrastructure to continue serving our clients and being agents of our strategic implementation. We are also proud of the fact that we ensured the job security of our staff amid an environment where job losses were occurring in various sectors. As we reconfigured our organisational structure, certain employees were repurposed and redeployed into other roles. We also recognised the need for regular self-growth and thus provided self-training initiatives to our employees to facilitate that.

SEE Impact

An area that we paid special attention to this year was our SEE impact areas. This comes at a time when our communities and clients face adversities created by the pandemic and other structural socioeconomic challenges that are endemic to Africa and the rest of the world.

We continued to support SMEs by providing training typically in the form of one-on-one engagements, webinars, and the use of our Microsoft training e-platform. We are thrilled to have supported over 50,000 beneficiaries through these initiatives so far. We have also extended SME loans to the value of KShs 9.7 billion. In addition, we have signed up over 29,000 women onto our DADA platform since its inception, an initiative designed to enable women to start and grow their own businesses. This reaffirmed our intention of widening financial inclusion for entrepreneurs and women in the region.

In helping build the necessary infrastructure that will facilitate the region's economic recovery, we extended infrastructure loans of over KShs 3.8 billion. In addition, we are proud to currently hold KShs 943 million in green assets. We will continue working with the government to support various infrastructure projects in Kenya as the country looks to position itself for growth beyond the COVID-19 pandemic. As an ongoing initiative, we supported the identification and prevention of cancer through our screening initiative, with over 10,000 people screened for cancer free of charge over the past year.

The Stanbic Foundation, as a key strategic driver of our SEE initiatives, explored new opportunities to positively impact our communities. Over the past year, the Foundation engaged with both National and County level government. Memorandum of Understandings (MOUs) were signed with these entities to pursue beneficial strategic initiatives. The results of these strategic initiatives range from computer equipment donations that enable learning in orphanages, the provision of training through the financial fitness academy to enabling SMEs to gain access to grant funding. The Foundation's initiatives this year are a testament to the continued focus we have had on creating value that extends beyond ourselves as a Group.

Looking ahead

Using our accomplishments this year as a basis, we are going to continue to find innovative ways to improve our efficiency as a business. This will include listening to our clients more, designing tailored solutions that align with their needs and working on further bolstering our platform business. To that end, we will secure more partnerships this year that are geared towards improving our client experience. We will also explore regional collaborations to leverage key capabilities across the banking sector. As our digital transformation continues, we will focus on data-driven mechanisms to enhance our revenue streams, with our innovation team continuously scouring for new opportunities. These initiatives will ensure that we are positioned to grow in the foreseeable future and continue to invest in Kenya/South Sudan as our home, driving her growth.

Acknowledgements

I would like to thank our clients for walking this journey with us. We have seen the inherent value that underpins strong and mutually beneficial relationships. Our clients are an instrumental part of our future, and we aim to continue playing a significant role in enabling them to achieve their aspirations and full potential.

I would also like to thank the Board members who have shown unwavering dedication to their work and have spent countless hours guiding us through complex issues - helping us manage unique risks and understanding the broader macroeconomic and geopolitical challenges we face as a Group. It has been a rewarding partnership that I hope will only grow from strength to strength in the years ahead.

I would also like to thank our regulatory bodies for their deep understanding of our operating environment and for providing critical support in these challenging times.

My sincere appreciation goes out to our employees who have shown an unwavering commitment to their work. They have been instrumental in helping us navigate our way through these turbulent times. If the last two years have any lessons for us, it is that we are stronger when working together in an empathetic and collaborative way, taking into consideration our unique backgrounds and experiences. I am deeply proud of the commitment that all our people have shown this year, a commitment that will ensure that we navigate the next 12 months successfully.

Message from the Chief Executive, Stanbic Bank Kenya

Charles Mudiwa
CE, Stanbic Bank Kenya

RETURN ON EQUITY

13.3%

2020: 10%

2021 was a year of strong financial recovery, a profound testament to the ability of our people to pull together and create value for our clients.

Despite the challenges posed by COVID-19, the economy started to show signs of recovery across sectors with improved business activities and roll out of vaccines. This entrepreneurial resilience was demonstrated in Kenya particularly, with that economy averaging a 7.9% GDP growth over the first three quarters of 2021. This meant that we could conduct business more effectively, recording a profit of KShs. 7.2 billion, a 39% growth.

Performing well in an uncertain environment

In order to support our clients better, we intensified our efforts to normalise the working environment for employees. We actively provided infrastructure that enabled a smoother and more connected working from home experience, and where necessary, provided critical personal protective equipment (PPEs) and sanitised spaces for our people to work together.

As the beacons of our client experience and at the forefront of our ability to implement our strategy, the well-being of our people will continue to be a focus this year.

Equal contributors to our success as a business are our clients. In crafting a tailored response to their unique needs, we continued to provide relief to cushion the impact of the pandemic.

Over and above waiving fees on digital channels and lowering interest rates in line with regulations, we assisted in restructuring payment arrangements for clients in financial distress – helping them safeguard their finances in a challenging time and strengthening the partnership we have been fostering with them over the years. We also continued our training interventions for our SME stakeholders, leveraging our partnerships in the technology space to provide them with critical skills.

Sensing the need to make a step-change in our value creation approach to respond to changing market and socioeconomic dynamics, this year we spent a great deal of time re-imagining ourselves as a bank. We did this by upgrading our technological and communication platforms and re-organised our business units as part of a new operating model designed to increase our proposition for clients. This allowed us to launch new client solutions during the year, with a range of products tailored to women, small business owners and supply chain.

Among these new solutions were Unayo, a platform leveraging technology solutions to offer services that the Group could not previously offer; Niko Sawa na Smart Direct, a holistic mobile and internet banking platform; along with an enhancement to our DADA proposition, a solution enabling women to start and grow their business.

These innovations further highlighted our commitment to partner with our clients across every stage of their financial life cycle, whether to conduct day to day transactions or grow their small to medium-sized businesses.

From a risk perspective, the management of possible COVID-19 outbreaks, cyber threats and fraud required us to intermittently revise and refine our mitigation actions and always ensure that we were responding in an appropriate and agile manner. Our financial impact was reviewed by examining good and bad costs and streamlining revenue hits.

Our performance, considering the interventions we made for our stakeholders and the structural changes we made to our business, was encouraging. We grew our client base, and increased our lending and deposits steadily, contributing to an efficient balance sheet. This is a great indication of the effectiveness of our strategy implementation and structural adjustments in a new operating environment.

Creating shared value outcomes through our Foundation

The pandemic has severely disrupted the lives of ordinary citizens and businesses. In response, our Foundation continued to explore ways to partner on sustainability initiatives and capitalise on opportunities to generate shared growth.

In the healthcare sector, we facilitated screening of over 10,000 people free of charge and trained 845 health practitioners on business resilience.

Our Foundation team also worked with the DADA team to implement a dedicated programme targeting youth and women focused on the provision of digital training in ICT. Open-air market traders selling fresh produce were trained on financial fitness with many of them taking up the opportunity to become registered on the Unayo platform.

The foundation worked closely with the innovation team on this programme, with this initiative being extended in 2022.

Maintaining Stakeholder Centricity

Despite restrictions on face-to-face engagements and gatherings, our engagement with our stakeholders continued to be strong during the year under the review. Our digital transformation meant that it was necessary to engage with clients, regulators, and employees on the implications of that transformation on each.

As we shape ourselves for future sustained growth and value creation, strengthening existing relationships and starting new ones will be critical to that journey.

Looking ahead

Our digital transformation will be of paramount importance moving forward. We will continue to allocate resources towards optimising our systems to enable the complete digitisation of our products and services. We will, of course, keep abreast of and monitor the pandemic and how it evolves over the next year, re-assessing and tailoring our response accordingly.

We will also ensure that our initiatives and strategic decisions are in line with the best interests of our stakeholders, aiding our clients where required, ramping up our efforts to create a safe and thriving workplace for our clients and making sure we steward and fulfil our regulatory obligations. A key pillar to thriving in today's operating environment is to act in a way that is purposeful and empathetic to the plight of stakeholders, and we will continue to act in that spirit.

Acknowledgements

I would like to thank the board for their leadership. Their support and guidance is much appreciated and critical to helping us navigate through another year of the pandemic.

I would like to thank our clients too, for the speed with which they have migrated and embraced our new platforms and channels.

My sincere appreciation goes out to our employees. Our people have been pivotal to our positive performance outcomes this year and their exceptional efforts amid a difficult period have been inspirational to us as a leadership team. I would like to thank them for their outstanding attitude and commitment, without which we would not have achieved our objectives this year.

Group Financial Review

Dennis Musau
Chief Financial and Value Officer

Our performance as a Group during the year under review reflects the positive outlook created by our investments in future-ready capabilities and technology. With the socio-economic environment still reeling from the economic effects of the COVID-19 pandemic, we have maintained positive progress and resilience.

GROWTH IN CUSTOMER LOANS

↑17%

GROWTH IN CUSTOMER DEPOSITS

↑11%

We delivered a strong performance in 2021 underpinned by a more efficient balance sheet, an agile digital transformation strategy and effective implementation of various strategic initiatives.

Looking at our Performance

Moving past the initial shocks of the COVID-19 pandemic, we actively sought out ways to thrive in a new operating environment. This resulted in strengthening our client relationships and helping them get back on their feet, capacitating ourselves internally to facilitate transformation and rolling out solutions to enhance our competitiveness and agility in the market.

Total revenue grew by 8% to KShs 25.0 billion. Net interest income was up by a double digit on the back of growth in the lending book, improved margins driven by reduced cost of funding and change in balance sheet mix.

Reduction in trading revenue was offset by growth in fees and commission arising from closure of key Investment banking deals, rebound of trade finance activity and improved digital adoption by our clients. We achieved a double digit reduction in credit impairments as a result of improved credit quality and focus on arrears management.

Despite efforts to enhance our technology infrastructure, improve client experience, onboard skilled personnel and pivot the organization towards a platform business, costs grew by a single digit.

We worked towards optimising our balance sheet, with a focus on allocating resources in a way that supports growth for our clients and communities. To that end, loans and advances issued to clients grew to KShs 185 billion, an increase of 17%. This indicated a strengthening business environment in Kenya and South Sudan and a gradual restoration of business and consumer activity.

Taking this into account, our profit after tax increased to KShs 7.2 billion, a 39% increase from last year and our return on equity grew to 13.3%, a 29% increase year on year.

Building on efficiencies to strengthen our recovery and generate value

Our positive results this year are in large part a result of the efforts we made in building efficiencies in our organisation to better serve our clients and their needs. We did this by focusing on our digital transformation journey which enabled us to roll out solutions that have transformed our client experience, enabling them to access the right solutions digitally.

Our digital lending solutions offered our clients over KShs 5.6 billion in instant loans, while Mjeki, our distributor financing solution, issuing over KShs 766 million in loans over the last year.

Leveraging digital channels not only allowed us to empower our clients and their financial ambitions but also helped us optimise our business by reducing our operational costs on the front and back end. Beyond this, we worked with our clients in getting their businesses back on their feet and where possible, clients began repaying their loan obligations. This is evident in our credit loss ratio recovery and performing loans improvement.

We remain cognisant of the need to deliver superior returns to our shareholders. This year we looked to refine our approach to sustainable business and ensure our subsidiaries are optimised to align to the broader effort of delivering tangible returns. This allowed us to declare a total dividend of KShs 9.00 per share, a 137% improvement from last year. The total dividend pay-out represented 50% of the profit made in 2021.

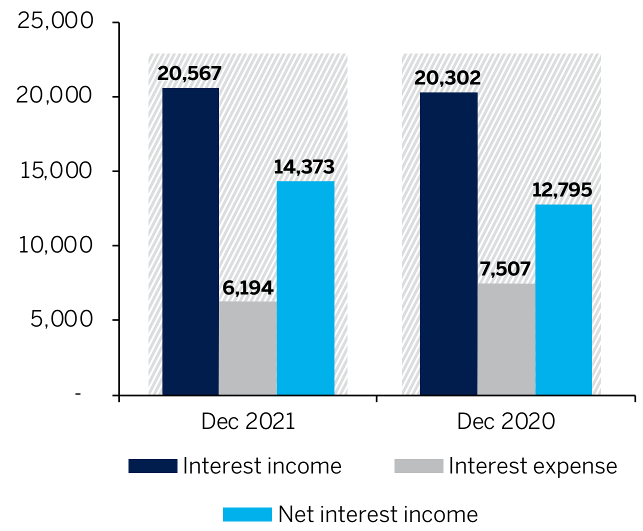
Protecting value and the interests of our employees and clients

Our readiness to transform through an agile and competent workforce is important to protect the value that our clients and shareholders entrust us with. We continued to focus on capacitating our employees and representatives by creating frameworks to enable them in various areas. This included investing heavily in training (KShs. 43m), with over 40,000 training hours spent by staff across our organisation on future-focused areas such as data science, behavioural science, user interface experience and tech development.

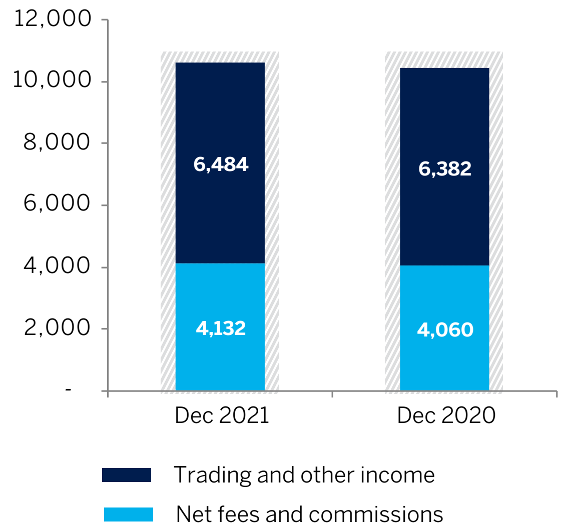
We continued to roll out measures to protect our staff from the emerging COVID-19 variants, offering access to counsellors, and medical experts and supporting those infected and affected by the pandemic. The outcome of this saw us improve our eNPS score to 42, with employees continuing to take pride in working within the Group. This further strengthened our ability to service our clients' needs and protect the value they generate.

REVENUE

KShs millions

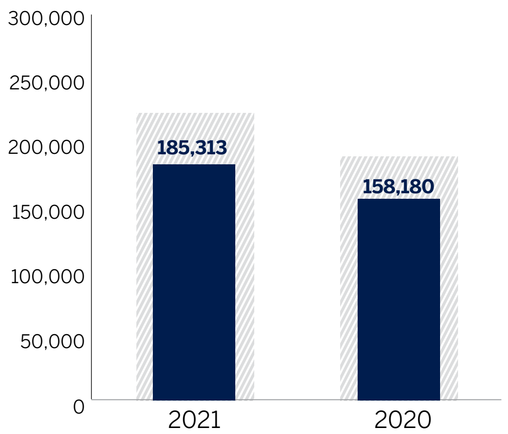


KShs millions

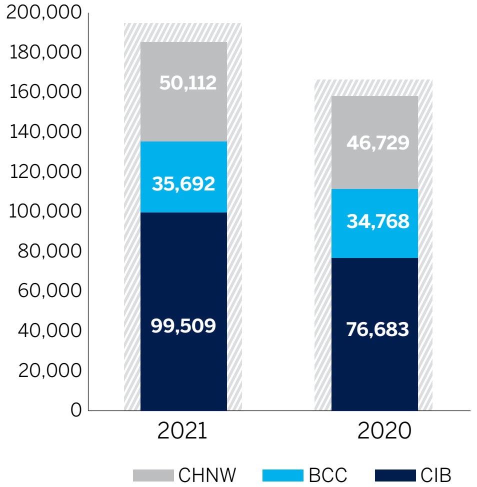


Group Financial Review

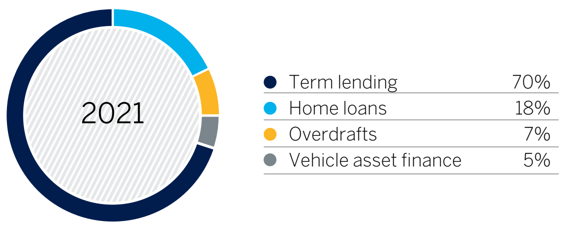
CUSTOMER LOANS AND ADVANCES
KShs millions

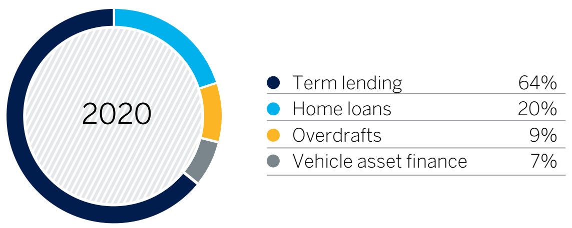


CUSTOMER LOANS BY BUSINESS UNIT
KShs millions

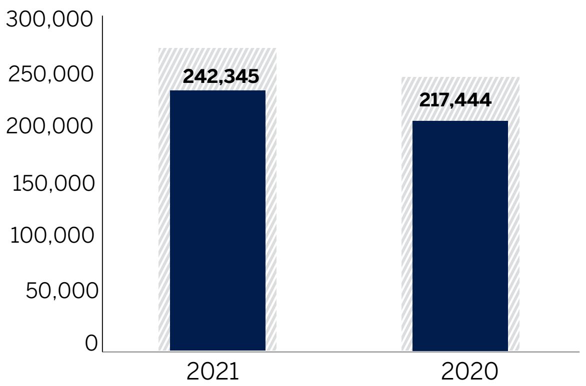


CUSTOMER LOANS AND ADVANCES BY PRODUCT

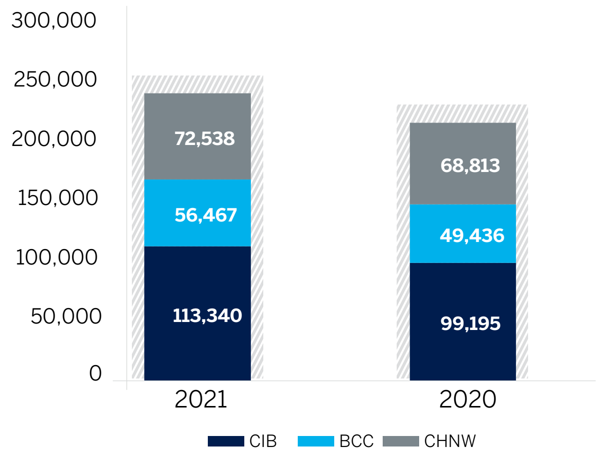




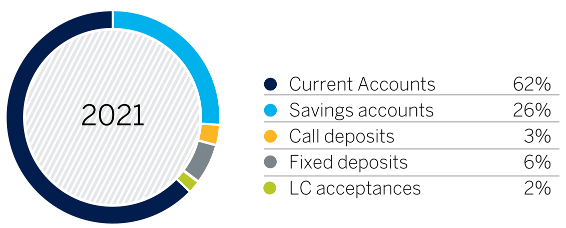
CUSTOMER DEPOSITS
KShs millions

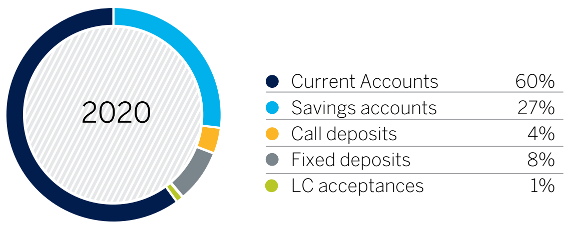


CUSTOMER DEPOSITS BY BUSINESS UNIT
KShs millions

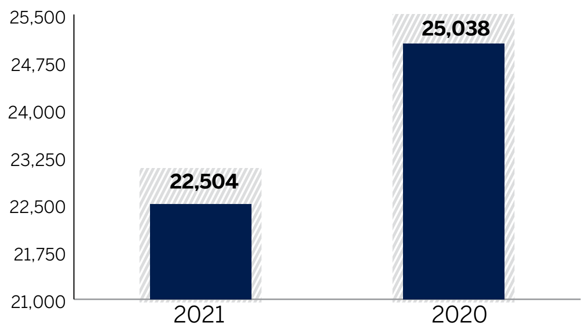


CUSTOMER DEPOSITS BY PRODUCT

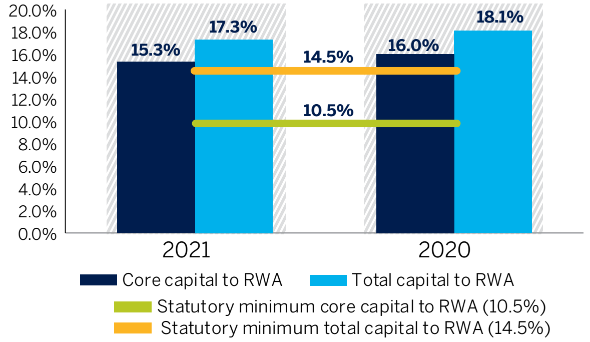




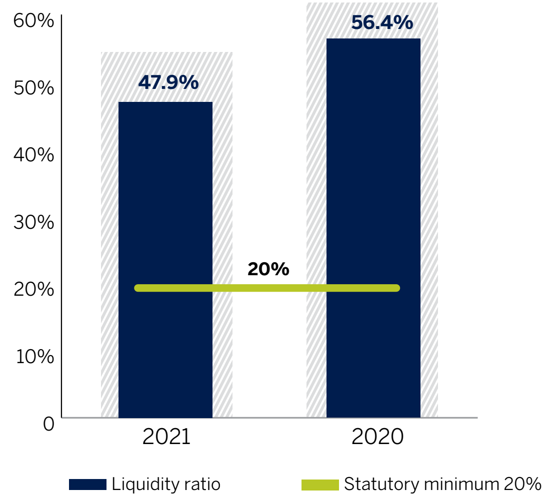
NON-PERFORMING LOANS
KShs millions



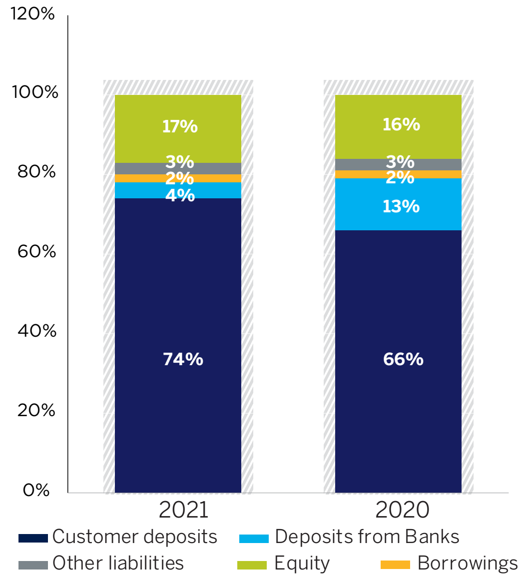
CAPITAL ADEQUACY RATIO



LIQUIDITY RATIO



FUNDING



5 Year Financial Review

Income statement	2021	2020	2019	2018	2017	CAGR
Profit before tax	9 756	6 227	7 710	8 948	5 401	16%
Profit after tax	7 208	5 192	6 381	6 277	4 309	14%

Statement of financial position	2021	2020	2019	2018	2017	CAGR
Shareholders' equity	56 452	51 731	48 587	44 623	42 956	7%
Total assets	328 872	328 593	303 713	290 570	248 739	7%
Loans and advances to customers	185 313	158 181	152 817	146 604	130 536	9%
Property and equipment	1 915	2 242	2 302	2 186	2 256	-4%
Customer deposits	242 345	217 444	194 222	191 585	154 661	12%

Returns and ratios	2021	2020	2019	2018	2017
Return on average equity	13.3%	10.4%	13.7%	14.3%	10.4%
Return on total assets	2.2%	1.6%	2.1%	2.3%	1.9%
Costs to income	50.9%	52.2%	56.4%	50.2%	57.2%

Looking ahead

We are monitoring global economic and geopolitical as well as local political trends. We remain committed to creating stakeholder value and putting our clients first, continuously innovating to offer relevant solutions to meet their needs. We are deepening our focus on supporting various sectors of the economy such as MSMEs and SMEs and reaching underserved groups. We are making strategic investments to deepen our ecosystem play while building a sustainable business for the future that is truly digital, truly human.

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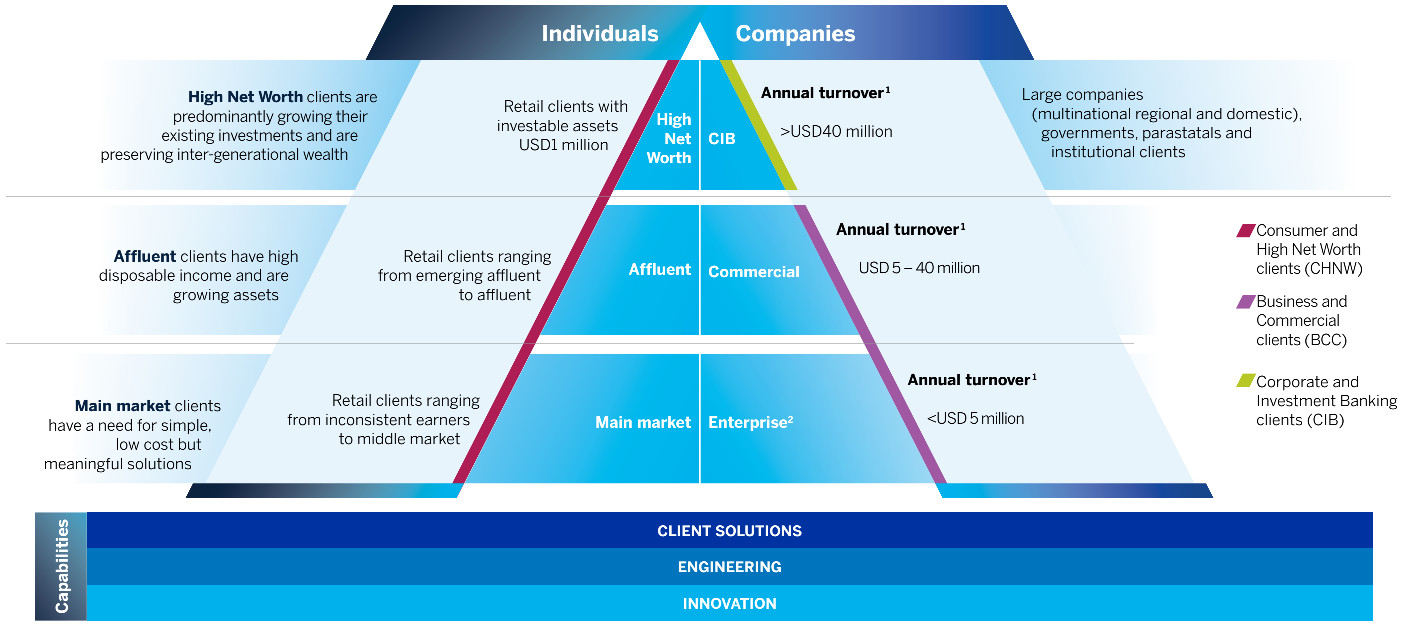
DELIVERING OUR STRATEGY

Re-Imagining Ourselves

Becoming more than a bank

Staying true to our brand promise, It Can Be, we have made great strides in re-imagining our solutions to ensure we deliver meaningful valued solutions to our clients. This has not only focused on the upgrading of technological and communication platforms but necessitated the re-organisation of the business units within the organisation.

To be more client-focused, in January 2021, we introduced a new operating model. We re-organised the Group into three Client Segments that are supported by three capabilities, namely Client Solutions, Engineering and Innovation capabilities. These changes are enabling the group to deliver integrated and seamless financial services to our clients, reduce the time and cost to serve, and to innovate more quickly and efficiently. The benefits are already evident in the measures against which we track our progress, and we are confident that this momentum will continue, aligned to our future ready transformation journey.



[1] Indicative levels that may vary based on complexity of relationship and country.
[2] Includes entrepreneurs.

Through this re-organisation, the board has been able to view and track performance across the Group. Regular updates on the implementation of this new structure were provided during the year, with clear goals set as outcomes to focus on in 2022. With the implementation of this new organisational structure completed in 2021, the commercialisation of the initiatives rolled out will be a key indicator being tracked by the board going forward.

The development of a clear roadmap on how each new initiative will be taken to market, and an outline of the benefits to be realised by the client as well as the Group was required to facilitate the commercialisation of initiatives implemented.

Each initiative focuses on allowing us to become more than a bank.

Disrupt

Being able to disrupt the market through these initiatives is important, especially in a dynamically shifting environment driven by the digitisation of solutions, and an ever-increasing demand for easier, simpler and accessible financial solutions by clients. This is further necessitated due to the increased level of competition in the market specifically those posed by fintech.

Becoming more than a bank will see us grow our client base and build loyalty and engagement, through delivery of secure, seamless digital payments. Increased scale and diversity will drive revenues, ensuring we become a preferred partner to attract best in class solutions and capabilities.

By digitising we drive lower costs to serve, leveraging data assets as a competitive advantage. This will further allow us to absorb regulatory costs and manage the ongoing complexity of the banking environment. As a whole this approach will drive ongoing efficiencies and business returns.

KEY DRIVERS IN THE ORGANISATION HAVE BEEN IDENTIFIED AND RESPECTIVE KEY PERFORMANCE INDICATORS SET TO REALISE THESE OBJECTIVES.

To support this new strategic approach to the market, 2 new board members were onboarded in 2021, bolstering our technological and sustainability capability, further enhancing our strategic decision-making abilities.

During the new product rollout in 2021, the innovation division reported on progress directly to the board and the engineering and innovation committee. Innovation products initially focused on the enhancement of efficiencies within the business, then shifted focus to the monetisation of products under development. Ongoing reporting to the board drove levels of accountability concerning targets set. Targets were set against clearly defined objectives and milestones. These were tracked month on month, with specific reporting required on the progress made against the objectives, learning and support required to ensure deliverables were met on time and within budget.

Response to market needs

The new client solutions launched in 2021 have enabled clients to transact quicker and more efficiently. We have launched campaigns in the market to explore and understand our client needs, these have defined our focus areas in the market.

- BACK TO SCHOOL
- DIASPORA BANKING
- HOME LOANS
- CARD DISCOUNTS
- REPAYMENT HOLIDAY
- AFFORDABLE HOUSING
- PARTNERSHIPS WITH CAR DEALERSHIPS

Through our digital transformation journey, we have introduced a host of solutions tailored to women, small business owners, supply chain, and provided enhanced access to lending, saving and insurance products all digitally. These solutions focus on our ability to transform and disrupt the market from a technological point of view. Innovation and roll out was geared at staff as well as the communities we serve, facilitating access to new products and solutions, further supporting economic growth and job creation initiatives.

- DIGITAL LENDING
- DIGITAL INSURANCE (STANSURE)
- UNAYO
- M-JEKI
- NIKO SAWA NA SMART DIRECT
- DADA
- DIGITAL CLIENT ONBOARDING

The introduction of these new solutions opens new possibilities for our clients, enabling them to realise their dreams. To enhance our brand in the market and further profile our new approach to the market we continue to engage with strategic stakeholders including government, both at national and county level.

During our annual general meeting to shareholders and in regular engagement with investors during the year, our Future Ready Transformation strategy was communicated. This new focus was well received. The increased level of engagement around sustainability in the market has elevated the board's positioning of this aspect. The board continues to pose strategic questions to management ensuring business sustainability is being addressed. Aspects covered during board engagements included risk management, responsible lending, and fostering an increased focus by clients on the implementation of their own sustainability initiatives.

Sustainable business practices are noted to be underpinned by regulatory compliance, adequate identification of risks, raising awareness around sustainability matters for the business and within the client base all with the objective of informing lending practices.

Long term sustainability of our clients will drive the performance of Stanbic Group, this is further enhanced through optimising our internal processes. The engineering division's partnership with international companies like Amazon (AWS), Microsoft (Azure), Oracle, Temenos and Sales Force as well as various local Kenyan service providers to facilitate the enhancement of project execution, transition of platforms to cloud-based solutions, software development and customization of product solutions.

Driving our levels of competitive advantage in the market is a focus on product pricing, improved client experience as well as servicing segments of the economy that remain underserved. This will be further enhanced through our re-organisation as this allows us to better leverage existing tools, respond quicker to clients, and most importantly ensure a more integrated approach to the market. The long-term objective with this strategy is to be seen in the market as more than a bank.

New Innovative Solutions

Building on our focus to respond, restore and rebound in 2021, client solutions were implemented with a focus on restoring growth. These solutions were designed to allow clients to respond to the economic impact resulting from country and regional shutdowns in 2020 and 2021 due to the pandemic.

The focus was on the extension of credit to catalytic sectors of the economy, and those sectors that had been affected by the pandemic. Although these focus sectors remain vulnerable to the dynamic shifts in the economy, substantial strides were made by companies to restore and rebound in 2021.

Research into what our clients need has provided insight into our blind spots, this has improved our delivery mechanisms in the market, our responsiveness to client needs, and the tailored approach to the provision of services. This has fundamentally changed how we attract and service clients.

The approach prior to building our new solutions was twofold, firstly to engage the client to understand their needs, and secondly the engagement of staff to understand our limitations in delivering solutions in our markets. Removing the barriers internally to the delivery of solutions was key. This ensured that the new solutions launched to market benefited clients.

Unayo

DESIGNED TO LINK BUSINESSES AND PEOPLE WITH MUTUAL FINANCIAL INTERESTS ACROSS MULTIPLE GEOGRAPHIES, UNAYO IS AIMED AT ENHANCING FINANCIAL INCLUSION BY CONNECTING COMMUNITIES AND BUSINESSES TO HELP THEM GROW.

The platform leverages technology solutions to offer financial and non-financial services. It is completely digital and accessed via mobile devices. At its core are banking services with supporting lifestyle services offered via various partners. By joining Unayo, individuals and businesses can become part of this online community and connect to people, not just in Kenya, but also across Africa. Unayo also works towards the Group achieving their wealth generation goals for their clients.

Enabling people to be part of the financial world:

- Transfer to other bank accounts.
- Transfer to other bank wallets.
- Send money to each other using mobile numbers or email addresses.
- Cash withdrawals.
- Cash deposits.
- Pay for goods.
- Bulk disbursements (for Businesses).
- Cross border remittances.

Provides the opportunity for people to earn money by becoming an agent for UNAYO:

- Process Cash Withdrawals and deposits and earn commission.
- Earn commission for signing up new members.
- Accept payment for your goods.

Key Outcomes for 2021

- Kicked off piloting in 5 major towns in Kenya.

SEE Focus Area Supported

SDG Supported

Digital Onboarding

TO ENHANCE LEVELS OF ACCESS TO FINANCIAL SOLUTIONS TECHNOLOGY WAS DEPLOYED TO FACILITATE DIGITAL ONBOARDING OF CLIENTS.

Technological improvements have allowed the automation of onboarding processes replacing previous manual measures. This solution allows the Group to service clients more holistically, allowing easier access to new solutions, alternate payment and credit facilities. This allows a client to move away from manual to electronic payment solutions, fostering enhanced levels of client protection as well as wealth generation.

Features:

- Access via internet or mobile phone
- Multiple products supported
- Available 24/7
- Ease and convenience
- All self service
- Access to online support if required
- Automated sign up for mobile banking

Key Outcomes for 2021

- Over 85% of accounts opened digitally.
- Fourfold increase in the number of accounts opened daily.
- Total client base grew by 20% year on year.
- Active clients grew 31% year on year.
- Primary clients grew by 35% year on year.
- Turn Around Time (TAT): 15 minutes from 2 days.

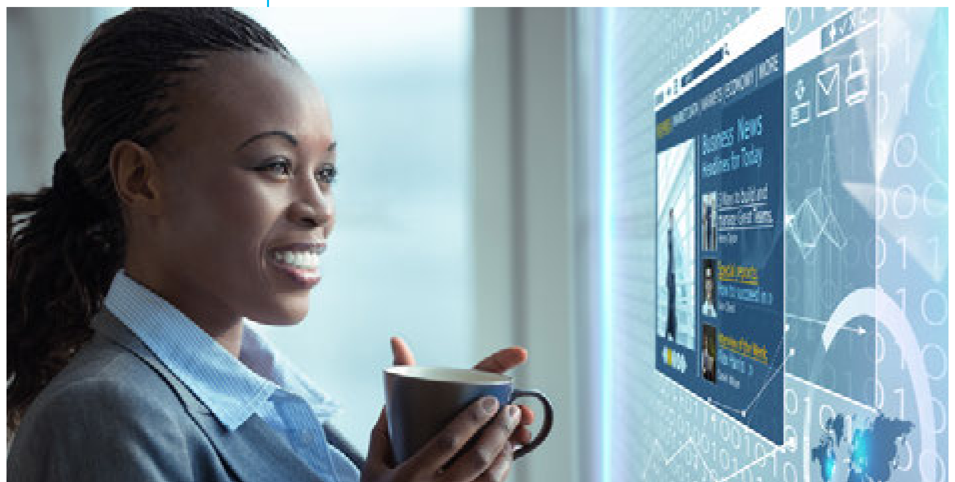
SEE Focus Area Supported

SDG Supported

Digital Lending

THIS SOLUTION PROVIDES INSTANT UNSECURED LOANS TO STANBIC RETAIL AND SME CLIENTS TO SERVICE THEIR IMMEDIATE CASH FLOW REQUIREMENTS.

Stanbic seeks to understand individual and business needs to ensure that the right lending facilities are provided to clients



Features:

- Instant digital loans
- Available 24/7

Key Outcomes for 2021

- Loans issued to the value of KShs 5.6billion.

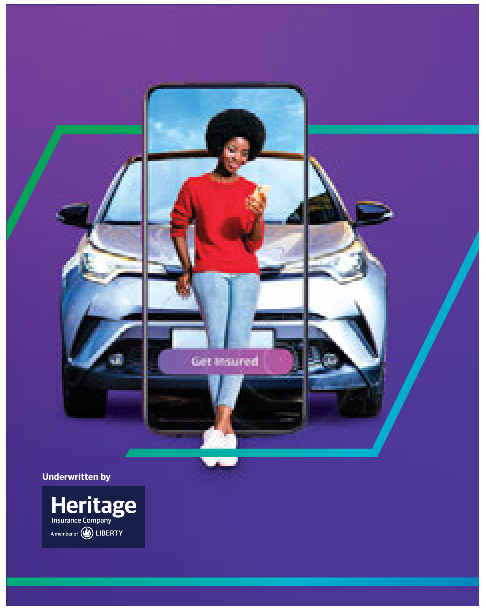
SEE Focus Area Supported

SDG Supported

Insurance Products

STANBIC BANCASSURANCE INTERMEDIARY LIMITED PARTNERS WITH VARIOUS INSURANCE COMPANIES TO PROVIDE LIFE AND GENERAL INSURANCE SOLUTIONS.

In 2021, the company rolled out a fully digital Motor Insurance solution, dubbed Stansure, allowing vehicle owners to purchase motor insurance policies from the convenience of their mobile phones. The provision of digital access to insurance products aims to solve for client pain points, deepen insurance penetration in the country and grow our market share. Stansure continues to respond to a rapidly evolving digital landscape driven by changing consumer needs and lifestyles.



Features / Benefits of the Solution:
- 24/7 availability via Mobile Application
- Digital self-onboarding
- Customized quotes and policy purchase within 10 minutes
- Digital policy certificate delivery
- Online claims notification

Key Outcomes for 2021
- Flexibility to buy motor insurance in less than 10 minutes
- 24/7 availability creating convenience
- 100% paperless, no manual intervention

SEE Focus Area Supported

SDG Supported

Niko Sawa na Smart Direct

THE SMART DIRECT ACCOUNT LAUNCHED IN MARCH 2021, PROVIDES A HOLISTIC MOBILE AND INTERNET BANKING PLATFORM TO CLIENTS. THIS PLATFORM IS DESIGNED TO PROVIDE AN AFFORDABLE INTEGRATED SOLUTION TO CLIENTS.

The account includes an income protection facility for KShs 100 per month, which provides access to retrenchment cover, life insurance and funeral cover. Additionally, access is provided to attractive competitive rates on savings and investments, as well as banking solutions through access to a digital self service centres country wide 24/7.

This solution was designed around requirements identified by clients impacted by the COVID-19 pandemic. Stanbic's response to this demand focused on tailoring banking fees to the individual usage of the client. This product was well received in the market, with the client base taking up digital lending facilities through the platform.

Features:
- Digital onboarding
- Instant digital loans
- Access to:
  1. Insurance cover
  2. Savings
  3. Investments

Key Outcomes for 2021
- Over 29,000 accounts opened

SEE Focus Area Supported

SDG Supported

M-Jeki

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

Stanbic aims to enhance financial inclusion activities through this partnership, enabling lower tier clients to access much needed finance. This solution assists SMEs as well as corporates they serve to limit risks around working capital management.

Features:
- No minimum loan amounts.
- Loan limit of up to 3 times of average monthly commissions

Loan Benefits
- Available 24/7.
- No financials required.
- Available for non-Stanbic clients.
- Quick onboarding turnaround times. – Maximum of 3 business days on receipt of all documents.

Key Outcomes for 2021
- 434 dealers and agents supported
- KShs 19 billion in loans issued

SEE Focus Area Supported

SDG Supported

Enhanced DADA Proposition

DADA ENABLES WOMEN TO START AND GROW THEIR BUSINESSES. STANBIC IS COMMITTED TO PLAYING A KEY ROLE IN WOMEN'S HOLISTIC DEVELOPMENT AND GROWTH BY OFFERING ACCOUNT HOLDERS FINANCIAL BENEFITS SUCH AS BORROWING, SAVING, PROTECTING AND MANAGING WEALTH, AS WELL AS NON-FINANCIAL BENEFITS THROUGH EDUCATION, INFORMATION, NETWORKING, REWARDS, AND WELLNESS ACTIVITIES.

The DADA proposition continues to focus on the promotion of financial inclusion for women. During 2021 additional support was rolled out to women run businesses in the health sectors. This took the form of extending credit, ensuring their ability to navigate the ongoing need for health care services in the country exacerbated by the ongoing pandemic.

Support was provided to women SMEs and women in business beyond financing. In 2021 we trained 10,136 women, exceeding the target set of 7500 during the year. This initiative was activated through our branch network and partnerships ensuring the identification of women who would benefit from the training provided.

For the Business and Commercial Clients Division, the focus is also on the promotion and management of investments, as well as wealth protection to ensure that these women build a lasting legacy. To dive a better understanding around the solutions on offer, seminars and webinars have been held with clients to unpack this need.

Features:
- Provision of financial and non-financial services.
- Provision of catalytic capital.
- Provision of training and mentorship.

Key Outcomes for 2021
- 148% increase in DADA clients year on year.
- 162% increase in lending.
- 38% increase in deposit taking.
- 10 136 women trained.

SEE Focus Area Supported

SDG Supported

Benefits and Trade offs

Growing the franchise

Costs associated with the implementation of the re-organisation of the business, as well as the development and upgrade of products, services and platforms, has resulted in growth and strengthening of the franchise. This is noted through the increase in client numbers and enhanced operational efficiencies. We have also seen an increase in our share price in 2021 by 10% to KShs 87.25 from of KSHS 79.00 per share as at end of 2020.

Employee wellbeing has improved during the year, this reflected as an improvement in the employee net promoter score. Although this is only a 1 point increase, this is seen as commendable during a year of re-organisation resulting in employees taking on new roles, accepting new challenges and targets.

Inputs	Benefits	Trade-offs
• KShs 43.3m spend on training and development.	• 20% increase in total client numbers. • 35% increase in primary clients.	• 2 employees could not be placed after the re-organisation in Kenya and 3 in South Sudan.
• 1,604 employees trained.	• Employee Net Promoter Score +42. • Engagement Dimension Score 81%. • Organisational Alignment Score 92%. • Emotional Promoter Score +75. • Survey Participation Rate 89%.	
• Launch of 7 new marketing campaigns.	• Enhanced brand recognition.	
• Time required to implement, track and report on new strategic interventions.	• Clearly defined roadmap with targets and objectives set. • 3% reduction in cost to income ratio.	

Enhanced client experience

Stanbic will continue to focus on enhancing client experience. This requires key investments in our people, remaining close to our client and ensuring that new solutions launched remain fit for purpose and are dynamic to the changing market needs.

Inputs	Benefits	Trade-offs
• 200 engagements undertaken with key stakeholders	• Knowing our client needs	• Balancing our regulatory requirements with the unique solution requirements of our clients across our areas of operation.
• 95% of complaints successfully closed out with clients	• Understanding client pain points and continuous improvements. • Moving clients from manual processes to automated solutions. • Empowering clients through self service.	
• New role established to focus on client experience	• Embedding a client obsession culture. • Refocusing our internal teams on brilliant execution. • Use of data and Voice of client insights to continuously innovate.	

Challenges to overcome

We began our journey of being more than a bank in 2021. There are however still challenges to overcome before the Group realises these objectives.

Ongoing Challenges

Improved turn around time required to get solutions to market	Showing up as an integrated organisation	Selling the Ecosystem	Continue to Create Value for Shareholders
• This is required to enhance competitive advantage in the market. • To address this the Group is focusing on raising internal awareness to enhance support in product development and launch into the market.	• Continue to break silos. • Focused cross selling of products required. • Working on being seen by the client as one organisation.	• Focused effort required to leveraging corporate relationships to bank the ecosystem value chain. • Efforts underway to leverage experts better to help sell the whole organisation.	• By continuing to enhance understanding of the market. • Continued agility in the dynamic operating environment.

Our Summary Scorecard

INPUTS REQUIRED TO REALISE THE STRATEGY	CONCERNS RAISED IN IMPLEMENTING THE STRATEGY	DEFINED OUTPUTS REQUIRED TO ENSURE THE STRATEGY IS ACHIEVED	OUTCOMES OF ACHIEVING STRATEGIC OBJECTIVES DEFINED FOR 2021	IMPACTS ON INTERNAL AND EXTERNAL STAKEHOLDERS DUE TO THE ACHIEVEMENT OF THE 2021 STRATEGIC OBJECTIVES
Defined strategic intent Strategic value drivers enabled: • Client focus. • Employee engagement. • Operational efficiency and managing risk. • Sustainable financial outcomes.	• Role changes and enrichment. • Increasing staff productivity in the wake of COVID-19 challenges and transformation. • Manage staff needs in new roles. • Enhance buy in.	• Change management programmes were introduced to help teams transition smoothly to the new structure. • Brought in change management consultants to assist in the process. • Appointed change champions. • Frequent engagement with staff by management was maintained. • Brought in third party consultants for teams to manage change of leadership.	• Growth opportunities created by enriched and new roles. • Improved productivity and collaboration. • Streamlined processes and enhanced level of buy in by staff. • Objectives were clearly defined, including targets and indicators used to measure performance.	• Increased collaboration across divisions. • Better understanding of solutions on offer.
Launched the Business Transformation Office to drive execution of strategic initiatives	• Timely implementation of our strategy within budget.	• Established a dedicated squad to deal with key concerns raised. • Defined a roadmap to drive objectives and achievement of KPIs. • Defined clear objectives, key performance indicators and targets. • Rolled out the digitisation agenda. • Clearly defined client pain points. • Provided training to staff on strategic objectives, new digitisation agenda, and new solutions on offer. • Clearly communicated new value add services to clients.	• Improved execution of strategic initiatives. • New solutions launched into the market resulting in growth in client numbers, enhanced client experience and alignment between services offered and client needs.	• Successfully delivered digital solutions like digital on-boarding for clients, increased extension of credit through digital lending and growth in deposits. • Growth in returns to our shareholders.
Focused on organisational efficiency	• Supplier optimisation. • Enhance operational efficiencies.	• New framework implemented on how the Group works with suppliers and contractors. • New contracts implemented to enhance the value the Group derives from suppliers. • Streamlined processes	• Operational efficiency.	• Reduction in operating costs and enhanced operational efficiencies.

Deepening our relationships with Clients

Transforming client Experience

OUR APPROACH TO THE MARKET IN 2021 ENABLED OUR CLIENTS ACCESS STANBIC ENHANCED SOLUTIONS CONVIENTLY THROUGH OUR DIGITAL CHANNELS. CLIENTS NOW HAVE EASY AND QUICK ACCESS TO FINANCE, SAVING OR INVESTMENT SOLUTIONS ON A 24-HOUR BASIS. GREAT TO REPORT 90% OF ALL LOANS PROVIDED WERE ACCESSED THROUGH OUR DIGITAL CHANNELS.

Rethinking the role of the branch network, transforming them to advisory channels promotes additional value for the client. The branch network offers clients an avenue to co-create and unpack which solutions best address their needs. Tailoring packaged solutions was made possible by the breaking down of internal silos, and cross selling of products.

This de-risked the provision of lending facilities and maximised the long-term wealth generation opportunities for the client through the additional provision of savings, investment, and insurance products. We achieved internal operational efficiencies, reduced operating costs, and optimized Return on Equity (ROE). ROE is now being tracked per product, informed by the achievement of internally set key performance indicators and targets per client focused sector.

Key beneficiaries to this approach were SMEs who gained access to working capital facilities enabling the buying and selling of goods on our digital channels. The Mjeki platform further facilitates this process by providing access to financial services on a 24-hour basis. Retail clients benefited by the extension of credit in the form of salary advances to address short term needs, as well as long term financing. Stanbic will continue to focus on providing services across six priority ecosystems in the market.

The digital channels and self-service approach to banking has seen an increase in the number of accounts opened by 4X per day in the retail banking space. This large uptake was only made possible through the coordination of developers, redesign of systems, putting everything on a cloud-based environment thus enhancing levels of elasticity in the system. Additionally, the success of the new product launches in 2021, as well as lessons learnt will be utilised to further enhance our performance in 2022.

Driving the Relationship Model

THE NEWLY FORMED CLIENT SOLUTIONS TEAM WAS FORMED TO FACILITATE A MORE INTEGRATED APPROACH TO SERVING CLIENTS.

The client solutions team is a support service ensuring a universal approach to client solution provision. The business heads are seeing the benefits of the support provided by client solutions, as interventions made are driving on-selling and the integration of service provision to clients.

To further support these efforts, in 2021, the Group focused on the upskilling of sales staff to improve articulation of new products on offer. Client focused teams can express the benefits of products on offer including mortgages, insurance, and investments products to clients. This is further supported by individual client service segments who are brought in to address technical questions raised by clients. The breaking down of silos within the Group has raised the concern about soft selling in departments which traditionally were not client facing. The remuneration and recognition of these new activities undertaken by these departments is being discussed. The alignment to shared value drivers and culture is required to complete our transformation journey in this area. We will continue to address the expectations of our staff to ensure we can realise our goals. The board has signed off the strategy for 2022 , it is envisaged that strategic growth of the franchise will come from the enhancement of our relationships with clients.

Future Value Add Services

Integrated Financial Services Organisation (IFSO)

The banking sector is active in developing solutions for the broader corporate client ecosystem. Stanbic too is developing tools to support corporate clients through the deployment of an ecosystem model. The focus with the provision of lending, insurance and other similar facilities is aimed at optimizing our client's ability to service their full value chain. This will deepen our relationship with our corporate clients and integrate the delivery mechanisms of service offerings across our three client service divisions.

This initiative is strongly supported by the board, with ongoing reporting required on how we are aligning ourselves to service the entire ecosystem, the request is to ensure that the corporate and investment banking segment of the business are holistically approaching the needs of clients and are pulling in services where needed from other divisions to respond to identified needs. The only limitation with respect to the provision of services is the adherence to internal boundaries set around risk appetite, and to ensure the approach remains aligned to the Groups overall business strategy.

The IFSO approach has indeed deepened our relationship with our corporate clients. Understanding our client pain points, how they operate and how best to embed our services into their operations has identified opportunities for mutual synergies. This is already resulting in the increase in revenue generation opportunities for the Group, as well as more value generated for our clients.

COVID Support

The pandemic continued to impact clients in 2021. Various initiatives were implemented to assist clients, including the restructuring of loans, deferment of interest, as well as the provision of pay holidays.

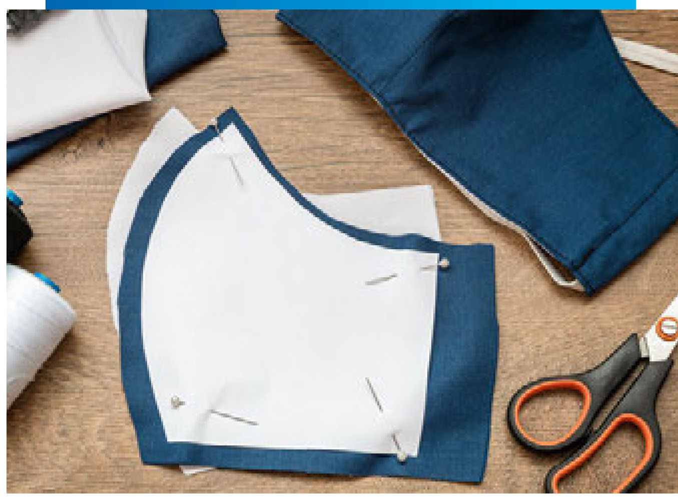
Most of these applications were processed in 2020, with the normalisation of lending behaviour noted during 2021. This was specifically notable for clients operating in the retail space, such as the tourism and hospitality sectors who were heavily impacted by COVID-19 in 2020. Additional support provided to the SME sector included the linkages or partnerships fostered with other businesses enhancing their access to new markets.

Certain clients also benefited from the pandemic, Stanbic needed to ensure ongoing support for these growing businesses. This was provided through the extension of loan facilities, leveraging partnership networks, and provision of guarantees.

Government initiatives during the pandemic focused on large infrastructure development which were also supported by Stanbic. This provided much needed economic stimulus in the economy and job creation opportunities. Stanbic provided signature lending and transaction advise to the power and large infrastructure space. This specifically supported the development of the Nairobi express way.

The promotion of our digitisation agenda and launch of new products to market with digital capabilities, have further supported our clients affected by the pandemic. This has resulted in faster processing of applications, further lowering of the Group's cost of operations, assisting with the adjustment of our risk appetite linked to clients in distress. Stanbic has seen a lot of clients transitioning to these digital solutions due to ease of access and enhanced levels of client experience. We also provided grant funding to companies requiring assistance during the COVID-19 pandemic in the year.

A STRUGGLING PERFUME COMPANY IMPACTED BY THE COVID-19 PANDEMIC REPOSITIONED ITSELF TO IMPORT FACE MASKS TO THE MARKET.
STANBIC ASSISTED THE CLIENT THROUGH THE CHINA DESK, CONNECTING THE CLIENT TO SUPPLIERS, AND FACILITATING THE IMPORT OF THE PRODUCT THROUGH THE PROVISION OF FINANCE, AND REQUIRED GUARANTEES.



Financial Literacy

The financial fitness academy continues to focus on enhancing levels of financial literacy in the market. Consumer education is key to empowering individuals and businesses to become responsible borrowers, thereby contributing to their financial stability and to financial inclusion more broadly.

In 2021 we conducted 20 training sessions reaching 1,300 clients. After the training provided, we have seen clients take up products with the Group, the measure of success from the Group's perspective will be clients actively transitioning to utilising multiple banking products, becoming fully integrated in the banking system. This will also be measured by them becoming active users of these products over several years. This will ensure long term achievement of financial wealth for the client, and their ability to plan for the future.

Alignment with government and regulators to achieve their objectives

SME Empowerment

The Business and Commercial Clients division continues to focus on supporting small businesses. The Group continues to develop solutions in key partnerships under the foundation, in 2021 this focused on the provision of training to SMEs.

Training took the form of one-on-one engagements, webinars and making use of the Microsoft training e-platform. Training focused on entrepreneurial skills and financial wellness. Stanbic also participated in a grant programme aimed at the distribution of funding to SMEs to assist with economic recovery. A total of USD 60 million was raised during the year from grant funders, of which USD 33 million was disbursed to 7 successful applicants. This initiative forms part of a credit guarantee schemes launched by the Kenyan government to provide SMEs access to funding in a risk sharing arrangement.

Type of Training	Target	2021 Achievement
• Training of SMEs in the health sector • Launch of grant making programme	• 1,000 Trainers • 50,000 People to be trained • USD 1.8 Million • Funds to be disbursed to 50 MSMEs • Government Credit Guarantee to the value of USD 33 Million	• 728 Trainers • Trained 50,807 MSMEs youth and women trained on digital skills. • Raised USD 1.4 million against a target of USD 1 million • 7 Grant winners announced in November 2021 • 845 MSMEs in the Health sector trained in Business Resilience post COVID

Stanbic through the Stanbic Foundation in partnership with United States African Development Foundation (USADF) unveiled seven recipients of Accelerate Grant Fund.

The grant funds are being issued under the Accelerate Program whose aim is to position Kenyan businesses for success while addressing the skills gap in the country by boosting entrepreneurship and employability of citizens through digital literacy and upskilling, career development and providing funds (grants) and access to markets.

Elevation of Mortgage Lending

As part of the Kenyan Government's Big 4 Agenda the provision of affordable housing is being supported through Stanbic's shareholding in the Kenya Mortgage Refinance Company (KMRC). KMRC was incorporated in 2018 as a non-deposit taking financial institution under the supervision of the Central Bank of Kenya, with the single purpose of providing long-term funds to primary mortgage lenders such as Banks, Micro Finance Banks and Saccos.

This funding is earmarked to increase available and affordable mortgage loans to Kenyans. The company is expected to comply with the Central Bank of Kenya (Mortgage Finance Companies) regulation 2019. The target set for 2022 is the disbursement of KShs 200 million for this purpose.

KMRC classification of affordable housing

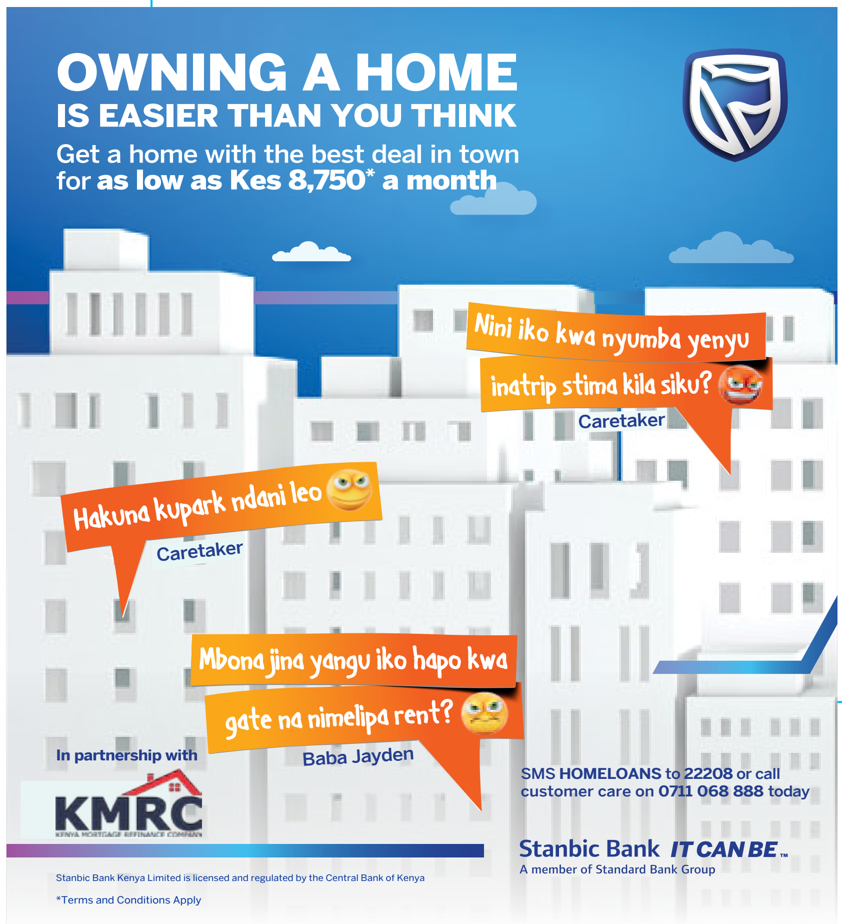
Under the KMRC programme affordable loans are expected to be capped at KShs 4 million within Nairobi Metro (Nairobi, Kiambu, Machakos, Kajiado) and KShs 3 million elsewhere.

Qualifying Criteria

Loans to be extended to borrowers with a monthly income of not more than KShs 150,000.

Stanbic also has its own mortgage facilities, to further encourage the uptake of these existing facilities at commercial banking institutions, the Central Bank of Kenya has changed the risk weight on residential mortgage loans from 50% to 35%, making it easier for banks to lend to clients by reducing the cost of lending.

Mortgages



Features:
- 105% mortgage financing.
- Property owner loan.
- Purchase residential property in major Kenyan cities with vacant land financing.
- Build a home with 100% construction financing.

Key Outcomes for 2021
- KShs 6.8 billion disbursed.
- 609 mortgages issued.

SEE Focus Area Supported

SDG Supported

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

Benefits and Trade-offs

Inputs	Benefits	Future Focus Areas	Trade offs
Organisation targets set across teams:	**Reducing the cost to serve our clients:** • Cost of funding reduced. • Optimized balance sheet. • Margin improvement by 12%. • Lowered cost of servicing products.	**Ongoing implementation of responsible business practices:** • Improvement of margins. • Offering relevant solutions. • Improve cost of servicing solutions through ongoing digitization.	Implementation of responsible business practices could require more resources put through change management, training and capacitation, taking time to realise our goals. Initiatives to empower women-run businesses could take time to realise full benefits both for beneficiaries and Stanbic. Product launches could take time to be fully embraced and adopted by the market.
	Reduced operating costs • Leveraged digital channels internally to enhance efficiencies. • Evaluated procurement processes especially methods to empower women entrepreneurs. • Have identified 47 women run businesses to support/ empower.	**Optimise allocation of resources** • Roll out the "Sourcing for Equal Project" through collaboration with the IFC. • Project focuses on empowerment of women entrepreneurs. • Improves the way we procure and creates a business case to support these vendors.	
Training provided to client facing staff	**Increased client numbers:** • 31% increase in active clients noted. • 35% increase in number of primary clients achieved.	**Responsible lending:** • Ongoing training to be provided to staff and clients. • Additional engagement with clients to understand their needs.	
Rolled out the client relationship model	**Seeing recovering in our client base:** • Evident in credit loss ratio. dropping to 1.4% from 3.01% in 2020. • Non-Performing Loans reduced from 11.48% to 9.25%. • 17% Loan book growth.	**Enhanced community activities through work under the foundation.** New product launches into the market. Development of partnerships to facilitate the distribution of products.	

Responsible Banking

Employee Engagement - Supporting our Employees

Employees are our most important assets, protecting their health and wellbeing is important for the long-term resilience and sustainability of the business. After an assessment of working requirements, a large proportion of employees were enabled to work from home (over 68%). Working from home had both advantages and disadvantages. For instance, employees saved the time it would have taken them to commute to the office and instead used this time to do more work. However, virtual meetings negatively impacted physical interactions.

To mitigate this impact activities were held during the year to ensure ongoing engagement. These engagements were done at a business level as well as social level to foster employee wellbeing. Hourly, weekly calls with teams ensured all employees remained up to date on new developments in the Group. Virtual celebrations were held to acknowledge events such as the birth of a baby, weddings, and birthdays.

In 2021, 89% of staff took up the opportunity to become vaccinated, a vaccination programme rolled out at our premises in collaboration with the Ministry of Health and KAPSA. This facilitated both employees and their families to become vaccinated. Many more inoculation sessions were held to distribute vaccines.

Employees directly impacted by the pandemic were supported, this extended beyond just providing medical insurance cover for them and their dependents. Health providers actively reached out to staff to determine their wellbeing. During 2021, we reported the loss of one employee directly ascribed to the pandemic.

Our overall approach to supporting Employees during 2021 included:

Employee Wellbeing

- Hotline in place to assist employees who felt challenged.
- Phycological support provided when needed.
- Webinars held to protect employee mental health.
- Assistance provided when sick.
- Staff who lost loved ones were supported.

Employee Resilience

- Vaccination programme rolled out to staff and relatives.
- Provided Personal Protective Equipment.
- Equipped staff to work from home.
- Empowered staff to ensure their work environment was always safe.
- Provided staff with access to healthcare and insurance cover.
- Educated staff and raised awareness on risk factors to look out for and how to protect themselves from exposure.

Employee Awareness

- Training provided to outline risks.
- Raising awareness that staff need to be sensitive to the needs of their colleagues.

Employee performance

- Keeping our clients front of mind including their safety.
- Provided employees with equipment, furniture, and internet access to allow them to work from home.
- Thursday morning meetings held with employees to check in and discuss problems with work outputs and any other challenges being faced.

Supporting Our Clients

Close to 90% of clients have resumed normal loan repayments. In 2021, the Group focused on continuing to drive the provision of digital solutions to these affected clients, this was facilitated through the waiver of digital fees as required by the regulator. Although this resulted in a reduction in income for the Group, the repurposing of the Stanbic digital platforms, using cloud solutions and artificial intelligence, allowed us to limit this impact.

The extension of the government directive not to list clients with the credit bureau for loans less than KShs 5 million and in default was also adhered to in the year. This presented a challenge around accessing credit information on clients, more so the retail business segment.

Normalizing having to work in a pandemic

We learned how to recover and rebound under trying circumstances, these lessons have allowed us to normalize how we do business during a pandemic.

Summary of our approach

Focus Areas

- We continue to enable employees to work in various ways, including at home, in the office or even out of country.
- We have re-imagined the skills set required to serve clients better especially in a digitally enabled economy.
- Remaining client centric, being able to respond to their needs in a dynamically changing environment.
- Putting our employees first, being able to protect their health and wellbeing, creating a safe environment for them to work.

Key Outcomes for 2021

- Ongoing technical and wellness support provided to staff during the year.
- Over 70,000 Training hours spent by staff in 2021.
- Training provided in:
  - new skills for the future
  - behavioural science
  - data science
  - user interface experience
  - technology development
- Remaining aware of key sectors impacted by the pandemic.
- Tracking our Employee Net Promotor Score (Improvement in the eNPS score from +41 to +42 as at end of 2021).

Realignment of culture to achieve strategy

To inculcate the new culture the Group required to implement the revised strategy, champions were appointed. This initiative aided in communicating the need for the re-organisation, the change in the way of working and the new approach to client experience. The key outcome of this initiative is measured by the business's employee net promoter score which showed some improvement for the year. Areas where the Group performed well were around overall employee wellbeing, level of trust of line management as well as being able to meet staff expectations. The Group has set a target to improve on the employee net promoter score for 2022 at +45 a 3-point increase from 2021. The focus for 2022 will be to increase the level of engagement with staff and to implement lessons learnt from 2021.

Culture change has focused on the 5Cs of Client first, Care for colleague, Collaboration, Continuous innovation and entrepreneurship and Courage. Tracking of staff performance during the year was key to ensuring sufficient support was provided to staff in their new roles. Focus on succession planning and the retention strategy around international assignees was important to ensure maintenance of required skills to realise the strategy. To facilitate this, key learning hours were set aside for staff to foster development, with a minimum target set of 40 hours per person further ensuring they were future ready. Ongoing staff development is flagged as a need in the Group, primarily due to ongoing engagement with staff during the year. The questions of "how do I grow in the organisation" will form part of the focus for 2022. The Group is clearly communicating opportunities to staff in this area, highlighting areas to grow and develop their skills.

This has already started with the launch of the ignite women leadership programme. There were a diverse group of graduates which included one Kenya leadership council member, senior managers, middle and junior managers, team leaders and a few tellers. Of the 40 delegates who took part in the second circle of the programme 30% of these ladies have been advanced in their careers through promotions and even more grown through lateral movement.

A roadmap has been developed for all staff to facilitate job progression, in 2021. On average 63% of all vacancies were filled through internal employees, this number was as high as 95% in certain divisions. Performance targets have been set with senior management in the form of project management contracts, the board is tracking performance against these metrics. This is all being done with the focus on becoming a team of champions.

Creating the means to learning from home is also underway, with 4 different learning management systems having been implemented. These are well understood by staff, allowing online learning with a mentor, replacing traditional workshop sessions, with self-learning activities also taking place. Stanbic has partnered with various universities to offer a subsidised degree courses to staff, a partnership with toastmasters further supports staff with presentation skills.

A training programme called trail blazers was launched specifically for the sales force, this training provided much needed skills around trade, credit risk as well as ecosystem banking.

The different learning modules were tagged as either being mandatory or additional, with the additional focused training aimed at closing gaps observed in individual skills sets.

69 new staff joined the organisation, this included the onboarding of technology focused hires, with the objective of supporting the Group in the areas of behaviour science and data science. The Group has partnered with The Room, a network of thought leaders across Africa which is assisting with the identification of much needed talent for the organisation. New key appointment where also made to the Kenya Leadership Council (Executive Team) to bolster our need for new skillsets in the organisation, these appointments also ensure alignment with required regulatory guidelines

Staff Compliment	2021	2020
Total staff numbers	1,049	1,004
Total new hires	69	80
Total Turnover rate	5.95%	4.90%
Voluntary regrettable turnover	1.4%	1.6%

The result of achieving a future fit organisation and aligned cultural fit is enhanced client experience. Clients are the centre of everything we do, they test the things we do so they are a direct measure of our success. A client survey undertaken each year, validated externally, has shown significant improvement in client experience with our net promoter score increasing by 7 points to 38. Key successes reported on were levels of empathy and understanding of their needs. Interventions were further implemented to protect clients against social engineering.

Future fit approach

Ensuring the business remains fit for purpose and employees feel rewarded and recognised, the Group has focused on compliance with capital ratio allocations and the provision of competitive market related salaries to staff.

Diversity and inclusion in the workplace are important, the Group has set targets around gender parity, as well as an additional focus on the inclusion of youth aged 18 – 34 and differently abled people. Almost half of our staff compliment are women. Our hiring practices remain inclusive and fair.

Women in the Workplace	2021	2020
Staff Compliment	46%	47%
Governance Bodies	57%	50%
Board representation	55%	55%

Staff Compliment	2021	2020
Differently abled staff	1%	1%

Upskilling staff will remain a priority, especially as we continue to invest in new technology to deliver our services to the market. Focused training on the support of these technical innovations, the transition to cloud-based solutions, data science is key. For our sales force, skills transfer in cyber security risks and robotics, specifically the use of bots, is needed to further drive improvement of risks management and to drive internal operational efficiencies.

Inawezakana Unicaf Scholarship Opportunities

In the context of the first tenet of Our People Promise, 'Driven to Win', we have provided opportunities for employees to apply for this scholarship opportunity.

Employees who have registered for the Degree programs:

- • Doctoral degree programs 2.
- • Master's degree programs 23.
- • Bachelor's degree program 28.

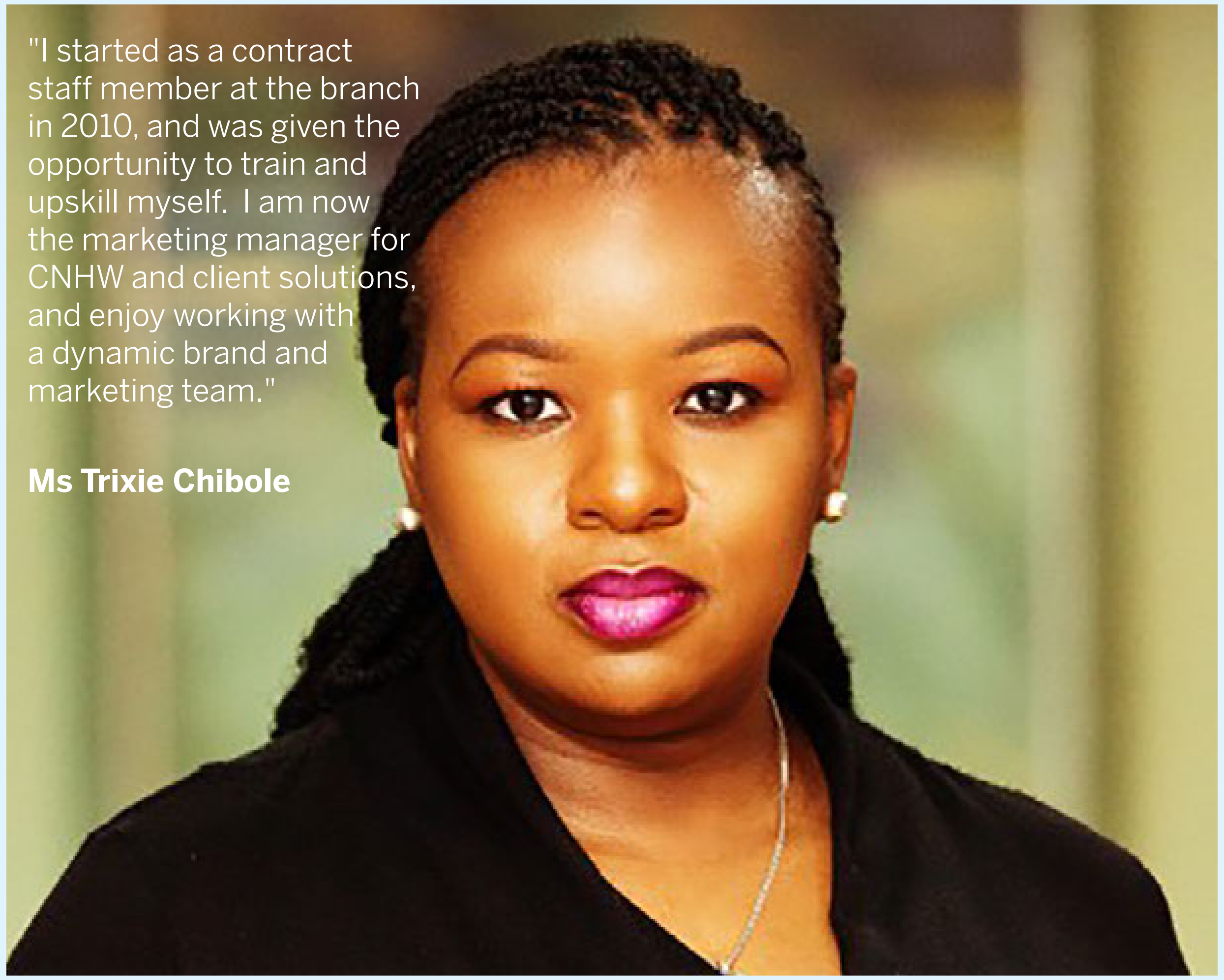
% Break-Down by Gender:

- Female 60%.
- Male 40%.

The following programs are on offer and are aligned to our Future Skills Framework, hence, provide opportunities for our people to Reinvent themselves for the fast-changing digital landscape.

Digital Skills Related Degree Programs

- MSc in Data Science.
- MSc in Big Data Technologies.
- MSc in Information Security and Digital Forensics.



The Group will continue to support all staff to be agents of change, this is extended through our new brand positioning ensuring we enable our staff to realise their dreams, be change makers, be bold, be able to support clients and by being more client focused. Outcomes being tracked around our performance include employees becoming more responsive to existing clients. Especially for our sales force ensuring they understand the Group strategy and why we are building skills to respond and be agile. This will continue to be supported by the deployment of change leaders to support staff.

Operational Efficiencies

Resource Use

Energy:

Resource use at Stanbic currently focuses on the reduction of energy, water and solid waste generation across our footprint. From an energy perspective although a 19% reduction in overall energy use was achieved these wins did not translate into cost savings due to the increase in the costs of energy in 2021.

- Cost savings target 30%.
- Reduction of energy use by 19%.

Water:

All new branches had open sensor taps installed in bathrooms to reduce water usage, this is not only a cost savings initiative, but is also being used to educate staff around the use of scarce resources.

- Target set for water savings.
- Meters being installed to track consumption.

Waste:

Waste recycling is undertaken through a dedicated service provider. This service provider employs a women's group to recycle the waste provided. It has been estimated that the overall energy expenditure associated with similar products being produced from raw material has been reduced by up to 70% through this process.

- Target 100% of garbage recycling.
- 98% of garbage was recycled in 2021.
- Remainder of our waste was sent to landfill.
- We recycle organics, plastics, metal, paper, e-waste.

The Group continues to educate staff through information sharing, to encourage them to participate in similar practices at home.

Climate Change

Sustainability is key to Stanbic, some of the activities undertaken in 2021 to enhance sustainability include:

Reduce energy usage

- Installed solar water heating in the kitchen used by our staff.
- Installed green tech in our workspaces to reduce energy consumption:
  - LED Lights which produce less heat and require less energy.
  - Air Conditioning systems were changed. New devices conserve energy do not release heat, and require less power usage.
  - Installation of sensor lighting systems in common areas. The lights only come in when a person walks into the space. This includes the boardrooms.
- Developed an energy policy for the Group:
  - Introducing smart metering system to monitor consumption of water and power for each space.
  - Once the information has been assessed deliberate interventions will be set to manage power and other utilities in a more efficient manner.

Promote Sustainability

- Engaging with vendors on employee demographics and numbers.
- Using the financial fitness academy to educate clients and communities on principles of sustainable development.
- Focus on the delivery of products to market that address key social and environmental needs, with a focus on energy usage and climate adaptation:
  - Green bond issuance.
  - Sourcing and providing funding for green projects.

Green Bond Issuance

In 2019, Acorn Project (Two) Limited Liability Partnership ("Acorn") set up a KShs 5 billion Medium Term Green Note ("MTN") Programme. The initial tranche closed in November 2019 and was listed on the Nairobi Securities Exchange (NSE) and London Stock Exchange (LSE) in January 2020.

In May 2021, Acorn sought and was granted approval by the Capital Markets Authority (CMA) to upsize the MTN programme from KShs 5billion to KShs 5.7 billion.

In July 2021, Acorn issued the second and final tranche of KShs 1.438 billion 3-year senior, secured, rated and guaranteed, fixed rate bond in the Kenyan debt capital markets.

The funds are being used to construct eco-friendly, purpose-built student accommodation for students.

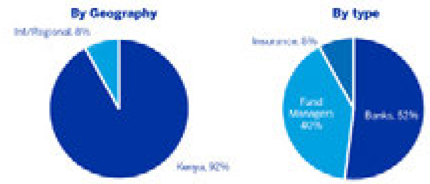
The bond maintains its green certification by the Climate Bonds Initiative as it meets the international green building standards for water, energy and construction materials, ensuring lower operation costs and a lower carbon impact.

The Acorn Green Bond is rated B1 Global by Moody's Investor Service and is listed on the Nairobi Securities Exchange and the International Securities Market of the London Stock Exchange.

Stanbic acted as the Lead Transaction Advisor and SBG Securities Limited was the Lead Placement Agent for the programme.

Features:

- Tailored to need.
- Stanbic acting as lead arranger and placing agent on the Acorn Project.



Key Outcomes for 2021

- KShs 1.4 billion 12.25% notes due in 2024.

SEE Focus Area Supported

SDG Supported

Sustainable Finance - Greenlight Planet Initiative

Stanbic alongside Citi, CDC Group and Norfund partnered to provide a USD75M equivalent KShs denominated Sustainability-linked Borrowing Base and Term Loan Facilities for Greenlight Planet Kenya, Africa's leader in off-grid solar home solutions.

In addition, Stanbic together with Standard Bank South Africa acted as Sustainability Co-ordinator and executed the FX conversion to facilitate the repayment of Greenlight Planet Kenya's hard currency parent loan, in turn aiding local currency funding.

The transaction is one of the first sustainability-linked deals in Kenya and strengthens the growing trend of syndicated sustainable finance deals in the region.

Through 3 key metrics we measure and stretch Green Light Planet's impact goals for financial inclusion, clean energy (avoidance of CO_2), and gender equality.

Features:

- Greenlight Planet is a for-profit social business that designs, distributes, and finances solar home energy with an under-served population in mind.

Transaction impact

- Expand access to off-grid solar solutions to off-grid communities throughout Kenya.
- Support Greenlight Planet Kenya's ambitions to reach an additional 10 million households globally in the next five years by enabling households to afford "pay-as-you-go" solar home systems through digital financing.
- Help to drive the decentralisation of clean energy consumption across the continent.

SEE Focus Area Supported

SDG Supported

Alignment to regulatory requirements

South Sudan

Economic activity in South Sudan is dominated by the oil and gas sector. The key players in this sector are foreign companies therefore, the South Sudanese Government is focused on promoting local content which involves fostering of the local companies through capacity building. The local companies that are awarded contracts struggle to access much needed finance. This has led them to sell their contracts on to foreigner contractors at significant discounts. Stanbic providing finance to these local companies along with capacity building, should limit this from happening. Solutions proposed to support building capacity in this sector included the roll out of training to SMEs on basic financial management, bookkeeping, general financial and computer literacy. The Stanbic Foundation intends to support in the roll out of these initiatives.

New reporting requirements

Nairobi Stock Exchange is requiring all listed entities to provide ESG disclosures annually. These disclosures need to be sufficient to demonstrate awareness of ESG issues and corporate sustainability. The objective of these disclosures is also to promote sustained capacity building to promote the integration of ESG into business strategy, and reporting of ESG performance in a consistent, transparent, and principle-based approach to meet stakeholder expectations. Stanbic commits to providing these ESG disclosures and ensuring they are aligned to the GRI Standards.

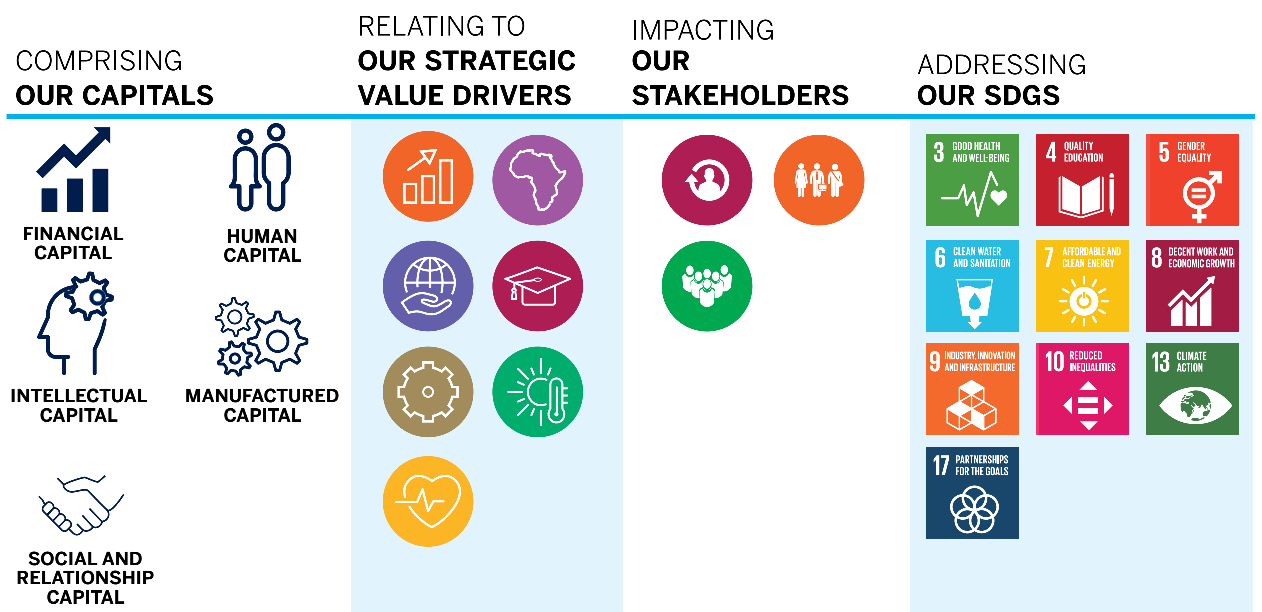
The Central Bank of Kenya has similarly requested implementation of climate-related risk management processes in the Group. These processes should allow Stanbic to:

- Embed the consideration of the financial risks from climate change in our governance arrangements.
- Incorporate the financial risks from climate change into our existing financial risk management practice.
- Develop an approach to disclosure on the financial risks from climate change.

These requirements are being communicated internally to staff to ensure we meet these requirements.

Achievement under our SEE Focus Areas

As a purpose driven organization, we look to the SEE focus areas to land our purpose, the SEE Committee assists with the alignment of the SEE focus areas to the commercial objectives of the Group. Clearly establishing these linkages supports our contribution to the SDGs.



SEE Shared Value

Our SEE management approach is guided by our purpose, our core business and the needs of our society. It requires us to take a long-term view and to assess the positive and negative impacts of our business decisions, not just for the Group, but for the communities in which we operate. SEE impact management is central to the commercial strategies of our business lines and legal entities. It shapes how we do business, how we generate our income, and the products and services we offer our clients. It also provides the opportunity to grow our business by providing innovative solutions that address societal, economic and environmental challenges in our markets. We therefore understand that shared value means that in order for us to continue as a successful and sustainable business, we must measure value beyond financial outcomes.

Our SEE Framework

Social

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

Economic

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

Environmental

Stanbic Holdings' success depends on creating value for the environment through conscious and responsible lending.

Understanding our SEE Impact

We understand that our success is intrinsically linked to the societies in which we operate. It is a crucial component of our business strategy. We play an important role in society and our SEE framework describes how we envision impact through SEE and strategically maximise our value creation impact in the region. As financial intermediaries, it is our purpose to drive sustainable growth and empower our stakeholders by acting as a catalyst for economic change. SEE helps us understand if we are achieving our purpose and building trust among our clients and other stakeholders. Managing our SEE value driver helps us to:

- Identify business opportunities and provide optimal solutions arising from societal, economic and environmental challenges .
- Weigh up commercial versus societal impacts and make appropriate decisions on this basis – delivering what matters. to our clients while enhancing the trust, reputation and sustainability of the Group.
- Provide a balanced and objective account of our impacts to our diverse stakeholders .
- Raise awareness across the Group of the SEE impacts – positive and negative – that arise from our business activities.

What success looks like

We view success as the measure of our ability to generate economic value in a way that produces value for society and contributes to the sustainability of our environment. As a result, it is our understanding of our direct and indirect impacts on the societies, economies and environments in which we operate that enables us to make more informed, responsible decisions.

Financial inclusion

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

Key focus

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

Job creation and enterprise growth

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

Key focus

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

Infrastructure

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

Key focus

Working with the government and development institutions to structure appropriate funding for crucial developmental infrastructure:

- Roads, dams, ports, waterways.
- Energy.

Trade and investment

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

Key focus

- Facilitating trade and investment, particularly in the Africa-China corridor in conjunction with ICBC .
- Facilitate trade activities and access to trade financing.

Climate change and sustainable finance

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

Key focus

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

Health

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

Key focus

- Facilitating cancer screening to aid in prevention and early intervention.
- Providing PPE for communities and staff to respond to the pandemic.
- Supplying and distributing hand washing stations to respond to the pandemic.

Education

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

Key focus

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

Financial inclusion

OUR IMPACT	WHAT WE ARE DOING
We enable more people and businesses to access affordable financial products and services, enabling them to manage day-to-day transactions, facilitate trade. For individuals we enable financial planning (saving and planning for the future), providing financial support to deal with unexpected emergencies. For entrepreneurs, we partner to achieve business growth.	• We work to ensure our financial services are accessible and inclusive. • We support SME growth. • We partner strategically to identity innovative ways to increase credit access and financial deepening. • We are committed to improving the financial services industry. • We partner to support Kenya and South Sudan's development priorities.

CHALLENGES ADDRESSED	2021 ACHIEVEMENTS
• Slow down of our Agency Banking network rollout due to COVID-19 as we reduced cash in and out transactions. • Slow down of our Agency Banking network rollout reducing our access to rural areas of the country. • Looking for new ways to validate the credit worthiness of clients especially on newly launched digital channels due to the moratorium issued by the Kenyan Government to not list clients at the credit bureau.	• 1,065 women trained in 2021. • Established Government and bilateral partnerships - MOUs signed for 5 counties. • 20% growth in new clients onboarded. • 31% growth of active clients. • 35% growth in primary clients. • 17% growth in lending. • 11% growth in deposits. • Over 29K DADAs onboarded with KShs 4.1 Billion loans issued since inception. • Digital lending for more convenient access to credit funding.

- SDG Target 8.3 – Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services.
- SDG Target 8.6 – Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- SDG Target 10.6 – Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions.
- SDG Target 10.b – Encourage official development assistance and financial flows, including foreign direct investment.

Job creation and enterprise growth

OUR IMPACT	WHAT WE ARE DOING
We work with SMEs to understand their challenges and priorities, so that we are able to provide them with appropriate financial solutions, targeted business support as well as mentoring and training to drive their growth and expansion into new markets. We also use this knowledge to develop digital solutions that meet their unique needs.	• Our financing supports job creation. • We actively try to prevent social harm through rigorous risk screening. • We support businesses that have inclusive hiring practices. • Enable more people and businesses to access affordable financial products and services, enabling them to manage day to day transactions, save and plan for the future, deal with unexpected emergencies and for entrepreneurs, to achieve business growth. • Providing tailored support to SME clients, including access to finance and skills development, access to market, and cash flow solutions. • We provide loan restructuring and relief measures for business clients hard hit by the pandemic and national lockdowns. • We understand and are strengthening client value chains by solving for challenges faced by suppliers, distributors, employees and clients. • We are partnering with fintechs to deliver improved access, convenience and affordability for our clients and ensuring they have everything they need in one place.

CHALLENGES ADDRESSED	2021 ACHIEVEMENTS
• SMEs access to market enabling them to leverage existing value propositions. • SME access to working capital finance. • SME lack of financial literacy and business planning capabilities.	• Undertaking E&S screening of clients which includes compliance to local regulations and adherence to local content on large projects. • Launched KShs 60 million, 0% interest SME revolving fund to support SMEs affected by the pandemic. • Issued KShs 33 million grant funding to SMEs countrywide. • Launched tailored products to assist SMEs to access funding and transact digitally. • 430 computers donated to MSMEs and SMEs.

- SDG Target 8.3 – Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services.
- SDG Target 9.3 – Increase the access of small enterprises to financial services, including affordable credit and their integration into value chains and markets.
- SDG Target 17.17 – Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships data, monitoring and accountability.

Infrastructure

OUR IMPACT

We work with governments, development finance institutions and other commercial banks to finance large-scale infrastructure projects, addressing Kenya's infrastructure gaps and enabling inclusive and sustainable industrialisation. We partner with our clients to ensure environmental and social risks are appropriately managed and minimised.

WHAT WE ARE DOING

- Providing enabling finance to realise the government big 4 agenda.
- Extension of credit for the development of:
  - Roads.
  - Energy.
  - Housing.
- Supporting contractors to respond to the needs created in the market through these initiatives.

CHALLENGES ADDRESSED

- Providing SMEs access to finance to enable them to participate in infrastructure projects, thus increasing local content of larger Public Private Partnership arrangements.
- Identification of infrastructure projects that are well managed and planned to facilitate the provision of funding.

2021 ACHIEVEMENTS

- Participation as founding member in the KMRC promoting access to affordable housing provision in the country.
- Provision of funding to contractors linked to the development of large road projects across Kenya.
- Partnering with the Kenyan Department of roads to launch the pioneering road annuity programme which aims to build 5,000 km of new roads. The first transaction was closed in 2021.
- Extended funding in the renewable energy space, this includes manufacturing companies to reduce the overall cost of power supply and enhance reliability of supply.

- SDG Target 7.1 – Access to affordable, reliable, sustainable and modern energy for all.
- SDG Target 9.a – Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support.
- SDG Target 9.3 – Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Trade and investment

OUR IMPACT

We facilitate trade and investment flows between Kenya and key global markets including China, through the provision of innovative trade finance solutions and cross-border payments and investment solutions.

WHAT WE ARE DOING

- We are drivers of local and international trade
- Facilitate trade in Kenya.
- Facilitate regional Inter-Africa trade.
- Support the Kenya China Trade Corridor through creation of a platform to connect and facilitate partnerships.
- Accessing global markets through organising match making events or trade exports.

CHALLENGES ADDRESSED

- Clients lack of understanding around implementation of business processes to accommodate international trade.
- Clients access to funding to bridge the working capital requirements prior to committing to international trade agreements.
- Clients need to access performance guarantees.

2021 ACHIEVEMENTS

- Extending finance to distributors in the market through supply chain financing, KShs 19 billion loans issued.
- Making use of new methods to determining credit worthiness such as sales volumes and cash flow management, to facilitate extension of credit to these small distributors, allowing them to grow and expand their footprints.
- Providing much needed access to the China market to agricultural producers. Facilitated through holding virtual events, enabling clients to source contracts.
- Extending trade credit insurance to clients to reduce their liabilities and enabling increased access to finance.
- LCs and Guarantees extended to clients to the turn of KShs 78.7 billion.

- SDG Target 8a – Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

Climate change and sustainable finance

OUR IMPACT	WHAT WE ARE DOING
We issued sustainability-linked loans, structured to incentivise borrowers to improve their sustainability or transformation profiles. We are working to better understand and manage our exposure to climate risk and assisting our clients to do the same. We are committed to working with African governments and businesses to reduce their vulnerability and build resilience to the impacts of climate change, and to facilitate the development of renewable sources of energy and energy efficiency across the continent.	• We act responsibly to conserve natural resources and minimise our carbon footprint. • We expand green financing, investing in sustainable growth and development priorities. • We take active steps to ensure we understand the ultimate impact of our financing. • Actively prevent environmental harm through rigorous screening. • Doing business that is cost-efficient and easy for our clients. • We aim to secure the lifetime loyalty of our clients by providing exceptional service. • We ensure our client data is safe and secure.
CHALLENGES ADDRESSED	**2021 ACHIEVEMENTS**
• Ability to address climate risks within our portfolio requires the onboarding of a new and diverse skill set. • Updates are required to our risk management systems to properly categorise these risks.	• Lead arranger for KShs 1.4 billion Acorn green bond of which proceeds will be used to construct eco-friendly student accommodation. • Together with other partners, facilitated USD 75 million sustainable finance facility to support Green Light Planet's objective of expanding access to off-grid solar solutions to 10 million households in the next 5 years. • Total area covered with LED lights is 71% of the our leased and owned premises. • Over 85% of the our air conditioners are running on green gas. • Installation of sensor taps on in our office buildings. • In the process of acquiring green certification of our office buildings. • Currently holding KShs 943 million in green assets. • Group is holding KShs 80 billion in government bonds. • Group has currently invested over KShs 40 billion to support the Kenyan Government's Big4Agenda. • 100% of CIB clients were screened using ESG criteria. • Bi-annual review of the Stanbic E&S framework and ESG policy.

- SDG Target 7.1 – Ensuring access to affordable, reliable, sustainable and modern energy.
- SDG Target 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- SDG Target 13.3 – Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Education

OUR IMPACT	WHAT WE ARE DOING
We support access to inclusive, quality education; promote lifelong learning opportunities; and enable Kenya to harness the opportunities associated with the Fourth Industrial Revolution.	• We are committed to financial deepening. • We empower our clients with financial fitness and literacy programmes. • We support access to inclusive, quality education, promote lifelong learning opportunities and enable Kenya to harness the opportunities associated with the Fourth Industrial Revolution.
CHALLENGES ADDRESSED	**2021 ACHIEVEMENTS**
• Continuing to provide training during the pandemic, in line with COVID-19 protocols.	• 1,300 individuals trained through the Financial Fitness Academy in 2021. • Over KShs 3 million spent on education to support needy children. • Over 50,000 SMEs and individuals trained on digital skills.

- SDG Target 4.4 – By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
- SDG Target 4.b – By 2020, substantially expand globally the number of scholarships available.

Health

OUR IMPACT	WHAT WE ARE DOING
We contribute to better health outcomes by financing healthcare providers, infrastructure and equipment; providing business development support to healthcare practitioners; and investing in the health, safety and wellbeing of our people and communities.	• We finance health providers, infrastructure and equipment. • We provide business development support to healthcare practitioners. • We invest in the health, safety and wellbeing of our people and communities.
CHALLENGES ADDRESSED	**2021 ACHIEVEMENTS**
• Being able to provide ongoing support in light of the COVID-19 restrictions on group gatherings.	• Partnership established with Kenya HealthCare Federation. • Masks issued: 156,000. • Gloves issued: 5,000. • Overalls issued: 500. • 10,012 cancer screenings undertaken. • 845 SMEs trained in the health sector.

- SDG Target 3.8 – Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines.
- SDG Target 3.c – Substantially increase health financing and the recruitment, development, training and retention of the health workforce.
- SDG Target 6.1 – By 2030, achieve universal and equitable access to safe and affordable drinking water.

Stanbic Foundation

The Foundation continues to explore new ways to partner on sustainability initiatives, with opportunities identified across food chains and retail outlets to support small holder farmers. Further partnerships with hospitals are envisaged, as well as NGOs in this space, to facilitate training to build on COVID-19 resilience. Continued support will be provided in training SMEs, with focused interventions providing COVID-19 support and adoption of digital skills.

Quarterly board meetings by the Foundation assist with the active tracking of activities, allowing direct engagement with government and the regulator.

The Foundation actively engaged with both the National and County level government during the year, as well as local and international organisations. Memorandum of Understandings (MOUs) were signed with these entities aligned to the Foundation objectives for the year. Areas of collaboration include; SMEs, Enterprise development, Education and Health.

Foundation Outcomes 2021

Financial inclusion

DADA Team collaboration

The Foundation worked with DADA team to engage with the Kenya Prisons Service. The team interacted with both the officers and prisoners at the facilities. Donations were provided to officers, and they were assisted with opening accounts. Prisoners received financial literacy training. This was rolled out as a specific request from female prisoners.

A dedicated programme targeting youth and women, focused on the provision of digital training on ICT. Working with the DADA team enabled the participants to open new DADA accounts.

Open air market traders selling fresh produce were trained on financial fitness in December 2021. Many of these traders took up the opportunity to become registered on the Unayo platform. The Foundation worked closely with the innovation team on this programme, with this initiative being extended in 2022 with a focus on co-operatives.

Job creation and Growth

The deployment of SME grant funding across various counties facilitated the growth of these enterprises, enabling them to move from being SMEs to larger commercial entities. The first cycle of KShs 33 million in grant funding was issued in November 2021.

During the year Boda Boda riders were also assisted through partnership with government in accessing grant funding. During these engagements to assist them in managing their financial risks, additional capacity building and assessment of their levels of financial access was provided. To further assist them in mitigating their physical risks on the job, they were provided with reflective jackets.

Health

Cancer screening was undertaken during the year. This is the 3rd year we are partnering with NGOs to extend this service to community members. 10,012 people were screened during 2021.

Vaccinations were extended to community members through a Stanbic initiative. Stanbic promoted this programme during the vaccination of their staff. Stanbic promised that for every employee who was vaccinated the organisation would make 3 additional doses available to the public. This initiative was rolled out prior to vaccines becoming free to Kenyan's.

Education

Various initiatives were rolled out under the education pillar through the foundation. These included donations of educational equipment and direct training provision.

Equipment was donated in the form of computers. These computers were provided to an orphanage, to enable learning. These donated computers further build digital skills, assisting these children to become ready for an increasingly digital world.

Training was provided through the financial fitness academy (FFA). This training was undertaken using FAA certified trainers, these sessions traditionally focused on the upskilling of clients, was extended in 2021 to market traders and staff. Training focused on how to make money, save, invest, and create a legacy.

CSI Initiatives

A review of our corporate social investments has also fed into the design of the foundation strategy, making it more impactful. The establishment of the foundation has consolidated and accelerated the Group's corporate social investment initiatives. Ultimately, Stanbic aims to generate economic value in a way that delivers value for Kenya and South Sudan. This is in line with our purpose of driving Kenya and South Sudan's growth.

The Group's corporate social investment strategy is anchored on three areas namely education, community health and well-being, and entrepreneurship and enterprise development.

Nakuru City Marathon

Unlocking the spirit of Kenya through the sponsorship of the Nakuru marathon has positioned the brand as fostering economic growth and development in our communities.

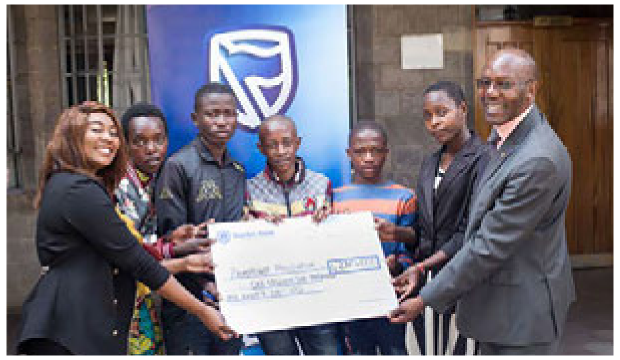
The Stanbic Nakuru City Marathon, hosted by the Nakuru municipality, attracted more than 2 900 runners participating from all over the country and region including Uganda. The event also attracted large enterprises and Small and Medium Enterprises from the municipality to exhibit their products and services. This is in line with the administration's manifesto to organize trade and investment exhibitions to help mobilize investment resources and promote business in the county.

This is set to be an annual event which we believe will create opportunities for youth, allowing them to test and build their athletic abilities and be part of a thriving sports and culture industry. Stanbic's sponsorship of KShs 10 million is testament to our commitment to supporting the youth.

Empowering the youth is the key to the future prosperity of a nation. We acknowledge the challenges they face, ranging from lack of employment, education, training and access to financial resources. In partnership with County governments as well as other institutional partners, we are working towards closing these gaps.

Through the Stanbic Kenya Foundation we run the Accelerate Program focused on supporting SMEs and MSMEs to sharpen their digital skills. We offer digital skills training to entrepreneurs to be future ready, as well as salaried individuals, to enhance employability. We have an inhouse Financial Fitness Academy program that was rolled out to the top finalists of the marathon to support them in better understanding the concept of wealth and how to manage it.

Our partnership with the county government of Nakuru helps cement our commitment to continue supporting the youth by empowering them and giving them the opportunity to achieve their dreams through athletics.



Palm House

Over the past 11 years, Stanbic has partnered with the Palmhouse Foundation to sponsor young bright needy students through their four years of secondary school education. Currently, 24 students have been enrolled in various secondary schools across the country with 40 having successfully completed their secondary education since the inception of the program. Throughout the year, Stanbic employees are constantly involved in the mentoring of these students during the school holidays and are involved in the selection process. The annual scholarships are so far valued at KShs 1.28 million for the four students for four years of secondary education.

SOS Children's Village

Stanbic continued to partner with the SOS Children's village in Buru Buru Nairobi through sponsorship of two houses. The sponsorship caters for the education and upkeep of 20 children of different ages throughout the year to the value of KShs 1.8 million.

SOS Children's villages is the largest child welfare organization in Kenya that takes care of orphaned and abandoned children. They are driven by the vision of providing 'a loving home to every child'.

Donation of PPE

As part of Stanbic's COVID-19 response, we partnered with the Kenya Health Federation (KHF) through various intervention areas to supplement the government's efforts in fighting against the COVID-19 pandemic.

KHF aims to tap into its experience in working with the private health sector to support health providers effectively collaborate with the government in the management of COVID-19. Some of the interventions include:

- Enhancing access to personal protective supplies with a focus on both surgical and N95 masks (156 000 masks donated).
- Equipping health workers (5 100 gloves and 550 overalls donated).
- Assessing the capacity of Private Sector Health Facilities to handle the pandemic
- Assessing supply chain requirements to meet the needs of the health system.

The private sector plays a key role in the growth and development of the country, and Stanbic recognizes the need to be part of the solution. Equipped with the capacity to support the social pillars of the country by providing resources, capital and knowledge, Stanbic stepped in to finance this COVID-19 response.

As the country continues to fight the virus, the donations will go a long way in strengthening the public health system in the long run.

South Sudan Sanitary Towels donation

Stanbic South Sudan through the Stanbic Foundation partnered with the NGO Forum and its member organization, Stromme Foundation, to donate over 2,200 sanitary towels to young girls sitting their final school certificate exams.

Stanbic has been at the forefront of championing gender equality through the He for She Campaign. The campaign is founded on the belief that achieving gender equity is a moral duty and a business imperative. We believe that girls have a bright future and corporates must embrace their responsibility to promote their development.

The 2016 UN Report estimated that 1 in 10 girls in Sub-Saharan Africa misses' school during their menstrual cycle due to an inability to access affordable sanitary products.

Access to quality and affordable sanitary products is a challenge for many girls in South Sudan and many developing countries.

Stanbic is committed to scaling this initiative in the future in order to empower young girls by supporting them to manage their menstrual hygiene with dignity and confidence.

Tunza Clinic Cancer Screening

Stanbic partnered with the Population Services Kenya (PSK) to help create awareness about early detection of breast cancer in order to support in reducing the number of deaths. The initiative was rolled out across various Tunza Health Clinics in the country, reaching over 10,000 women from low-income areas in Nairobi, Mombasa, Nakuru, Kericho, Meru, Laikipia and Kiambu where residents do not have access to affordable healthcare and also where they tend to stay away from hospitals due to the high cost of healthcare in the country.

It is noted that early detection of cancer presents a higher chance of survival, therefore the initiative also sought to educate and empower women to carry out regular self-breast examinations.

Breast cancer in Kenya accounts for 12.5% of all new cancer cases (GLOBOCAN, 2018). Stanbic remains committed to supporting this pillar in the healthcare system.

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SAFEGUARDING VALUE

Risk Management Statement

Risk management remains a critical component in execution of our strategy in a dynamic environment that is impacted by local as well as global economic, technological and regulatory changes. This necessitates a continuous process for identifying, analysing and mitigating against existing as well as emerging risks that are relevant to our business.

Risk Management Overview

2021 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 ensured that we operated well within regulatory thresholds. The impact of our initiatives in the implementation of the risk management framework within the year was:

1. Informing the Group's adjustments to risk appetite and risk acceptance criteria in order to maintain acceptable returns on equity targets;
2. Continuous innovation and investments in managing people risks, business disruption and other risks arising from the COVID-19 pandemic.
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 client 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 anticipate the following to be the key areas of focus in 2022

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

Introduction

Our 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 and South Sudan 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 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. 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 Engineering and Innovation Committee (BEIC).
2. **Management committees** - Risk and Conduct Committee (RCC) and Credit Risk Management Committee (CRMC).

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

The three Board sub-committees responsible for risk are the BRC, BEIC and BCC which report to the Board of Directors through their committee chairpersons. 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, BEIC or BCC to assist the Board subcommittees fulfilling their mandates.

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

Risk appetite and stress testing committee: The primary governance committee overseeing risk appetite and stress testing is the stress testing and risk appetite committee chaired by Head of Risk and is a subcommittee of the Kenya Leadership council (KLC). 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.

First line of defence

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

Second line of defence

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

Third line of defence

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

Approach to risk appetite and stress testing

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

I Risk appetite

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

II Risk tolerance

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

III Risk capacity

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

Risk profile

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

Risk appetite setting and management framework

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

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

b. Responsibilities for monitoring risk profile.

c. The escalation and resolution process where breaches occur.

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

Risk Appetite Statement (RAS) and dimensions

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

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

- **Capital position:** We aim to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. Capital levels are managed to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.
- **Liquidity and funding management:** Our approach to liquidity risk management is governed by prudence and is in accordance with the applicable laws, regulations and takes into account the competitive environment in which the Group operates. Stanbic 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 willful conduct failures, inappropriate market conduct or knowingly causing a breach of regulatory requirements. We strive to meet clients' expectations for efficient and fair engagements by doing the right business the right way, thereby upholding the trust of our stakeholders

Stress testing

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

Classification of risk

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

Strategy risk

- Strategy position risk
- Execution risk
- Reputational risks

Financial risk

- Credit risk
- Market risk
- Funding and liquidity risk
- Equity and country risk

Non-financial risk

- Business disruption risk
- Conduct risk
- Regulatory compliance risk
- Cyber risk
- Environmental, social and governance risks
- Financial accounting and tax risks

Non-financial risk (continued)

- Information and technology risks
- Financial crime risks
- Legal risks
- Model risks
- People risks
- Physical assets, safety and security risks
- Third party risks
- Transaction processing risks

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 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:

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

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

Focus areas in 2021

Stanbic is focused on proactively managing credit and operational losses through automation of various manual processes.

Non-financial risks

The Group's Non-Financial Risk (NFR) Governance Framework is derived from and supports the Enterprise Risk Management Framework. The NFR governance framework leverages the Basel 'Principles for the Sound Management of Operational Risk' and applicable corporate governance codes to manage operational risk. Operational risk, which is one of the non-financial risk sub-types, is the risk of loss arising from the inadequacy of, or failure in, internal processes, people and/or systems or from external events. These categorisations are further defined below;

- Process risk; the risk of loss suffered as a result of failed or inadequate processes. This includes the design and operation of the control framework.
- People risk; the risk of loss arising from issues related to the personnel within the Group.
- Systems risk; the risk of loss suffered as a result of failed or inadequate systems, security breaches, inadequate systems investment, development, implementation, support and capacity.
- External event risk; the risk of loss suffered as a result of external events. This is generally limited to events that impact the operating capability of the Group (i.e. it does not include events that impact the areas of market risk, credit risk, or country risk etc.). It also includes risks arising from suppliers, outsourcing, and external system failures.

Non-financial risk subtypes

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

- Information risk
- Legal risk
- Financial crime risk
- Regulatory compliance risk
- Conduct risk
- Accounting and financial risk
- Operational risk
- Model risk
- Information technology risk
- Cyber risk
- Tax risk
- Third party risk
- Business disruption risk
- People risk
- Physical Assets, Safety and Security risk
- Environmental, Social and Governance risk
- Transaction processing risk

Non-Financial Risk Management Framework

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

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

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

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

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

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

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

Governance and controls

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

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

Risk tolerance

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

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

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

Due to the nature of NFRs, the setting of appetite is ultimately based on the judgment and experience of senior management. NFR tolerance is expressed in terms of the following types of measures:

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

Specialist Non-Financial Risk Types

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

Third Party Risk

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

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

Business Disruption Risk (BR)

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

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

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

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

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

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

Legal Risk

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

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

Information, technology and cyber risks

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

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

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

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

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

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

Environmental and Social risk

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

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

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

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

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

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.

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

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

Identification of market risks in the trading and banking books

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

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

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.

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

Measurement of market

Risk 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.). The Group uses a variety of metrics and models to measure and control market risk exposures.

These measurements are selected based on an assessment of the nature of risks in a particular activity. The principal measurement techniques are Present Value at one basis point change (PV01), Value at Risk (VaR), stress testing, sensitivity analysis, simulation modelling, and gap analysis. Models are independently validated prior to implementation and are subject to formal periodic review.

General measurement definitions:

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

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

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

Market risk management

The Group manages market risk through a specification of risk appetite in form of market risk limits. It uses a suite of risk measurement methodologies and tools to establish limits, including Value at Risk (VaR), Expected Tail Loss (ETL), Securities revaluation models (Present Value One Basis Point - PV01), stress testing, scenario analysis, stop loss triggers, back-testing, model validation, price verification, business units sign off of positions and P&L's on a regular intervals and other basic risk management measures.

Market risk exposure on trading activities

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

Calculation of market risk capital for trading

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

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. 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 governance framework adopted for the management of structural interest rate risk mirrors that of liquidity risk management in terms of committee structures and the setting of standards, policies and limits. This is also true for the monitoring process and internal controls. 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.

Derivative instruments and structured transactions

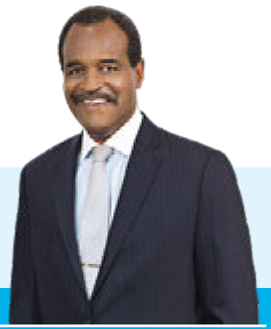
- **Derivatives:** The Group uses derivatives to meet client needs, generate revenues from trading activities, manage market and credit risks arising from its lending, funding and investment activities, and to lower its cost of capital. The Group uses several types of derivative products, including interest rate swaps and options, to hedge interest rate risk exposure. Forward contracts, swaps and options are used to manage foreign currency risk exposures. Market risk arising from derivatives transactions is subject to the control, reporting and analytical techniques noted above in the Trading activities section. Additional controls and analytical techniques are applied to address certain market related risks that are unique to derivative products.
- **Structured Transactions:** Structured transactions are specialised transactions that may involve combinations of cash, other financial assets and derivatives designed to meet the specific risk management or financial requirements of clients. These transactions are carefully evaluated by the Group to identify and address the credit, market, legal, tax, reputational and other risks, through a new product process (NPC process). These transactions are also subject to a cross-functional review and sign-off by expertise from the Group and Standard Bank Group.

Reporting on market risk

Market Risk has reporting procedures that highlight for attention within Market Risk or by management of 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, Internal Capital Adequacy Assessment stakeholders, Shareholders (Annual financial statements); Rating agencies; Central Bank of Kenya and other regulators.

103 OUR GOVERNANCE

Board of directors



1 Kitili Mbathi, 63
Chairman

Mr Kitili Mbathi is 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, East Africa for the Standard Bank Group 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 is 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. He holds a Bachelor of Arts Degree (Economics and Political Science) from the University of Michigan, Ann Arbor, Michigan, USA, and a Master of Banking and Finance for Development from Instituto FinAfrica in Milan, Italy.

APPOINTED
2008

2 Mr Patrick M. Mweheire, 51
Chief Executive

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 his appointment as 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, 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 (Uganda).He holds a Bachelor of Science Degree from Daemen College and a Master of Business Administration from Harvard University Graduate School of Business Administration.

APPOINTED
2020

3 Rose W Kimotho, 66
Non-Executive Director

Ms Rose W Kimotho was appointed as a Non-Executive Director of Stanbic Holdings Plc on 31 May 2008. Ms Kimotho is the Managing Director of Three Stones Limited, a company that operates a digital television channel. Prior to launching Three Stones, Ms Kimotho was the founder and Managing Director of Regional Reach Limited, which company launched the first local language FM station in Kenya as well as Kenya's first 24-hour news and information television channel. Until she ventured into entrepreneurship in 1994, Ms. Kimotho was General Manager and member of the Board of Directors of McCann-Erickson (K) Ltd. She is the former chairman of The Marketing Society of Kenya and The Media Owners Association, as well as the former Chief Trade Judge at the Nairobi International Show. Until her retirement in 2021, she also served on the boards of Stanbic Bank Kenya Limited and Stanbic Bancassurance Intermediary Limited. She is a member of the Board of Population Services International and is a Trustee of Rhino Ark. Ms Kimotho holds a diploma in journalism from University of Nairobi, a Management Diploma in Journalism from Columbia University Graduate School and a Marketing Certificate from the Marketing Society of Kenya.

APPOINTED
2008

4 Ruth T Ngobi, 61
Non-Executive Director

Ms Ruth T Ngobi has been a Non-Executive Director of the Board of Stanbic Holdings Plc since 8 March 2011. She is a lawyer of over thirty years standing, having been admitted as an advocate of the High Court of Kenya in 1985. She holds a Bachelor of Laws Degree from University of Kent in Canterbury and a Master of Laws Degree from University of Cambridge, both in the United Kingdom. Ms Ngobi worked with Unilever Kenya Limited for 15 years as Legal Counsel and Company Secretary, before joining British American Tobacco Kenya Limited in 2002 as Area Legal Counsel until 2010 when she founded Cosec Solutions Limited, a company that provides company secretarial services and corporate governance solutions. Ms Ngobi is also a Non-Executive Director on the boards of Stanbic Bank Kenya Limited and SBG Securities Limited.

APPOINTED
2011

5 Peter Nderitu Gethi, 56
Non-Executive Director

Mr Peter Gethi was appointed to the Board of Stanbic Holdings Plc on 11 February 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. He holds a Bachelor of Science degree in Agricultural Economics from the University of London. 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.

APPOINTED
2013

6 Rose Bosibori Osoro, 50
Non-Executive Director

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 had a long career in public service and has worked as a Commissioner with the Commission on Revenue Allocation. CPA Osoro has served in various boards in the public sector and academia, including as the Vice Chairperson for the Kenya Institute of Management Council. She is a member of the Institute of Certified Public Accountants of Kenya, Association of Women Accountants of Kenya and Kenya Institute of Management. She also serves as a Non-Executive Director of Stanbic Bank Kenya Limited and Stanbic Bancassurance Intermediary Limited.

APPOINTED
2017

Board of directors





7 **Dorcas Florence Kombo,** 69

Non-Executive Director

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 is a Fellow, Chartered Association of Certified Accountants, an Associate of the Institute of Certified Public Accountants of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya. She currently also serves on the boards of Stanbic Bank Kenya Limited, Hospital Holdings Investment B.V. the AAR hospital, Nairobi and Telkom Kenya Limited, as a Non-Executive Director and previously served in a similar capacity on the board of Kenya Electricity Generating Company Limited (KENGEN). 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.

APPOINTED

2018

8 **Samuel Nderitu Gikandi,** 39

Non-Executive Director

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, a technology startup providing communication and payment services across Africa. 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. 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.

APPOINTED

2020

9 **Wambui Kihuha Mbesa,** 54

Non-Executive Director

Wambui Kihuha Mbesa was appointed as a Non-Executive Director on the Board of Stanbic Holdings Plc on 8th September 2021. Ms Mbesa is the current Chief Executive Officer of Netcompany-Intrasoft East Africa Limited 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. Ms Mbesa 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. She also serves as a Director of Stanbic Bank Kenya Limited and Konnector Limited.

APPOINTED

2021

10 **Joseph L. O. Muganda,** 56

Non-Executive Director

Joseph Loyld 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. 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.

APPOINTED

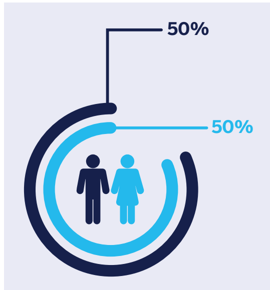
2021

11 **Janet Kabiru**

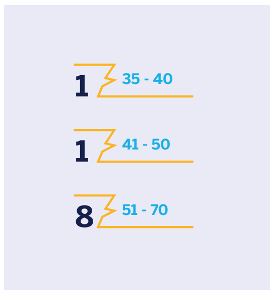
Acting Company Secretary

Ms Janet Kabiru holds a Bachelor of Laws (LL.B) degree from the University of Reading, UK, a Master's degree in Law (BCL) from University of Oxford, UK and a Post Graduate Diploma in Law from Kenya School of Law. She is an Advocate of the High Court of Kenya, a Certified Public Secretary registered with the Institute of Certified Public Secretaries of Kenya and an ICS accredited Governance Auditor. She has over 25 years' experience in corporate law, tax and corporate governance and held senior roles at Kaplan & Stratton Advocates, PricewaterhouseCoopers and British American Tobacco. She is currently the Head of Legal & Governance at Stanbic Bank Kenya having joined the Stanbic Group in 2019.

Gender



Age



Directorate

Committee

Board Audit Committee

Board Nominations Committee

* Chairperson of the committee

Stanbic Bank Kenya Leadership Council


1. Charles Mudiwa


2. Diana Oyosi-Ehete


3. Catherine Muraga


10. Dennis Musau


11. Neema Onsongo


12. Lilian Onyach


4. Anne Mureithi


5. Stanley Kathurima


6. Alakh Kohli


13. Maryanne Michuki


14. Edwin Mucai


15. Anjali Harkoo


7. Janet Kabiru


8. Thoko Unyolo


9. Florence Wanja

1 **Charles Mudiwa**
Chief Executive, Stanbic Bank

2 **Diana Oyosi-Ehete**
Head, Business Transformation

3 **Catherine Muraga**
Head, Engineering

4 **Anne Mureithi**
Ag. Head of Compliance

5 **Stanley Kathurima**
Head, Internal Audit

6 **Alakh Kohli**
Head of Corporate and Investment banking

7 **Janet Kabiru**
Head, Legal and Governance & Acting Company Secretary

8 **Thoko Unyolo**
Head, Marketing and Communications

9 **Florence Wanja**
Head of Business and Commercial Clients

10 **Dennis Musau**
Chief Financial and Value Officer

11 **Neema Onsongo**
Head, People and Culture

12 **Lilian Onyach**
Head, Consumer and High Networth Clients

13 **Maryanne Michuki**
Head, Innovation

14 **Edwin Mucai**
Chief Risk Officer

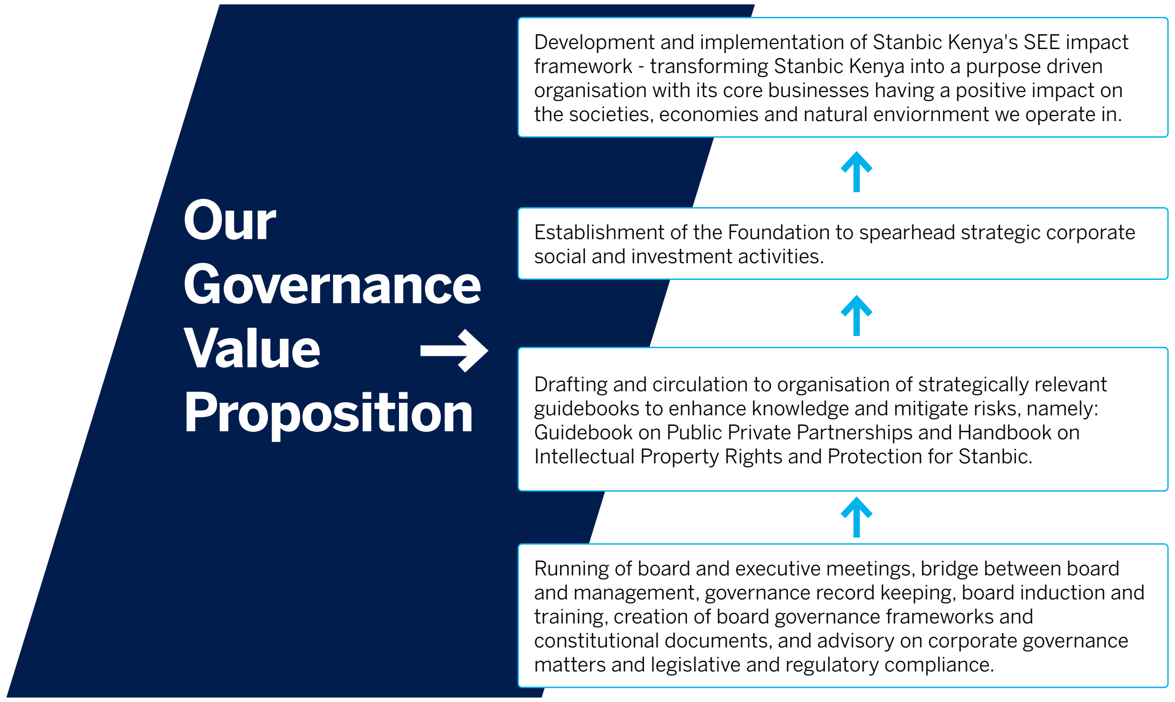
15 **Anjali Harkoo**
Head, Client Solutions

Standard Bank Group Limited: An Overview

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

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

Our Governance Value Proposition



Stanbic Holdings Plc: An Overview

Stanbic Holdings Plc (the Company) is a non-operating holding company which is listed on the Nairobi Securities Exchange. The Company and its subsidiaries (together referred as "the Group") are committed to complying with legislation, regulations and codes of best practice as pertains 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. There were no known insider dealings in the year under review.

Shareholders' Responsibilities

The shareholders' role is to appoint the Company's Board of Directors and the external auditor. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance. The Capital Markets Authority (CMA) Corporate Governance Assessment Report for Stanbic Holdings Plc for the year ended 31st December 2021 found that the Company has continued to demonstrate commitment to good corporate governance and was thus awarded a leadership rating for the second year running. The Company underwent a governance audit for the year 2021 and a legal & compliance audit for the period to 2019, both performed by TripleOkLaw Advocates LLP. The Governance Auditor's opinion is that the Board has put in place effective, appropriate and adequate governance structures which are in compliance with the legal and regulatory framework within which the Company operates and in line with good governance practices, for the interest of stakeholders as evaluated against the agreed and defined criteria, as at the year ended 31st December 2021. The Auditor's opinion for the legal & compliance audit indicated that the Board has put in place effective, appropriate and adequate governance structures in the organisation for legal compliance which are in compliance with the legal and regulatory framework, in relation to corporate governance and in line with good governance practices, for the interest of stakeholders as evaluated against the agreed and defined criteria, for the two-year period ending 31st December 2019.

Board of Directors

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

The Board is responsible for the overall corporate governance of the Company, ensuring that appropriate controls, systems and practices are in place.

Skills and Experience 2021

No	Competencies	Kitili Mbathi	Patrick Mweheire	Ruth Ngobi	Rose Kimotho	Peter Gethi	Rose Osoro	Dorcas Kombo	Wambui Mbesa	Samuel Gikandi	Joe Muganda
1	Financial Services/Insurance/Asset Management	Primary	Primary			Secondary					
2	Client/Marketing	Primary	Primary		Primary				Secondary		Primary
3	Sub-Saharan Africa Experience	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
4	People/Organisational Development	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Secondary	Primary	Primary
5	Capital/Risk Management	Primary	Primary								
6	Accounting/Auditing	Primary	Secondary				Primary	Primary			Primary
7	IT/IT Governance	Secondary	Secondary					Primary	Primary	Primary	
8	Governance Leadership	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
9	Large Corporate/Industrial	Primary	Primary			Primary	Primary	Primary	Primary	Primary	Primary
10	Regulation/Public Policy	Primary	Primary				Primary	Secondary	Primary		Primary
11	Legal	Secondary	Secondary	Primary							
12	Remuneration	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Secondary	Primary	Primary
13	Global Capital Markets	Secondary	Secondary								
14	Digital & New Economy					Secondary			Primary	Primary	
15	Directors Age	63	51	61	66	56	50	68	54	39	56
16	Directors Tenure	15	2	11	12	9	4	4	1	2	1

Primary Skill
Secondary Skill

Board Composition and Evaluation

The Board comprised nine directors as at 31st December 2021, consisting of eight Non-Executive Directors and one Executive Director.

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

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

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

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

Strategy

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

Directors' Appointment

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

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

Two additional Directors, Ms Wambui Mbesa and Mr Joe Muganda, were appointed by the Board on 8th September 2021 and 12th October 2021 respectively, as Independent Non-Executive Directors.

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.

Directors are advised of new laws and regulations and changing risks to the Group on an ongoing basis.

The Board of Stanbic Holdings Plc continuously enhances its knowledge to hone its effectiveness in overseeing the Company. In 2021, the Board trainings met the 12-hour minimum training requirement by the CMA as follows:

- Board Training on Assets and Liability Management – 11th March 2021;
- Board Training on Anti-Money Laundering – 6th April 2021
- Board Training on Corporate Governance – 3rd June 2021
- Board Training on Data Privacy – 17th June 2021; and
- Board Training on Intellectual Property – 9th September 2021.

Board Evaluation

The Chairman is responsible for ensuring that the Group has an effective Board. Supported by the Company Secretary, he ensures that the Board's effectiveness is reviewed annually, through a detailed assessment of the effectiveness of the Board collectively, and assessment of the contribution of each member, through peer evaluations. The results of the assessments are then discussed by the Board.

The Chairman provides further constructive feedback separately to each Director on a one on one basis, derived from the results of the peer evaluations, regarding their contribution to the Board.

A Board evaluation for the year 2021 was conducted in-house through the Office of the Company Secretary and consisted of an evaluation of the Board and its committees, an evaluation of the performance of the individual Directors by their peers, as well as an evaluation of the Chairman of the Board, the Chief Executive and the Company Secretary. The results of the evaluation were presented to and discussed by the Board during the Board Evaluation Session held on 3rd March 2022. Recommended initiatives to improve the Board's effectiveness are tracked at every Board meeting during the year through a Board Evaluation Action Tracker

Going concern

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

Remuneration

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

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

Social Responsibility

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

In line with this, the Company's banking subsidiary has an established foundation, Stanbic Kenya Foundation Limited, which is 100% owned by Stanbic Bank Kenya Limited (the Bank). The sole purpose of the subsidiary is to be a foundation for the Bank, for implementation of corporate social investment programmes. The Company's banking subsidiary has a fully operational Social Economic and Environment (SEE) Committee with an approved mandate to actualise the organisation's SEE core strategic value proposition and its goal to be a purpose driven organisation that ensures responsible business practices.

Shareholder Relations

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

Board meetings

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

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

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

	Stanbic Holdings PLC Board Attendance For 2021			
Director's Name	Q1, 4th March 2021	Q2, 13th May 2021	Q3, 12th August 2021	Q4, 25th November 2021
Kitili Mbathi	P	P	P	P
Patrick Mweheire	P	P	P	P
Rose Kimotho	P	P	N/A	N/A
Ruth T. Ngobi	P	P	P	P
Peter Gethi	P	P	P	P
Rose Osoro	P	P	P	P
Dorcas Kombo	P	P	P	P
Samuel N. Gikandi	P	P	P	P
Wambui K. Mbesa	N/A	N/A	N/A	P
Joe Muganda	N/A	N/A	N/A	P

P - Present

AP - Absent with apology

N/A - Was not a member

Our Board Committees

Report of the Board Audit Committee (BAC)

During the year ended 31 December 2021, 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 2021, in accordance with all applicable legal requirements;
- Approved the External Auditors' terms of engagement, the audit plan and audit fees;
- Reviewed the audit process and evaluated the effectiveness of the audit
- Obtained assurance from the External Auditors that their independence was not impaired;
- Confirmed that no significant irregularities were identified and reported by the external auditors;
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
- Over the course of the year, met with the Company's External Auditors in two formal exclusive meetings.

b) In respect of the financial statements:

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

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

- Reviewed and approved the annual Internal Audit 2021 Audit Plan and evaluated the independence and effectiveness of the Internal Audit department;
- Considered Internal Audit reports on the systems and internal controls, including internal financial controls and maintenance of effective internal control systems, of the Company's operating subsidiary companies;
- Reviewed significant issues found during internal audit exercises; and the adequacy of agreed corrective action plans by Management in response to such findings;
- Assessed the adequacy of the performance of the Internal Audit function and the adequacy of the available internal audit resources. Noted the progress in filling vacancies within the function;
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- Considered internal audit findings for subsidiary companies;
- Discussed significant control weaknesses identified in the audit assessments; and
- Over the course of the year, met with the Internal Auditors in two formal exclusive meetings.

Based on the above, the Committee formed the opinion that, as at 31 December 2021, there were no material breakdowns in internal controls, including internal financial controls, resulting in any material loss to the Company.

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 3rd March 2021	Q3 11th August 2021
Dorcas Kombo (Chairman)	P	P
Rose Osoro	P	P
Peter Gethi	N/A	P

*P denotes that the director was present in the meeting

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

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

On behalf of the Board Audit Committee

Chairman, Board Audit Committee

2 March 2022

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.

During the year ended 31 December 2021 the Committee considered the following:

- Determined and evaluated the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the Company and of its subsidiaries;
- Carried out its duties as dictated by its Mandate;
- Reviewed its Mandate to include oversight on specific areas of people management and submitted the same to the Board of the Company and of its banking, stock brokerage and bancassurance subsidiaries;
- Analysed the existing skills on the Boards and skills gaps in line with the Company's strategy;
- Nominated a candidate to be a member on the board of the Company's bancassurance subsidiary;
- Engaged a third-party consultant to identify suitable candidates to fill the skill gaps;
- Interviewed and nominated candidates for consideration for appointment by the Boards of the Company and of its banking subsidiary;
- Reviewed and recommended the reconstitution of the Committees of the Boards of the Company and of its banking subsidiary, for approval by the Boards of the two companies;
- Considered and endorsed the annual review of the Board Diversity Policy for submission to the Board of the Company and its banking subsidiary for approval;
- Reviewed the Remuneration report for the Board of the Company for inclusion in the Annual Integrated Report;
- Reviewed and endorsed the annual review of the Board Remuneration Policy for submission to the Boards of the Company and of its banking, stock brokerage and bancassurance subsidiaries for approval;
- Considered and approved the Committee's work plan for the year 2022;
- Considered and endorsed the proposed trainings for the Board for the year 2022 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 2022;
- Considered and endorsed the Corporate Governance scorecard for the Company for the year 2021 for submission to the Board for approval, prior to submission to the Capital Markets Authority for assessment; and
- Considered and approved the proposal to extend the term of the Chairman of the Board of the Company and its banking subsidiary for an additional year, after his first term of three years ends at the AGM in 2022. This is allowed under the Company's Articles of Association.

Report of the Board Nomination Committee (continued)

The Committee composition in the year of 2021 consisted of four members, namely, two Independent Non-Executive Directors and two Non-Executive Directors (one being the Chairman of the Board of the Company).

The Committee held the two scheduled meetings during the year, as well as one special meeting to select candidates for interview and nomination for appointment as members on the Boards of the Company and of its banking subsidiary. The attendance of meetings by members was as follows:

Board Nominations Committee Meetings Attendance

Name	Q1 2nd February 2021	Q1, 16th February 2021	Q4 4th November 2021
Rose Osoro (Chairman)	P	P	P
Patrick Mweheire	P	P	P
Peter Gethi	P	P	P
Kitili Mbathi	P	P	P

*P denotes that the director was present in the meeting

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

N/A = Not a Member

Company Secretary

Fees for Non- Executive Directors

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

The Nominations Committee reviews the fees paid to non-executive directors annually and makes recommendations to the Board for endorsement and submission to shareholders for approval. Additional information is provided on page 127 of the financial statements.

Remuneration for Executive Directors

Strategy

The Board considers the execution of the Group strategy and the ability to show demonstrable progress against key milestones to be an integral part of the performance measurement and reward for Executive Directors.

The Chief Executive (CE) has articulated three strategic focus areas for the Group as part of the evolving strategy:

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

Remuneration Methodology

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

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

Our policy avoids a short-term bonus-centric culture but rewards sustainable performance on a through-the-cycle basis. Critically, this includes a three to five-year growth analysis to ensure shareholder returns are appropriately aligned with executive and employee reward.

The committee reviews performance to ensure that earnings are not the result of one year's work but rather the planned outcome of work done in the past years.

For more on remuneration see pages 126 to 127 of the financial statements.

Governance policies

Whistleblower Policy - Summary

How to report unethical behaviour

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

The Whistleblower 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@kpmg.co.za.

Procurement Policy Summary

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

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

Accordingly, Stanbic:

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

Information Technology Standards

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

1. Architecture Technology Standard

The purpose of the Architecture Technology Standard to provide guiding principles that are to be applied when architecture is designed, built and operates as intended, to document the roles and responsibilities of key players considered in the standard and to outline standard principles to be followed in technology architecture.

2. Cloud Computing Technology Standard

The purpose of the Cloud Computing standard is to articulate principles and give effect to Stanbic's direction regarding cloud computing.

3. Cyber Resilience Technology Standard

The Cyber Resilience minimum standard provides a framework to govern how Stanbic protects its IT assets which includes systems in production, systems under development and systems hosted by third parties in a systematic and consistent manner.

This Standard mandates the IT security function to establish and uphold a culture of security across the organisation, provide assurance on a robust control environment, ensure that stakeholder requirements for the protection of data are continually met, focusing on confidentiality (the risk of unauthorised access to data and IT systems), integrity (the risk of data being manipulated) and availability (the risk of data and IT systems being unavailable when needed).

4. Endpoint Security Minimum Controls Standard

This Standard defines the minimum-security controls set out for compliance to manage data breach, financial malware, extortion/ransomware and distributed denial of service risks on endpoints

5. Engineering Technology Standard

The purpose of the Engineering Technology standard is to provide direction to the organisation regarding technology engineering. This Standard provides engineering principles that are to be applied holistically and in such a way that is commensurate with the size and complexity of the legal entity, business line or corporate function.

6. Service Management Standard

This standard governs service management, ensuring that technology services are aligned to client and regulatory needs and to enable the monitoring and improvement of service quality.

7. Technology Finance Standard

This standard defines the technology cost management principles to be followed to ensure that spend is responsibly invested and for the achievement of the broader financial outcomes of the organisation.

8. Ways of Work Standard

The purpose of the Ways of Work Standard is to articulate and give effect to the Group regarding Ways of Work. This standard provides guidance in the use of Scaled Agile Framework (SAFe), and corresponding SAFe foundation principles.

Promotion of Diversity Policy Summary

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

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

Stanbic Group Stakeholder Engagement Guidelines Summary

Stanbic Group Kenya (the Group) recognises that effective stakeholder engagement is essential to achieving our purpose "Kenya is our home, we drive her growth". It is also at the heart of our Values and Code of Ethics. Stakeholder engagement maintains and strengthens our legitimacy and social licence to operate, builds trust with stakeholders and enhances our reputation as a socially-relevant and responsible corporate citizen wherever we operate. We have a responsibility to minimise any harmful impacts, and optimise the positive impacts, on our stakeholders. These Guidelines are intended to assist and guide Group entities in their stakeholder engagement activities based on the Group's stakeholder engagement principles.

Stanbic Holdings Board Dispute Resolution Policy Summary

Stanbic Holdings Plc recognises that group dynamics underpin the Board's ability to effectively execute its responsibilities. A Board's contribution is made through incisive questioning and constructive debate. It is expected that directors will not agree on everything. They are encouraged to express their views candidly, debate them rigorously and find consensus. On occasion, rigorous debate can lead to a dispute between Board members. At times, a dispute will arise between directors from factors outside of the group. As a group, we advocate prompt and fair resolution of any disputes, conflicts, or disagreements that may arise from time to time, and that may threaten or disrupt proper functioning of the Board.

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

Board Remuneration Policy

The Company's Board Remuneration Policy

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

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

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

Governance Framework Summary

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

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

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

The Subsidiary Governance Framework objectives are to:

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

Environmental and Social Risk – Standard and Policy

Environmental and social risk to Stanbic stems from the environmental and social issues that are related to their stakeholders and client's operations.

Stanbic is committed to mitigating potential environmental and social (E&S) risks, as well as identifying positive opportunities, impacting our business, clients and stakeholders. This has resulted in a new group-wide E&S Standard and Policy being developed.

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

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

Integrated Operational Risk Policy

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

1. Operational Risk Management Policy

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

2. Integrated Operational Risk Governance Framework

This framework covers all the risk types within the Operational Risk definition and the document also includes the concept of risk appetite.

The governance framework supports an integrated approach to the wider operational risk taxonomy, including top and emerging risks, leveraging a risk-based approach to prioritise risk in a consistent manner.

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

3. Operational Risk Management Manual (User Guide)

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

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

Conflicts of Interest Policy

The Conflicts of Interest Policy is designed to comply with applicable statutory and regulatory obligations across the organisation.

Stanbic Group Kenya maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of clients. Where arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of clients will be prevented, Stanbic will make appropriate and prior disclosure to the client(s) about the nature and source of such conflicts of interest (subject to adhering to any applicable confidentiality constraints), disclose the steps taken to mitigate such conflicts of interest seek the client(s) consent or alternatively decline to act.

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

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ANNUAL FINANCIAL STATEMENTS

CORPORATE INFORMATION

Chairman:	Kitili Mbathi
Chief Executive:	Patrick Mweheire*
Chief Executive of Stanbic Bank Kenya Limited:	Charles Mudiwa**
Non-Executive Directors:	Rose W. Kimotho (Retired on 20 May 2021) Ruth T. Ngobi Peter N. Gethi Rose B. Osoro Dorcas Kombo Samuel N. Gikandi Wambui K. Mbesa (Appointed on 8 September 2021) Joseph L. O. Muganda (Appointed on 12 October 2021) *Ugandan ** Zimbabwean
Ag. Company Secretary:	Janet Kabiru P.O. Box 72833 - 00200 Nairobi
Auditor:	KPMG Kenya 8 Floor, ABC Towers Waiyaki Way P.O. Box 40612 - 00100 Nairobi
Registered Office:	Stanbic Bank Centre Chiromo Road, Westlands P.O. Box 72833 - 00200 Nairobi
Principal Bankers:	Stanbic Bank Kenya Limited Chiromo Road, Westlands P.O. Box 72833 - 00200 Nairobi, GPO

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, 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 intermediary and stock broking 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:

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

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

Business review and financial performance

In 2021, Kenya experienced three waves of COVID-19. The first wave (March) saw the government imposing strict restrictions. However less stringent measures were imposed during the second wave (August) after which the government started lifting the public health restrictions which culminated in the removal of the last significant public health restriction, the 10pm to 4am curfew in late October. As at the end of the year, about 15.3% of the adult population had been vaccinated.

GDP growth over the first three quarters of 2021 was on the upside averaging 7.9% y/y. Cumulative growth over the first three quarters of 2021 was 6.5%. This is evidence that the post-pandemic recovery was much stronger than anticipated. The fastest growing sectors were the ones that were most impacted by the pandemic i.e., transport, trade, manufacturing, education and tourism. Agriculture witnessed subdued growth due to adverse base effects and lower than average rainfall.

Inflation averaged 6.2% in 2021 from 5.4% in 2020. The higher inflation was on account of base effects from lapping a low inflationary period in 2020, higher energy prices driven by rising global oil prices, rising food prices due to adverse weather and global supply chain issues which affected local firms.

Despite the challenges presented by COVID-19 to the operating environment, banks continued to demonstrate resilience with increase in profitability, strong liquidity and capital adequacy ratios. Gross NPLs were on a downward trend with the banking sector NPL ratio having declined to 13.6% in October from 13.9% in August and 14.2% in April. As at Q4 2021, listed banks interest income grew at a higher rate compared to the growth recorded in Q4 2020 while average loan growth was lower than the growth recorded in Q4 2020. Notably, the loan growth outpaced the growth in government securities, an indication that banks' increased their lending to the private sector due to decrease in credit risk on the back of economic recovery.

Banks commenced integration of climate-related risks into their strategy, governance, risk management and disclosure frameworks. This follows the issuance of guidance on climate-related risk management in October by the Central Bank of Kenya. The guidance is intended to enhance the consideration of climate-related risks by banks while leveraging on the business opportunities in the transition to a low-carbon, climate resilient economy. Banks also begun raising additional capital with the intention of supporting lending in 2022, and financing emerging opportunities in Kenya and the region.

The Group reported a profit after tax of KShs 7.2Bn.This represents 39% increase from the year ended 31 December 2020. The Group reported strong results in 2021 despite a challenging operating environment. The economic recovery was gradual characterized by interruptions relating to re-introduction of COVID-19 restrictions. The interest rates benchmark rate was maintained at 7% throughout the year. Inflation rate also remained within the government target range of between 2.5% and 7.5% despite increase in fuel prices.

The group's performance has been supported by an improved credit risk portfolio and double digit growth in net interest income. Balance sheet efficiency improved, and key performance drivers demonstrated decent growth. Lending book expanded by 17% bolstered by rebound of economic activities. Net interest margins continue to recover albeit a low interest rate environment. Deposits from customers grew by 11% from last year providing the much needed liquidity to cost effectively fund balance sheet growth. The increased book quality has led to a 48% reduction in impairment charges. Total operating expenses grew by a single digit despite efforts to enhance the technology infrastructure, improve client experience and onboard skilled personnel.

Summary results for the year is as follows:

	2021 KShs. billion	2020 KShs. billion	Change
Total income	**25.0**	23.2	7.54%
Credit impairment charge	**2.5**	4.9	(48.24%)
Total operating expenses	**12.7**	12.1	4.74%
Profit for the year	**7.2**	5.2	38.83%
Loans and advances to customers	**185.3**	158.2	17.15%
Non performing loans	**22.5**	25.0	(9.84%)
Total assets	**328.9**	328.6	0.08%
Deposits from customers	**242.3**	217.4	11.45%
Total equity	**56.5**	51.7	9.13%
Cost to income ratio	**51%**	52%	(1.36%)

REPORT OF THE DIRECTORS

Dividends

During the year, the directors' paid an interim dividend of KShs 1.70 (2020: nil) per ordinary share amounting to KShs 672 million (2020: KShs nil).

Subject to the approval of the shareholders at the next Annual General Meeting to be held on 19 May 2022, the directors' recommend payment of a final dividend of KShs 7.30 (2020: KShs 3.80) per ordinary share equivalent to a total sum of KShs 2,885,848,000 (2020: KShs 1,502,224,000). The total dividend for the year, therefore, will be KShs 9.00 (2020: KShs 3.80) for every ordinary share amounting to KShs 3,557,895,000 (2020: KShs 1,502,224,000).

Share capital

The total number of authorised shares as at 31 December 2021 was 473,684,211 (2020: 473,684,211), ordinary shares of KShs 5 each, with 395,321,638 shares being issued and fully paid up (2020: 395,321,638).

Directors

The Directors who held office during the year and to the date of this report are set out on page 1.

Events subsequent to the end of the reporting period

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

Management by third parties

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

Disclosures to auditor

The Directors confirm that with respect to each Director at the time of approval of this report:

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

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

Terms of appointment of auditor

The term of audit engagement of KPMG Kenya began in the current financial year's audit following their appointment by the Shareholders at the annual general meeting held on 20th May 2021 as the Group's auditor in accordance with the provisions of Section 721 of the Kenyan Companies Act, 2015.

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 02 March 2022.

By Order of the Board,

Janet Kabiru
Ag. Company Secretary
02 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its profit or loss for that year. The financial statement comprises the Group and Company statements of financial position as at 31 December 2021, and the Group and Company statements of profit or loss, the Group and Company statements of other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information. It also requires the directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and the Company; that disclose, with reasonable accuracy, the financial position of the Group and Company and that enable them to prepare financial statements of the Group and the Company that comply with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards 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 material 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 02 March 2022 and signed on its behalf by:

Kitili Mbathi
Chairman

Patrick Mweheire
Chief Executive

Dorcas Kombo
Director

Date: 02 March 2022

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Company's board remuneration policy

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

In determining the remuneration fee for Non-Executive Directors, the Board will ensure 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 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.

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.

Contract of service

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

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

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

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

During the Annual General Meeting held on 20 May 2021, the shareholders approved the payments of directors' fees for the year ended 31 December 2020.

At the Annual General Meeting to be held on 19 May 2022, approval will be sought from shareholders for the directors' fees for the financial year ended 31 December 2021.

DIRECTORS' REMUNERATION REPORT

Information subject to audit

Year ended 31 December 2021 (KShs '000')

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

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

Year ended 31 December 2020 (KShs '000')

Name	Category	Basic pay	Bonus	Pension	Non-cash benefits	Retainer	Sitting allowance	Total Company	Total Group subsidiaries	Total Group
Kitili Mbathi	Chairman	-	-	-	-	400	900	1,300	9,024	10,324
Patrick Mweheire	Chief Executive	-	-	-	-	-	-	-	1,841	1,841
Christopher Newson	Non Executive	-	-	-	-	75	240	315	1,553	1,868
Rose Kimotho	Non Executive	-	-	-	-	300	600	900	6,143	7,043
Greg Brackenridge	Non Executive	-	-	-	-	150	360	510	3,088	3,598
Ruth T. Ngobi	Non Executive	-	-	-	-	300	600	900	6,005	6,905
Peter Gethi	Non Executive	-	-	-	-	300	600	900	5,893	6,793
Rose Osoro	Non Executive	-	-	-	-	300	840	1,140	6,074	7,214
Dorcas Kombo	Non Executive	-	-	-	-	300	900	1,200	4,703	5,903
Ory Okolloh	Non Executive	-	-	-	-	225	600	825	3,520	4,345
Samuel Gikandi	Non Executive	-	-	-	-	150	240	390	2,442	2,832
Total		-	-	-	-	2,500	5,880	8,380	50,286	58,666

Approval of Remuneration Report by the Board of directors

This remuneration report was approved by the Board of Directors on 02 March 2022

Rose Osoro
Chairperson Board Nominations Committee

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 131 to 231 which comprise the group and company statements of financial position as at 31 December 2021, 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.

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 2021, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required Kenyan Companies Act, 2015.

Basis for opinion

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

Key audit matters

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

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

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

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

The key audit matter	How the matter was addressed in our audit
Subjective estimate The estimation of expected credit losses ("ECL") on loans and advances and off balance sheet elements, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement in the Group's financial statements and therefore increased levels of audit focus in the estimation of ECLs are ▪ Forward looking Information – IFRS 9 Financial Instruments requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the macroeconomic information used and the probability weightings applied especially when considering the current uncertain economic environment as a result of COVID-19. ▪ 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. ▪ Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model is a key driver of complexity in the Group's 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.	**Our procedures in this area included:** — Performing process walk-throughs to identify the key systems, and evaluate the design and operating effectiveness of applications and controls used in the ECL processes. — Evaluating key aspects of the ECL model by: ▪ Selecting a sample of outstanding loans from the Group's loan book and comparing these to the details in the customers' credit files in order to establish whether facilities are correctly staged/classified and valued based on IFRS 9 *Financial Instruments*. ▪ 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, consideration of off-balance sheet exposures, 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; ▪ Assessing the Group's approach to incorporating the economic strain induced by the COVID-19 pandemic 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 of key assumptions and judgements in accordance with IFRS 9 Financial Instruments.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STANBIC HOLDINGS PLC

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

Key audit matters (continued)

Impairment of goodwill in the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The disclosure on goodwill is set out in the financial statements in the following notes: ▪ Note 2.9 – Significant accounting policies, Intangible assets - goodwill ▪ Note 3.12 – Impairment of goodwill ▪ Note 29 – Intangible assets – goodwill	
Impairment of goodwill is considered a key audit matter because: ▪ 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. 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.	Our audit procedures in this area included: ▪ Using valuation specialists to evaluate the methodology used to determine recoverable value and assess whether it is appropriate by assessing its compliance with the approach under IAS 36 Impairment of Assets; ▪ Evaluated the forecasting process and assessed whether the forecasts used in the value in use calculation are consistent with the most up-to-date budgets and business plans that have been formally approved by management; ▪ Challenging the Group's valuation methodology, discount rates and growth rates by comparing the Group's input 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 Impairment of Assets.

Other matter

The consolidated and separate financial statements of Stanbic Holdings Plc as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 4 March 2021.

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 and Financial Statements for the year ended 31 December 2021, 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, except to the extent otherwise explicitly stated in our report we do not and will not express any form of assurance conclusion thereon.

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 IFRSs, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STANBIC HOLDINGS PLC

KPMG

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

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:

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

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

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

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that in our opinion:

(i) The information given in the Report of the Directors on pages 123 and 124 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the directors' remuneration report on page 127 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: 02 March 2022

GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
	Note	**2021 KShs'000**	2020 KShs'000	**2021 KShs'000**	2020 KShs'000
Interest income	6	**20,567**	20,302	**4**	1
Interest expense	7	**(6,194)**	(7,507)	**-**	-
Net interest income		**14,373**	12,795	**4**	1
Fees and commission revenue	8	**4,872**	4,642	**-**	-
Fees and commission expense	9	**(740)**	(582)	**-**	-
Net fees and commission income		**4,132**	4,060	**-**	-
Trading revenue	10	**5,988**	6,234	**-**	-
Net income from financial instruments at fair value through profit or loss	11 (a)	**592**	93	**-**	-
Other income	12	**47**	38	**2,235**	2,320
Other (losses)/gains on financial instruments	11 (b)	**(143)**	17	**-**	-
Trading and other income		**6,484**	6,382	**2,235**	2,320
Total income		**24,989**	23,237	**2,239**	2,321
Credit impairment losses	23 (d)	**(2,524)**	(4,876)	**-**	-
Net income before operating expenses		**22,465**	18,361	**2,239**	2,321
Employee benefits expense	13	**(6,519)**	(5,929)	**(36)**	-
Depreciation and amortisation expense	26,27, 28	**(813)**	(804)	**-**	-
Depreciation on right-of use assets	30	**(352)**	(458)	**-**	-
Other operating expenses		**(5,016)**	(4,895)	**(26)**	(46)
Finance costs	15	**(9)**	(48)	**(1)**	-
Total operating expenses		**(12,709)**	(12,134)	**(63)**	(46)
Profit before income tax		**9,756**	6,227	**2,176**	2,275
Income tax expense	16	**(2,548)**	(1,035)	**(7)**	-
Profit for the year		**7,208**	5,192	**2,169**	2,275
Earnings per share					
Basic and diluted (KShs per share)	17	**18.23**	13.13	**5.49**	5.75

GROUP AND COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
	Note	**2021 KShs'000**	2020 KShs'000	**2021 KShs'000**	2020 KShs'000
Profit for the year		**7,208**	5,192	**2,169**	2,275
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		**(324)**	(170)	**-**	-
Net gains in debt financial assets measured at fair value through other comprehensive income (FVOCI)*	21.2	**13**	1	**-**	-
Net loss on financial assets reclassified to profit or loss	21.2	**(1)**	(34)	**-**	-
Total other comprehensive income for the year, net of income tax		**(312)**	**(203)**	**-**	**-**
Total comprehensive income for the year		**6,896**	**4,989**	**2,169**	**2,275**

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

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
		Year ended 31 December		As at 31 December	
	Note	**2021 KShs. Million**	2020 KShs. Million	**2021 KShs. Million**	2020 KShs Million
Assets					
Cash and balances with Central Bank of Kenya	19	**15,403**	18,077	-	-
Financial assets – (FVTPL)	20 (a)	**18,535**	33,729	-	-
Financial assets – (FVOCI)	21	**19,227**	30,664	-	-
Financial assets – (amortised cost)	22	**21,773**	23,191	-	-
Derivative assets	33	**1,881**	2,956	-	-
Loans and advances to banks	23 (a)	**44,008**	38,119	**117**	132
Loans and advances to customers	23 (b)	**185,313**	158,180	-	-
Other assets and prepayments	24	**3,704**	4,759	**21**	20
Investment in subsidiaries and other investments	25	**18**	18	**18,218**	18,218
Property and equipment	26	**1,915**	2,242	-	-
Right-of-use assets (leasehold land)	27	**39**	42	-	-
Other intangible assets	28	**1,021**	864	-	-
Intangible assets - goodwill	29	**9,350**	9,350	-	-
Right-of-use assets (buildings)	30	**1,037**	1,479	-	-
Current tax asset	37	-	-	**9**	16
Deferred tax asset	38	**5,648**	4,847	-	-
Asset classified as held-for-sale	49	-	76	-	-
Total assets		**328,872**	**328,593**	**18,365**	**18,386**
Equity and liabilities					
Liabilities					
Derivative liabilities	33	**1,743**	2,601	-	-
Financial liabilities – FVTPL	20 (b)	**357**	418	-	-
Deposits from banks	34 (a)	**12,243**	42,526	-	-
Deposits from customers	34 (b)	**242,345**	217,444	-	-
Borrowings	35	**5,700**	5,504	-	-
Other liabilities and accrued expenses	36	**7,149**	6,581	**129**	144
Current tax liability	37	**1,751**	395	-	-
Deferred tax liability	38	-	1	-	-
Lease liabilities	31	**1,132**	1,386	-	-
Liabilities directly associated with assets classified as held-for-sale	49	-	7	-	-
Total liabilities		**272,420**	**276,863**	**129**	**144**
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	**(1,664)**	(1,349)	-	-
Retained earnings		**36,356**	32,703	**(3,524)**	(2,134)
Proposed dividend	18	**2,886**	1,502	**2,886**	1,502
Total shareholders' equity		**56,452**	**51,730**	**18,236**	**18,242**
Total equity and liabilities		**328,872**	**328,593**	**18,365**	**18,386**

The financial statements on pages 131 to 231 were approved and authorised for issue by the Board of Directors on 02 March 2022 and signed on its behalf by:

Chairman
Kitili Mbathi

Chief Executive
Patrick Mweheire

Director
Dorcas Kombo

Ag. Company Secretary
Janet Kabiru

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital KShs Million	Share Premium KShs Million	Other Reserves KShs Million	Retained earnings KShs Million	Proposed Dividend KShs Million	Total Equity KShs Million
For the year ended 31 December 2021							
At 1 January 2021		**1,977**	**16,897**	**(1,349)**	**32,703**	**1,502**	**51,730**
Profit for the year		-	-	-	**7,208**	-	**7,208**
Other comprehensive income, net of tax		-	-	**(312)**	-	-	**(312)**
Transfer of statutory reserve		-	-	**5**	**(5)**	-	-
Transfer of excess depreciation		-	-	**(8)**	**8**	-	-
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group							
Dividend payment	18	-	-	-	**(672)**	**(1,502)**	**(2,174)**
Proposed dividend	18	-	-	-	**(2,886)**	**2,886**	-
Total transactions with owners of the Group		-	-	-	**(3,558)**	**1,384**	**(2,174)**
At 31 December 2021		**1,977**	**16,897**	**(1,664)**	**36,356**	**2,886**	**56,452**
For the year ended 31 December 2020							
At 1 January 2020		1,977	16,897	(163)	28,030	2,293	49,034
Profit for the year		-	-	-	5,192	-	5,192
Other comprehensive income, net of tax		-	-	(212)	9	-	(203)
Transfer of statutory credit risk reserve		-	-	(938)	938	-	-
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group							
Dividend payment	18	-	-	-	-	(2,293)	(2,293)
Proposed dividend	18	-	-	-	(1,502)	1,502	-
Equity-settled share-based payment transactions	45	-	-	(36)	36	-	-
Total transactions with owners of the Group		-	-	(36)	(1,466)	(791)	(2,293)
At 31 December 2020		1,977	16,897	(1,349)	32,703	1,502	51,730

COMPANY STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders				
	Note	Share Capital KShs Million	Share Premium KShs Million	Retained earnings KShs Million	Proposed Dividend KShs Million	Total Equity KShs Million
Year ended 31 December 2021						
At 1 January 2021		**1,977**	**16,897**	**(2,135)**	**1,502**	**18,242**
Profit for the year		-	-	**2,169**	-	**2,169**
Contribution and distributions to owners						
Dividends to equity holders-dividend paid	18	-	-	**(672)**	**(1,502)**	**(2,174)**
Dividends to equity holders-proposed dividend	18	-	-	**(2,886)**	**2,886**	-
Total contributions by and distributions to owners		-	-	**(3,558)**	**1,384**	**(2,174)**
At 31 December 2021		**1,977**	**16,897**	**(3,524)**	**2,886**	**18,236**
Year ended 31 December 2020						
At 1 January 2020		1,977	16,897	(2,908)	2,293	18,260
Profit for the year		-	-	2,275	-	2,275
Contribution and distributions to owners						
Dividends to equity holders-dividend paid	18	-	-	-	(2,293)	(2,293)
Dividends to equity holders-proposed dividend	18	-	-	(1,502)	1,502	-
Total contributions by and distributions to owners		-	-	(1,502)	(791)	(2,293)
At 31 December 2020		1,977	16,897	(2,135)	1,502	18,242

GROUP AND COMPANY STATEMENT OF CASHFLOWS

		GROUP		COMPANY	
		2021	2020	2021	2020
	Note	KShs Million	KShs Million	KShs. Million	KShs Million
Cash flows from operating activities	**39 (a)**	**11,449**	6,420	**2,176**	2,275
Interest paid on borrowings	35	**(243)**	(558)	-	-
Income tax paid	37 (a)	**(2,012)**	(1,374)	-	-
Cash flows from operating activities before changes in operating assets and liabilities		**9,194**	4,488	**2,176**	2,275
Changes in operating assets and liabilities:					
Loans and advances to customers		**(27,133)**	(5,363)	-	-
Financial assets – FVOCI		**(10,498)**	(699)	-	-
Financial assets – FVTPL		**(1,224)**	3,655	-	-
Deposits held for regulatory purposes (Restricted cash)		**471**	(134)	-	-
Other assets and prepayments		**1,055**	151	**(2)**	-
Deposits from banks		**(28,419)**	9,691	-	-
Other liabilities and accrued expenses		**568**	(8,144)	**(15)**	13
Deposits from customers		**24,901**	23,221	-	-
Financial liabilities – FVTPL		**(61)**	(1,069)	-	-
Net cash (used in)/generated from operating activities		**(31,146)**	25,797	**2,159**	2,288
Cash flows from investing activities:					
Financial assets – at amortised cost		**1,418**	(8,301)	-	-
Additions to property and equipment	26	**(264)**	(408)	-	-
Additions to intangible assets	28	**(474)**	(166)	-	-
Proceeds from sale of property and equipment		-	-	-	-
Net cash generated from/(used in) investing activities		**680**	(8,875)	-	-
Cash flows from financing activities:					
Dividends paid		**(2,174)**	(2,293)	**(2,174)**	(2,293)
Repayment of borrowings	35	-	(3,998)	-	-
Payment of lease liabilities	31	**(377)**	(325)		
Net cash (used in) financing activities		**(2,551)**	(6,616)	**(2,174)**	(2,293)
Net (decrease)/increase in cash and cash equivalents		**(33,017)**	10,306	**(15)**	(5)
Effect of exchange rate changes		**180**	(81)	-	-
Cash and cash equivalents at start of year		**95,436**	85,211	**132**	137
Cash and cash equivalents at end of year	**39 (b)**	**62,599**	95,436	**117**	132

NOTES TO THE FINANCIAL STATEMENTS

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 Banking of Capital Markets, retirement benefit and insurance Acts to provide these services.

The financial statements for the year ended 31 December 2021 were approved and authorised for issue by the Board of Directors on 2 March 2022. The financial statements comprise the Group and Company statements of financial position as at 31 December 2021, 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 and other comprehensive income, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The annual financial statements (AFS) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, and the Kenyan Companies Act, 2015. The 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 2.6).

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 2.6);
- property and equipment and intangible assets are accounted for using the cost model except for revaluation of buildings that arose from the merger between the former CfC Bank and Stanbic Bank in 2008 (accounting policy 2.8 and 2.9);
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 2.6); and
- hyperinflation - the South Sudan economy has been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the South Sudan Branch, have been expressed in terms of the measuring unit prevailing at the reporting date (accounting policy 2.22).

Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgements in applying the accounting policies. These judgements and estimates used to prepare these financial statements are disclosed in Note 3.

b) Functional and presentation currency

The annual financial statements are presented in Kenya Shillings (KShs) which is the functional and presentation currency of the parent company. All amounts are stated in millions of shillings (KShs Million), unless indicated otherwise. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates which is South Sudan Pound (SSP) for the South Sudan Branch and Kenya Shillings (KShs) for Kenya operations.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

c) Changes in accounting policies and disclosures

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

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year

Standards and ammendments	Key requirements	Effective date
Definition of Accounting Estimates Amendments to IAS 8 (issued in February 2021)	The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments are not expected to have a material impact on the Group	01 January 2023
IFRS 17 (issued in May 2017)	IFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Group does not issue insurance contracts.	01 January 2023
IAS 1 (issued in January 2020)	Amendments to IAS 1 'Classification of Liabilities as Current or Non- current, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. The amendments are not expected to have a material impact on the Group.	Effective date deferred and to be decided after exposure draft is finalised, but no earlier than 1 January 2024.
IFRS 3 (issued in May 2020)	Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are not expected to have a material impact on the Group.	01 January 2022
IAS 16 (issued in May 2020)	Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are not expected to have a material impact on the Group.	01 January 2022
IAS 37 (issued in May 2020)	Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are not expected to have a material impact on the Group.	01 January 2022
IFRS 1 (issued in May 2020)	Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendments are not expected to have a material impact on the Group.	01 January 2022
Amendment to IFRS 9 (issued in May 2020)	Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendments are not expected to have a material impact on the Group.	01 January 2022

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant 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 ammendments	Key requirements	Effective date
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Issued in February 2021)	In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.	01 January 2023
IFRS 16 (amendment) - (Issued in May 2020)	The amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The group elected not to apply this practical expedient.	01 January 2022

(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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 4 Insurance Contracts (IFRS 4), IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (IFRS 9), IFRS 16 Leases (IFRS 16), IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) (amendments). - The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognising or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria. The amendments also require companies to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. There was no impact for phase 2 hedge accounting relief. The group will transition to ARRs as each interest rate benchmark is replaced.

The practical expedient to update the effective interest rate to reflect the change to the ARR was applied to loans and advances. Any other changes to the conceptual cash flows that are as a result of the interest rate benchmark reform are accounted for in terms of the group's modifications policy (refer to note 2.6 for further information relating to the modification policy)

IFRS 16 (amendment) (issued on 28 May 2020) - In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient.

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has 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 IBA has adopted a two-stage approach for the cession of the USD LIBOR rates with the 1 week and 2 month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3 month, 6 month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the bank is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). Whilst there are plans to replace JIBAR, there is currently no indication of when the designated successor rate will be made available.

Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments may be made to contracts that that are transitioned from LIBOR to ARRs, to ensure economic equivalence.

The group has several LIBOR linked contracts that extend beyond 2021. The group ceased booking new LIBOR linked exposures from 1 October 2021, apart from in limited circumstances to align with industry guidance and best practice. From this date, new exposure will be booked using the ARRs being SOFR, SONIA, ESTR, TONA and SARON. In certain instances, other suitable rates may be used, such as Central Bank Policy Rates.

The group's treasury and capital management (TCM) unit manages the transition to ARRs. The unit evaluates the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The unit works closely with business teams across the group to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

Interest rate benchmarks and reference interest rate reform (continued)

The group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA published its IBOR fallback protocol, which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts in the event that renegotiated contracts are not in place at the time of the cessation of LIBOR. Following a series of public consultations, ISDA launched its IBOR Fallbacks Protocol (the Protocol) and IBOR Fallbacks Supplement (the Supplement) in October 2020. Together, they focus on strengthening existing and new derivatives contracts with durable fallback language. The Protocol and Supplement both took effect in January 2021. The Protocol going into effect means that existing derivatives contracts will now incorporate ISDA's new fallbacks if both counterparties have adhered to the Protocol or otherwise bilaterally agreed to include the new fallbacks in their contracts. The Supplement going into effect means that new derivatives contracts that incorporate the 2006 ISDA Definitions and reference a relevant IBOR will also incorporate the new fallbacks.

The 5 March 2021 Financial Conduct Authority (FCA) statement around the timing for the cessation or loss of representativeness of all LIBOR settings represented an index cessation event under the IBOR Fallbacks Supplement and protocol, triggering a fixing of the fallback spread adjustment at the point of the announcement. This spread adjustment is an important part of the overall fallback rate, and reflects a portion of the structural differences between IBORs and the ARRs used as a basis for the fallbacks – IBORs incorporate a credit risk premium and other factors, while ARRs are risk free or nearly risk free. Following multiple industry consultations by ISDA, it was determined that the fallback for each IBOR setting will be based on the relevant ARR compounded in arrears to address differences in tenor, plus a spread adjustment to account for the credit risk premium and other factors, calculated using a historical median approach over a five-year lookback period from the announcement date.

This spread has now been fixed for all euro, sterling, Swiss franc, US dollar and yen LIBOR tenors, giving firms more information about the exact fallback rate that will be used in the event they do not complete their transition efforts before cessation or non-representativeness occurs.

The above introduces a number of risks to the group including, but not limited to:

- market risk – risk of not aligning to market regulations such as the ISDA, not meeting the market transition timelines and liquidity risk associated with the ARR.
- model risk – risk of the valuation models used within the group not being able to cater for the changes in the intended manner.
- legal risk – risk of being non-compliant to the agreements previously agreed with clients.
- operational risk – risk of the group's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.
- financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the group and clients.
- compliance/regulatory risk – risk that the bank is exposed regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.
- reputational risk – the risk to the bank's reputation from failing to adequately prepare for the transition.
- 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

The steering committee has set up a risk management transition plan which details the transition process for each product in the relevant Business Units (BUs). Pricing is being managed centrally by TCM using the recommendations from the main industry bodies, namely ISDA for derivatives, Loan Markets Association for Loans and ICMA for Bonds Markets. We are also tracking updates and incorporating best practice recommendations emanating from official sector working groups established to catalyse transition in the relevant jurisdiction.

By way of policy, all new contracts or exposures referencing IBORs include robust fallback language, and work is underway in some areas to actively transition legacy exposures away from LIBOR. Changes in impacted systems are being implemented and ready to book at new rates. Communications to clients are underway via multiple platforms along with one-to-one conversations. The group is also ensuring that the staff have attended educational webinars and received the required updates and communication.

Financial instruments impacted by the reform which are yet to transition

	USD LIBOR 2021 KShs million
Total assets subject to IBOR reform	37,767
Derivative Assets[1]	559
Loans and Advances	37,208
Total liabilities subject to IBOR reform	(12,922)
Derivative Liabilities[1]	(559)
Deposits and debt funding	(6,663)
Borrowings	(5,700)
Total off balance sheet exposures subject to IBOR reform	-
Off balance sheet items	-

These balances represent the notional amount directly impacted by the IBOR reform.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant 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 is are recognised in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is measured to its fair value at the date when control is lost, with any resulting gain or loss recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2 Translation of foreign currencies

(i) Transactions and balances

Foreign currency transactions are translated into the respective Functional Currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in other comprehensive income (OCI) as part of qualifying cash flow hedges and net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as held to collect and sell financial assets are recognised in OCI (profit or loss) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

(ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

On the partial disposal of a subsidiary that includes a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

These gains and losses are recognised in profit or loss either on disposal of a foreign operation or partial disposal (a reduction in ownership interest in a foreign operation other than a disposal) of an associate or joint venture that includes a foreign operation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation are translated at the closing rate. Exchange differences are recognised in OCI.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Translation of foreign currencies (continued)

Branch in hyperinflationary economies

The financial of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit at the end of the reporting year following the historic cost approach.

However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted are recognised directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year.

Results, cash flows and the financial position of the group's subsidiaries which have been classified as hyperinflationary have been expressed in terms of the measuring unit current at the reporting date.

2.3 Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 2.10 – Capitalisation of borrowing costs) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss which are included under trading income and:

a) purchased or originated credit impaired (POCI) for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset; and

b) financial assets that are not "POCI" that have subsequently become impaired for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of expected credit losses) in subsequent reporting periods.

Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial assets or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

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, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

b) Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

c) Other income

Other income includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments, and remeasurement gains and losses from contingent consideration on disposals and purchases. Other income also includes proceeds on sale of property, plant and equipment

d) Revenue sharing agreements with related companies

Revenue sharing agreements with related companies includes the allocation of revenue from transfer pricing agreements between the group's legal entities. The service payer makes payment to service sellers for services rendered. All agreements of a revenue sharing nature are presented in the statement of profit or loss as follows:

- The service payer in the agreement recognises, to the extent the charge is less than revenue from the agreement, the charge to the service sellers within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent that the revenue allocation to service sellers within the group is greater than the available revenue from the agreement, the charge above the available revenue is recognised within other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.4 Non-interest revenue (continued)

- 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, non–restricted balances with central banks, Treasury and other eligible bills and amounts due from banks on demand or with an original maturity of three months or less, net of amounts due to other banks on demand or with an original maturity of three months or less. These are subject to insignificant risk of changes in their fair value.

2.6 Financial instruments

(i) Initial recognition and measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Financial assets are classified under each of the categories below and their carrying amounts are disclosed in Note 40.

Nature	
Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.
Fair value through OCI	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Fair value through profit or loss (FVTPL)	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
Fair value through profit or loss - default	Financial assets that are not classified into one of the above mentioned financial asset categories.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

Financial assets (continued)

(ii) Subsequent measurement

Nature	
Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.
	Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI (FVOCI)	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method.
	Dividends received are recognised in interest income within profit or loss.
	Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained earnings.
	Dividends received on equity instruments are recognised in other revenue within non interest
Fair value through profit or loss (FVTPL)	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss - default	Debt instruments – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. Equity instruments – Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

Impairment of financial assets

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a Significant Increase in Credit Risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default (as defined below) • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk	At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower); • a breach of contract, such as default or delinquency in interest and/or principal • disappearance of active market due to financial difficulties; • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider; • Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying amount of the financial asset is recognised in the statement of financial position at fair value.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

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.

Nature	
Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances to eliminate or significantly reduce an accounting mismatch that would otherwise arise where: • the financial liabilities are managed and their performance evaluated and reported on a fair value basis • the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant 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	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.
	When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

Offsetting financial instruments (continued)

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 that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms of IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy. The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedging relationship.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements (Repos) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.

For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Fair value (continued)

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The Group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits a group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the Group:

- manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the Group's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

2.8 Property and equipment

Equipment and owner-occupied properties, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised the statement of profit or loss as incurred.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold buildings are depreciated over the shorter of the lease period or their useful lives.

The revaluation reserve in equity arose from revaluation of the Stanbic Bank Centre, Chiromo Road office at the point where CfC Bank and Stanbic Bank merged.

The estimated useful lives of tangible assets are typically as follows;

CLASS	DEPRECIATION PERIOD
Buildings	40 years
Motor vehicles	4-5 years
Computer equipment	3-5 years
Office equipment	5-10 years
Furniture and fittings	5-13 years

Work in progress is not depreciated.

There has been no significant change to the estimated useful lives and depreciation methods from those applied in the previous financial year.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the item is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted prospectively if appropriate, at each financial year end.

2.9 Intangible assets

Goodwill

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

Computer software

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have probable future economic benefits beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the Group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, and the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (2 to 10 years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if necessary.

2.10 Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

2.11 Impairment of non-financial assets

Non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Fair value less costs of disposal is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (CGUs). Impairment test also can be performed on a single asset when the fair value less costs of disposal or the value in use can be determined reliably. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Property and equipment see note 26, note 2.8
- Intangible assets see note 28, note 2.9
- Disclosure on significant assumptions see note 3
- Right-of-use assets (leasehold land) see note 27
- Right-of-use assets (buildings) see note 30

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.12 Accounting for leases (continued)

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

Termination of leases

When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Reassessment and modification of leases

When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.
This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.

2.13 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in provision due to passage of time is recognised as an expense.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's

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

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

2.14 Taxation

(i) Direct tax

Current tax includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Taxation (continued)

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. They are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(ii) Indirect tax

Indirect taxes, including non-recoverable VAT, skills development levies and other duties for banking activities, are recognised in profit or loss and included in administrative expenses.

2.15 Employee benefits

(i) Defined contribution plans

The Group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee- administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Group and its employees also contribute to the National Social Security Fund, these contributions are determined by local statutes and the Group's contributions are charged to profit or loss in the year which they relate to. Refer to note 13.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(ii) Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non- monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 separately within equity until declared.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.18 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary share shareholders and the weighted average number of ordinary shared outstanding for the effects of all dilutive potential shares, if any.

2.19 Equity-linked transactions

Equity compensation plans

The Group operates both equity-settled and cash-settled share-based compensation plans.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

2.20 Segment reporting

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision makers, comprising of the executive committee.

Transactions between segments are priced at market-related rates.

2.21 Fiduciary activities

The Group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the Group. However, fee income earned and fee expenses incurred by the Group relating to the Group's responsibilities from fiduciary activities are recognised in profit or loss.

2.22 Hyperinflation

The South Sudan economy was classified as hyperinflationary from 1 January 2016. Accordingly, the results, cash flows and financial position of Stanbic South Sudan Branch have been expressed in terms of the measuring unit current at the reporting date. The results, cash flows and financial position have also been expressed in terms of the measuring unit current at the reporting date.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. The prior period adjustments related to non-monetary items and differences arising on translation of comparative amounts are accounted for directly in retained earnings.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year.

Gains or losses on the net monetary position are recognised in profit or loss within trading revenue (Note 10).

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.23 Letters of Credit Acceptances (continued)

(ii) Confirming Bank (continued)

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 balance sheet 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.

3.2 Impairment of financial assets carried at fair value through OCI (FVOCI)

The Group reviews its debt securities classified as FVOCI investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

3.3 Impairment of financial assets at amortised cost

The Group reviews its debt securities classified as amortised cost investments at each reporting date to assess whether they are impaired. This requires similar judgements as applied to the individual assessment of loans and advances.

3.4 Fair value of financial instruments

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers; implied volatilities on thinly traded instruments; correlation between risk factors; prepayment rates; other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS

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

3.4 Fair value of financial instruments (continued)

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 and asset and liability committees.

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 2021 was a profit of KShs nil (2020: KShs nil).

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

3.5 Development costs

The Group capitalises software development costs for an intangible assets in accordance with the accounting policy detailed in note 2.9. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone and where the Group is able to demonstrate its intention and ability to complete and use the software.

3.6 Share-based payment

The Group has a number of cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the schemes. The Group uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the Group's obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the SBG share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the Group estimates the expected future vesting of the awards by considering staff attrition levels. The Group also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met. Refer to note 45 for further details regarding the carrying amount of the liabilities arising from the Group's cash-settled share incentive schemes and the expenses recognised in the statement of profit or loss.

3.7 Income taxes

The Group is subject to direct taxation in four jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 37 and note 38, respectively, in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and on-going developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Note 38 summarises the details of the carrying amount of the deferred tax assets. Accounting policy 2.14 provides further detail regarding the Group's deferred tax accounting policy.

3.8 Hyperinflation

The Group's South Sudan Branch is registered and operates in South Sudan. The economy of South Sudan was assessed to be hyperinflationary, effective 1 January 2016, and the hyperinflation accounting has been applied since.

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its branches is the currency of a hyperinflationary

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. The results, cash flows and financial position have been expressed in terms of the measuring units' current at the reporting date and the results and financial

NOTES TO THE FINANCIAL STATEMENTS

3.8 Hyperinflation (continued)

The general price indices used in adjusting the results, cash flows and financial position of the branch is set out below:

The general price index used as published by the National Bureau of Statistics of South Sudan is as follows

Date	Base year	General price index	Inflation rate
31 December 2021	2020	10,507.09	112.67%
31 December 2020	2019	9,902.46	89.30%

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

	2021 KShs Million	2020 KShs Million
Impact on statement of profit or loss		
Profit for the year before hyperinflation	7,251	4,995
Net monetary gain/(loss)*	(43)	197
Profit for the year after hyperinflation	7,208	5,192

* The loss in monetary value arises out of restatement of non-monetary assets and liabilities in the statement of financial position of the South Sudan Branch.

3.9 Provisions

During the current reporting period models have been enhanced, but, no material changes to assumptions have occurred. Covid-19 placed considerable strain on our operations specifically retail, business and corporate clients, however, the group's risk appetite remained unchanged. As such the significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

The accounting policy for provisions is set out in accounting policy 2.13. The principal assumptions taken into account in determining the value at which provisions are recorded at, in the Group's statement of financial position, include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the

The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

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

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements.

ECL measurement period

Consumer and high net worth(CHNW) and Business and commercial clients (BCC)

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The impact of the lifetime loss given default (LGD) workout, being an increase in the lifetime period over which subsequent cures and re-defaults are considered.
- The IFRS 9 requirement to hold ECL on unutilised loan commitments, notably pertaining to CHNW and BCC's card and other lending portfolios.

Corporate and investment banking (CIB)

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

Treasury

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency. Refer to 4.3.4

(b) for Group's rating method.

Significant increase in credit risk (SICR) and low credit risk

A lifetime ECL requirement for all exposures for which there has been SICR. This included the impact of the LGD work out, being an increase in the life time period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included where appropriate within this classification.

To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below:

NOTES TO THE FINANCIAL STATEMENTS

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

Significant increase in credit risk (SICR) and low credit risk (continued)

Group master rating scale	SICR trigger (from
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

CHNW and BCC

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The Group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Forward looking economic expectations are included in the ECL by adjusting the probability of default (PD), LGD and SICR. Adjustments are made based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro-economic outlook expectations.

CIB

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Group's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9

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 TO THE FINANCIAL STATEMENTS

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.

	31 December 2021			31 December 2020		
Macroeconomic factors	Base	Bear	Bull	Base	Bear	Bull
Inflation	6.3	6.8	5.8	5.9	5.9	5.9
Policy rate	7	7	7	7	7	7
3m Tbill rate	7.1	7.2	6.9	7.1	7.1	7.1
6m Tbill rate	7.6	7.9	7.2	7.9	7.9	7.9
Exchange rate (USD/KShs)	111.2	111.7	110.5	109.5	109.5	109.5
Real GDP	2.9	0.5	5.3	-	-1.6	1.5
Equity index	2,008	1,979	2,037	1,846	1,846	1,846
Sovereign Rating	B	B	B	B	B	B

CHNW and BCC

Adjustments to the PD and LGD, based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments.

CIB

Negligible impact as CIB's client ratings, typically included forward looking expectations.

Lifetime LGD work out

Increased lifetime period over which subsequent cures and re-defaults are considered resulted in higher credit impairments for credit-impaired financial assets.

Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Partial write-off of an asset occurs when the Group gives a concession to a debtor such that a part of the loan will not be recovered. In this case, the part that will not be recovered is written off.

For CIB products, write-offs are assessed on a case-by-case basis and approved by CIB credit governance committee based on the individual facts and circumstances.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or CHNW and BCC Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively. In retail portfolios, a rehabilitation period of at least 6 months (subsequent to a customer repaying all outstanding facilities) would be needed for the customer's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2021, had the average credit ratings for all counterparties shifted one notch down expected credit losses would have increased by KShs 1,015,358,770 (2020: KShs 1,380,367,360) higher where if the credit ratings had shifted one notch up the expected credit losses would have decreased by KShs 487,585,685 (2020: KShs 665,015,002).

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 101,064,403 higher or KShs 101,064,403 lower (2020: KShs 77,158,420 higher or KShs 77,158,420 lower) respectively.

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 Covid-19 Related Operational Losses

Following the onset of Covid-19 pandemic, the Bank adopted accounting policies to capture the Covid-19 related costs. Incremental credit impairment costs for customers impacted by Covid-19 were accounted for in accordance with IFRS 9 and were therefore not reported as Covid-19 related costs. Costs to enable the firm to restore operations following the impacts of the coronavirus pandemic are reported as operational risk losses. These include costs to set up working from home arrangements, cost of protective equipment's, Covid-19 sanitations costs, cancelled travel costs due to Covid-19 and costs associated with providing travel outside of normal business practice (such as to essential services staff). Ongoing costs after the pandemic lockdown to maintain operations are not reportable as operational risk losses. For example, if these costs are incorporated in post-pandemic budgets in response to measures mandated by public health agencies, then these will be seen as preventative measures and therefore not classified as operation risk losses. These include sick payments, quarantine costs and Covid-19 related donations. Cost savings such as reduced travel or reduced electricity costs are also not reported as Covid-19 cost savings and therefore do not offset operational losses recognised as a result of Covid-19. Covid-19 operational losses are included under operating expenses.

4 Financial risk management

Risk management is a cornerstone of the Group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, at the same time protecting our people while preserving the Group's financial position. Our response to the pandemic was swift and purposeful, and a testament to our operational resilience. As we executed our business continuity measures on an unprecedented scale, we put our people, our customers and our communities front and centre of our response efforts to this public health emergency. We provided extensive client relief programmes while carefully monitoring and managing our capital, liquidity and impairment risk metrics. We helped ease the liquidity crisis facing many clients, and maintained the collections activity by enabling employees to work from home.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risks (encompasses systems, people and processes).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various committees, including the Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors of the Group on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Risk Committees are responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Committees are assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on- statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counter-balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

4.1 Capital management-Company

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

4.2 Capital management-Group

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators, Central Bank of Kenya and Capital Market
- to safeguard the Group's (and its subsidiaries) ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

It uses two approaches of measuring capital for capital management.

a) Economic capital assessment

Economic capital is the Group's internal measure of required capital and it incorporates granular risk assessments and portfolio concentration effects that may be absent from the regulatory capital assessment process. Stanbic aggregates the individual risk type economic capital measurements conservatively assuming no inter-risk diversification. Economic capital is compared to Available Financial Reserves (AFR) to perform an assessment of capital adequacy based on internal measures.

b) Regulatory capital assessment

The Group's main subsidiary, Stanbic Bank Kenya Limited, monitors the adequacy of its capital using ratios established by the Central Bank of Kenya (CBK), which ratios are broadly in line with those of the Group for International Settlements (BIS).

These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The risk-based approach applies to both on and off-statement of financial position items. The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk.

The assets are weighted according to broad categories, each being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 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 2021;
- A core capital (tier 1) of not less than 10.5% (2020: 10.5%) of total risk weighted assets plus risk weighted off-statement of financial position items;
- A core capital (tier 1) of not less than 8% (2020: 8%)of its total deposit liabilities; and
- A total capital (tier 1 + tier 2) of not less than 14.5% (2020: 14.5%) of its total risk weighted assets plus risk adjusted off statement of financial position items.

Off-balance sheet credit related commitments and forwards are converted to credit risk equivalents using credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, goodwill and investments in subsidiary institutions and equity instruments of other institutions. Tier 2 capital includes the Bank's term subordinated debt and regulatory loan loss reserves and cannot exceed tier 1 capital. Regulatory loan loss reserves qualifying as tier 2 capital cannot exceed 1.25% of the risk weighted assets total value.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2021 KShs Million	2020 KShs Million
Tier 1 capital (Core capital)		
Share capital	3,412	3,412
Share premium	3,445	3,445
Retained earnings	38,406	34,781
Less: Deferred tax asset	(1,127)	(699)
Total Tier 1 capital (Core capital)	**44,136**	**40,939**
Tier 2 capital		
Regulatory credit risk reserve	-	-
Qualifying subordinate liabilities	5,700	5,504
Total Tier 2 capital	**5,700**	5,504
Total capital (Tier 1 + Tier 2)	**49,836**	**46,443**
Risk - weighted assets		
Operational risk	41,873	39,795
Market risk	8,004	7,658
Credit risk on-statement of financial position	194,636	172,496
Credit risk off-statement of financial position	43,665	36,523
Total risk - weighted assets	**288,178**	**256,472**
Capital adequacy ratios		
Core capital / total deposit liabilities	18.2%	18.5%
Minimum statutory ratio	8.0%	8.0%
Core capital / total risk - weighted assets	15.3%	16.0%
Minimum statutory ratio	10.5%	10.5%
Total capital / total risk - weighted assets	17.3%	18.1%
Minimum statutory ratio	14.5%	14.5%

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.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.4 Credit risk measurement (continued)

a) Loans and advances including loan commitments and guarantees(continued)

Loss given default (LGD)

Loss given default measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates and macroeconomic factors in a downturn period.

Exposure at default (EAD)

Exposure at default captures the impact of potential draw-downs against unutilised facilities and changes in counterparty risk positions due to changes in market prices. By using historical data, it is possible to estimate the average utilisation of limits of an account when default occurs, recognising that customers may use more of their facilities as they approach default.

b) Debt securities

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

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.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3.5 Risk limit control and mitigation policies (continued)

Some other specific control and mitigation measures are outlined below:

a) Credit tailored to customer profile

There is a clear distinction between the fundamental credit characteristics of the Group's customer base. This customer base is managed according to the following market segments:

- Corporate and Investment Banking (CIB)
- Business and Commercial clients (BCC) ; and
- Consumer and High Net Worth clients (CHNW)

The Group has established separate credit management functions for each market segment.

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

Corporate, sovereign and bank borrowers include Kenyan and international companies, sovereigns, local government entities, bank financial institutions, non-bank financial institutions and public sector entities. The entities include large companies as well as small and medium enterprises that are managed on a relationship basis. Creditworthiness is assessed based on a detailed individual assessment of the financial strength of the borrower. Exposure is usually in the form of short and long-term loans and advances but may include exposures arising from derivative contracts. In these sectors, credit risk management is characterised by a close working relationship between the counter-party, the customer relationship team and an independent credit evaluation manager. The credit evaluation manager bases his lending decision on an in-depth knowledge of the counterparty and the industry in which it operates, as well as an assessment of the creditworthiness of the counter-party based on a review of the audited financial statements and underlying risk parameters.

CIB believes that the use of sophisticated modelling techniques combined with an in-depth knowledge and understanding of each client is essential in properly assessing the credit risk, both initially and on an on-going basis, of each counterparty with whom it deals.

To this end, CIB uses software developed by third party vendors, which is widely used by the banking industry globally in its credit management process. Expected default frequencies are an important tool in the formal credit assessment process of both new and existing business, and also form the basis for monitoring changes in counterparty credit quality on a day to day basis. Expected default frequencies will continue to be a vital component of credit risk management as the Group continues to improve credit processes and increases focus on portfolio credit management.

Consumer & High Net Worth, and Business and Commercial clients (CHNW and BCC): Retail portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs. Qualifying retail revolving exposure (QRRE) relate to cheque accounts, credit cards and evolving personal loans and products, and include both drawn and undrawn exposures. Retail other covers other branch lending and vehicle finance for retail, retail small and retail medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account. Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio- specific historical default experience. The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

b) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

e) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral taken are:

Business and Commercial clients, and Consumer and High Net Worth (BCC & CHNW)	
Mortgage lending	First ranking legal charge over the property financed.
Vehicle and asset finance	Joint registration of vehicles.
Other loans and advances	Debentures over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Corporate and Investment Banking	
Corporate lending	All assets debenture over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Longer-term finance and lending to corporate entities is generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise possible credit loss, the Group seeks additional collateral from the counter-party as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuers are required to provide the Group with professional indemnity to cover the Group in cases of professional negligence relating to their valuations. The Group ensures that all properties used as collateral are adequately insured during the term of the loan. Valuation reports on properties are valid for three years after which the property and equipment is revalued.

The table on the following page shows the financial effect that collateral has on the Group's maximum exposure to credit risk. The table includes collateral that management takes into consideration in the management of the Group's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including non-performing loans, have been included. Collateral includes:

- Financial securities that have a tradable market, such as shares and other securities;
- Physical items, such as property, plant and equipment; and
- Financial guarantees and intangible assets.

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the Group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions.

In the retail portfolio, 77% (2020: 76%) is fully collateralised. The total average collateral coverage for all retail mortgage exposures above 50% collateral coverage category is 100% (2020: 100%). Of the Group's total exposure, 63% (2020: 55%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

						Collateral coverage - Total		
31 December 2021	Total exposure KShs Million	Unsecured exposure KShs Million	Secured exposure KShs Million	Netting agreements KShs Million	Secured exposure after netting KShs Million	Greater than 0% to 50% KShs Million	Greater than 50% to 100% KShs Million	Greater than 100% KShs Million
Asset class								
Corporate	**104,658**	**15,549**	**89,109**	**-**	**89,109**	**-**	**89,109**	**-**
Sovereign	**59,556**	**59,556**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to bank	**44,009**	**44,009**	**-**	**-**	**-**	**-**	**-**	**-**
Group	**17,582**	**17,582**	**-**	**-**	**-**	**-**	**-**	**-**
Other banks	**26,427**	**26,427**	**-**	**-**	**-**	**-**	**-**	**-**
Retail	**96,284**	**21,739**	**74,545**	**-**	**74,545**	**-**	**74,545**	**-**
Retail mortgage	**35,864**	**21,739**	**35,864**	**-**	**35,864**	**-**	**35,864**	**-**
Other retail	**60,420**	**-**	**38,681**	**-**	**38,681**	**-**	**38,681**	**-**
Total	**304,507**	**140,853**	**163,654**	**-**	**163,654**	**-**	**163,654**	**-**
Less: Impairments for loans and advances	**(15,653)**							
Total exposures	**288,854**							

31 December 2020								
Asset class								
Corporate	87,034	15,694	71,340	-	71,340	-	71,340	-
Sovereign	87,584	87,584	-	-	-	-	-	-
Loans and advances to bank	38,119	38,119	-	-	-	-	-	-
Group	27,171	27,171	-	-	-	-	-	-
Other banks	10,948	10,948	-	-	-	-	-	-
Retail	89,561	21,628	67,933	-	67,933	-	67,933	-
Retail mortgage	34,783	-	34,783	-	34,783	-	34,783	-
Other retail	54,778	21,628	33,150	-	33,150	-	33,150	-
Total	302,298	163,025	139,273	-	139,273	-	139,273	-
Less: Impairments for loans and advances	(18,434)							
Total exposure	283,864							

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).

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	2021 KShs Million	2020 KShs Million
Residential property	**53**	120
Assets financed under VAF	**210**	174
	263	294

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.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

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.

	2021 KShs Million	2020 KShs Million
Vehicle and asset finance	**682**	3,786
Other loans and advances	**5,409**	36,489
	6,091	40,275

4.3.6 Default and provisioning policy

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets as per IFRS 9:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

4.3.7 Credit quality

a) Maximum exposure to credit risk before collateral held or other credit enhancements

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 19 to 24. The Directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both the loan and advances portfolio and debt securities based on the following:

- 62% of the total maximum exposure is derived from loans and advances to customers (2020: 58%); 21% represents investments in debt securities (2020: 29%);
- 74% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2020: 74%);
- 86% of the loans and advances portfolio are considered to be neither past due nor impaired (2020: 86%); and
- 99.8% of all the debt securities, which the Bank has invested in, are issued by the Central Bank of Kenya (2020: 99.8%).

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class

The table below shows the credit quality by class of loans and advances, based on the Group's credit rating system:

		SB 1 - 12		SB 13 - 20		SB 21- 25		Default							
Year ended 31 December 2021	Gross Carrying amount KShs Million	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	Total gross carrying amount of default exposures KShs Million	Securities and expected recoveries on default exposures KShs Million	Interest in suspense on default exposures KShs Million	Balance sheet expected credit loss on default exposures KShs Million	Gross default coverage %	Non-performing exposures %
Loans and advances to customers															
CHNW	56,053	3	1	40,526	3,952	4,339	1,350	5,882	-	5,882	1,908	746	3,228	68%	10%
Mortgage loans	32,013	-	-	22,793	2,240	2,845	1,039	3,096	-	3,096	1,778	422	896	43%	10%
Vehicle and asset finance	3,067	-	1	1,905	448	243	86	384	-	384	41	63	280	89%	13%
Card debtors	622	-	-	566	35	-	-	21	-	21	14	-	7	33%	3%
Other loans and advances	20,351	3	-	15,262	1,229	1,251	225	2,381	-	2,381	75	261	2,045	97%	12%
BCC	40,230	25	5	19,391	6,823	1,270	5,583	7,133	-	7,133	3,174	824	3,135	56%	18%
Mortgage loans	3,851	-	-	606	3,228	-	-	17	-	17	1	9	7	94%	0%
Vehicle and asset finance	7,661	17	2	4,695	1,045	217	131	1,554	-	1,554	280	318	956	82%	20%
Card debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	28,718	8	3	14,090	2,550	1,053	5,452	5,562	-	5,562	2,893	497	2,172	48%	19%
CIB	104,658	11,571	-	79,488	3,927	136	47	9,489	-	9,489	5,105	977	3,442	47%	9%
Corporate	104,658	11,571	-	79,488	3,927	136	47	9,489	-	9,489	5,105	977	3,442	47%	9%
	200,941	11,599	6	139,405	14,702	5,745	6,980	22,504	-	22,504	10,187	2,547	9,805	55%	11%
Loans and advances to banks															
Bank	44,009	12,243	-	24,422	7,344	-	-	-	-	-	-	-	1	0%	0%
Gross carrying amount	244,950	23,842	6	163,827	22,046	5,745	6,980	22,504	-	22,504	10,187	2,547	9,806	49%	9%
Less: Total expected credit losses for loans and advances	(15,629)														
Net carrying amount of loans& advances measured at amortised cost	229,321														

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

The table below shows the credit quality by class of loans and advances, based on the Group's credit rating system:

Year ended 31 December 2020	Gross Carrying amount KShs Million	SB 1 - 12 Stage 1 KShs Million	SB 1 - 12 Stage 2 KShs Million	SB 13 - 20 Stage 1 KShs Million	SB 13 - 20 Stage 2 KShs Million	SB 21- 25 Stage 1 KShs Million	SB 21- 25 Stage 2 KShs Million	DEFAULT Stage 3 KShs Million	DEFAULT Purchased/originated credit impaired KShs Million	Total gross carrying amount of default exposures KShs Million	Securities and expected recoveries on default exposures KShs Million	Interest in suspense on default exposures KShs Million	Balance sheet expected credit loss on default exposures KShs Million	Gross default coverage %	Non-performing exposures %
Loans and advances to customers															
CHNW	51,067	-	-	40,477	-	165	5,780	4,645	-	4,645	1,603	649	2,393	57%	9%
Mortgage loans	30,784	-	-	24,816	-	-	3,386	2,582	-	2,582	1,400	433	749	39%	8%
Vehicle and asset finance	3,958	-	-	2,733	-	-	759	466	-	466	92	52	322	72%	12%
Card debtors	515	-	-	294	-	-	197	24	-	24	6	-	18	75%	5%
Other loans and advances	15,810	-	-	12,634	-	165	1,438	1,573	-	1,573	105	164	1,304	85%	10%
BCC	38,494	-	-	19,049	-	-	13,640	5,805	-	5,805	2,880	582	2,343	46%	15%
Mortgage loans	3,999	-	-	844	-	-	3,140	15	-	15	2	7	6	59%	0%
Vehicle and asset finance	9,169	-	-	6,386	-	-	1,481	1,302	-	1,302	81	244	977	79%	14%
Card debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	25,326	-	-	11,819	-	-	9,019	4,488	-	4,488	2,797	331	1,360	35%	18%
CIB	87,034	20,275	-	45,733	5,315	82	1,042	14,587	-	14,587	5,702	2,946	6,231	52%	17%
Corporate	87,034	20,275	-	45,733	5,315	82	1,042	14,587	-	14,587	5,702	2,946	6,231	52%	17%
	176,595	20,275	-	105,259	5,315	247	20,462	25,037	-	25,037	10,185	4,177	10,967	52%	14%
Loans and advances to banks															
Bank	38,110	26,582	-	11,528	-	-	-	-	-	-	-	-	4	0%	0%
Gross carrying amount	214,705	46,857	-	116,787	5,315	247	20,462	25,037	-	25,037	10,185	4,177	10,971	52%	13%
Less: Total expected credit losses for loans and advances	(18,419)														
Net carrying amount of loans & advances measured at amortised cost	196,286														

NOTES TO THE FINANCIAL STATEMENTS

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 2021	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
Financial assets measured atamortised cost									
Sovereign	21,797	21,797	-	-	-	-	-	-	-
Gross carrying amount	21,797								
Less: Total expected credit losses for loans and advances (Note 22.1)	(24)								
Net carrying amount of financial assets measured at amortised costs	21,773								
Financial assets at fair value through OCI									
Corporate	154	154			-	-	-	-	-
Sovereign	19,075	19,075	-	-	-	-	-	-	-
Gross carrying amount	19,229								
Add: Fair value reserve relating to fair value adjustments (before the ECL balance) (Note 21.1)	(2)								
Net carrying amount of financial assets measured at fair value through OCI	19,227								
Year ended 31 December 2020									
Financial assets measured at amortised cost									
Corporate	168	168	-	-	-	-	-	-	-
Sovereign	23,038	23,038	-	-	-	-	-	-	-
Gross carrying amount	23,206								
Less: Total expected credit losses for loans and advances	(15)								
Net carrying amount of financial assets measured at amortised costs	23,191								
Financial assets at fair value through OCI									
Sovereign	30,660	30,660	-	-	-	-	-	-	-
Gross carrying amount	30,660								
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	4								
Net carrying amount of financial assets measured at fair value through OCI	30,664								

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

c) Ageing analysis of past due but not impaired financial assets

Loans and advances less than 90 days past due are not considered credit impaired unless other information is available to indicate the contrary. The table below shows the ageing of financial assets that are past due at the reporting date but not credit impaired, per class.

	Performing (early arrears)			Non - performing		
	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	Total KShs Million
31 December 2021						
CHNW	3,833	1,341	933	-	-	6,107
Mortgage lending	2,066	873	769	-	-	3,708
Vehicle and asset finance	428	147	18	-	-	593
Other loans and advances	1,339	321	146	-	-	1,806
BCC	2,949	1,250	473	-	-	4,672
Mortgage lending	35	-	-	-	-	35
Vehicle and asset finance	747	286	81	-	-	1,114
Other loans and advances	2,167	964	392	-	-	3,523
Corporate and Investment Banking	9,516	2	3	-	-	9,521
Corporate lending	9,516	2	3	-	-	9,521
Total recognised financial instruments	16,298	2,593	1,409	-	-	20,300
31 December 2020						
CHNW	3,696	990	582	-	-	5,268
Mortgage lending	2,367	528	402	-	-	3,297
Vehicle and asset finance	496	209	45	-	-	750
Other loans and advances	833	253	135	-	-	1,221
BCC	3,138	1,077	260	-	-	4,475
Mortgage lending	17	14	-	-	-	31
Vehicle and asset finance	845	345	34	-	-	1,224
Other loans and advances	2,276	718	226	-	-	3,220
Corporate and Investment Banking	4,325	114	2	-	-	4,441
Corporate lending	4,325	114	2	-	-	4,441
Total recognised financial instruments	11,159	2,181	844	-	-	14,184

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.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.1 Governance committees (continued)

ii) Measurement of market risk

Measurement of market risks deals specifically and separately with normal market conditions and stress market conditions. Measurement of trading exposures under stress market conditions is effected by subjecting the portfolios to stress testing, e.g. historical scenarios, hypothetical scenarios on individual asset classes and across different asset classes. In order to highlight 'points of weakness' and identify particular sources of trading book exposure vulnerability, these stress tests capture the effects of abnormal movements in market variables (yield curves including basis curves, volatility surfaces, spot and/or rate moves, credit spread curves, recovery rate sensitivities, etc.).

iii) Management of market risk

The Group manages market risk through a specification of risk appetite in form of market risk limits. It uses a suite of risk measurement techniques, including Value at Risk (VaR), Stress Value at Risk (SVar), stress testing, stop loss triggers, back-testing and specific business unit and product controls.

iv) Reporting of market risk

Market Risk has reporting procedures that highlight for attention within Market Risk or by management all forms of exposures i.e. limit breaches or other reports that will periodically be required to submit to different stakeholders e.g. Local ALCO, Local Board, Shareholders, Rating agencies, Central Bank of Kenya and Internal Capital Adequacy Assessment Process (ICAAP) stakeholders.

4.4.2 Market risk exposure on banking operations

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on net interest income and the economic value of equity that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. They include endowment risk, repricing risk, basis risk, optionality risk and yield curve risk. The Group's approach to managing Interest Rate Risk in Banking Book (IRRBB) is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. Treasury and Capital Management team monitors banking book interest rate risk together with the country ALCO.

The market risk function is independent of trading operations and it is accountable to ALCO. It is responsible for identifying, measuring, managing, controlling and reporting market risk as outlined in the market risk governance standard, with support from the central market risk function. The market risk function also has the ability to set individual trader mandates. Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk management unit to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

4.4.3 Approved regulatory capital approaches

The Group applies the Standardised approach for calculating market risk capital. The standardised method uses a "building block" approach, with the capital charge for each risk category calculated separately.

Market risk qualifying assets includes interest rate risk assets in the trading book and foreign currency risk assets throughout the Group.

4.4.4 Trading book market risk

Trading book market risk is represented by financial instruments held on the trading book, arising out of normal global markets' trading activity.

4.4.5 Approach to managing market risk in the trading book

The Stanbic Bank policy is that all trading activities are undertaken within the Group's trading operations. The market risk functions are independent of trading operations and accountable to ALCO. All Value at Risk (VaR) and stressed VaR (SVaR) limits require prior approval from ALCO. The market risk functions have the authority to set limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

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

a) VaR and SVaR

The Group uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions.

For risk management purposes VaR is based on 250 days of unweighted recent historical data, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in

- Calculate 250 daily market price movements based on 250 days' historical data.
- Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

NOTES TO THE FINANCIAL STATEMENTS

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)

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 or hedge all positions fully.
- 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

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 2020 aggregate normal VaR, and aggregate SVaR.

Normal VaR Exposures

31 December 2021	Normal VAR (KShs 'million')			
Desk name	Maximum	Minimum	Average	Closing
FX trading	55	2	18	23
Money market trading	63	3	6	3
Fixed income trading	11	1	4	2
Money market banking	7	4	5	5
Bankwide	58	7	22	21

31 December 2020*	Normal VAR (KShs 'million')			
Desk name	Maximum	Minimum	Average	Closing
FX trading	79	1	17	14
Money market trading	42	10	25	10
Fixed income trading	16	4	8	7
Money market banking	12	3	6	6
Bankwide	101	3	22	24

SVaR Exposures

31 December 2021	SVAR (KShs 'million')			
Desk name	Maximum	Minimum	Average	Closing
FX trading	271	26	106	92
Money market trading	494	34	115	38
Fixed income trading	264	22	66	26
Money market banking	507	53	111	62
Bankwide	278	60	146	110

31 December 2020*	SVAR (KShs 'million')			
Desk name	Maximum	Minimum	Average	Closing
FX trading	280	25	107	128
Money market trading	1,148	121	555	127
Fixed income trading	236	48	139	146
Money market banking	854	175	475	175
Bankwide	1,152	98	523	158

* VAR and SVAR disclosures as at 31 December 2020 have been disclosed in 2021

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.4 Market risk (continued)

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

b) Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

c) Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical and hypothetical simulations. Daily losses experienced during the year ended 31 December 2021 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 hedges and risk-mitigation instruments.

e) Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

4.4.6 Foreign exchange risk

Definition

The Group's primary exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Approach to managing foreign currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily risk according to existing legislation, and accounting parameters. It takes into account naturally offsetting risk positions and manages the Group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

The repositioning of the currency profile is a controlled process based on underlying economic views of the relative strength of currencies. The Group does not ordinarily hold open exposures of any significance with respect to the banking book.

Gains or losses on derivatives are reported in profit or loss.

The table below summarises the Group's exposure to foreign exchange risk at 31 December 2021. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Kenya Shillings):

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

At 31 December 2021	USD	GBP	EUR	Others	Total
Assets					
Cash and bank balances with banks abroad	12,599	671	942	2,115	16,327
Loans and advances	68,681	317	4,595	15	73,608
Investment in government securities	2,692	-	-	-	2,692
Balances due from group companies	20,573	3,696	314	876	25,459
Other foreign currency assets	2,483	(13)	29	622	3,121
Total foreign currency denominated financial assets	107,028	4,671	5,880	3,628	121,207
Liabilities					
Amounts due to banking institutions abroad	8,524	-	1,822	2	10,348
Deposits	80,621	5,828	10,430	1,065	97,944
Borrowings	5,700	-	-	-	5,700
Balances due to group companies	9,970	50	297	-	10,317
Other foreign currency liabilities	3,636	39	131	2,036	5,842
Total foreign currency denominated financial liabilities	108,451	5,917	12,680	3,103	130,151
Net on balance sheet financial position	(1,423)	(1,246)	(6,800)	525	(8,944)
Off balance sheet net notional position	3,533	1,198	6,818	(811)	10,738
Overall net position	2,110	(48)	18	(286)	1,794

At 31 December 2020	USD	GBP	Euro	Others	Total
Assets					
Cash and bank balances with banks abroad	15,905	492	1,186	1,553	19,136
Loans and advances	59,244	942	6,360	15	66,561
Investment in Government Securities	2,554	-	-	-	2,554
Balances due from Group Companies	17,885	5,191	-	637	23,713
Other foreign currency assets	3,232	-	321	149	3,702
Total foreign currency denominated financial assets	**98,820**	**6,625**	**7,867**	**2,354**	**115,666**
Liabilities					
Amounts due to banking institutions abroad	12,011	7	83	472	12,573
Deposits	82,768	7,353	7,172	1,156	98,449
Borrowings	5,502	-	-	-	5,502
Balances due to group companies	12,432	-	2,691	-	15,123
Other foreign currency liabilities	12,446	3	700	1,078	14,227
Total foreign currency denominated financial liabilities	**125,159**	**7,363**	**10,646**	**2,706**	**145,874**
Net on balance sheet financial position	(26,339)	(738)	(2,779)	(352)	(30,208)
Off balance sheet net notional position	26,456	724	3,162	127	30,469
Overall net position	**117**	**(14)**	**383**	**(225)**	**261**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. The Board sets limit on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored daily. The table indicates the extent to which the bank was exposed to currency risk as at 31st December on its monetary assets and liabilities denominated in foreign currency. It shows the sensitivity analysis for each currency to which the bank has significant exposure and the effect of the change in exchange rate on the income statement. Percentage exchange rate changes represent the average of the largest 1 and 10 days increase/decrease for the year.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

	Increase in currency rate in % 2021	Effect on profit before tax 2021 KShs Million	Effect on equity 2021 KShs Million	Decrease in currency rate in % 2021	Effect on profit before tax 2021 KShs Million	Effect on equity 2021 KShs Million
Year ended 31 December 2021						
Currency						
USD	**1.01%**	**21**	**15**	**(3.43%)**	**(72)**	**(50)**
GBP	**1.96%**	**(1)**	**(1)**	**(2.80%)**	**1**	**1**
EUR	**3.67%**	**1**	**1**	**(3.10%)**	**(1)**	**(1)**
Year ended 31 December 2020						
Currency						
USD	2.45%	3	2	(2.17%)	3	2
GBP	5.53%	(1)	(1)	(3.96%)	(1)	(1)
EUR	2.48%	9	6	(3.59%)	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
- **Yield curve risk:** shifts in the yield curves that have adverse effects on the Group's income or underlying
- **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
- **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets, interest rate insensitive liabilities such as non-paying liabilities, and equity.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss)

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 Bank's Treasury and Capital Management team monitors banking book interest rate risk operating under the oversight of ALCO.

Measurement

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

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

Limits

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

3.4 Market risk (continued)

4.4.7 Interest rate risk (continued)

Hedging of endowment risk (continued)

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.

	Increase in basis points 2021 KShs Million	Sensitivity of net interest income 2021 KShs Million	Sensitivity of other comprehensi ve income 2021 KShs Million	Decrease in basis points 2021 KShs Million	Sensitivity of net interest income 2021 KShs Million	Sensitivity of other comprehensive income 2021 KShs Million
Currency						
KShs	**250**	**497**	**(100)**	**(200)**	**(566)**	**80**
Others*	**100**	**2**	**-**	**(100)**	**-**	**-**
Currency						
KShs	250	242	(68)	(200)	(334)	54
Others*	100	(1)	-	(100)	-	-

* These are any other currencies held by the Group not denominated in KShs.

4.5 Liquidity risk

Liquidity risk arises when the Group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms. This inability to maintain or generate sufficient cash resources may arise where counterparties who provide the Group with short-term funding withdraw or do not rollover that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The nature of banking and trading activities results in a continuous exposure to liquidity risk. The Group manages liquidity in accordance with applicable regulations and within Group's risk appetite. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity at various levels to ensure that all payment obligations can be met by the Group under both normal and stressed conditions. Liquidity risk management ensures that the Group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Bank's liquidity risk management framework differentiates between:

- **Tactical (shorter-term) risk management:** managing intra-day liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by ALCO.
- **Structural (long-term) liquidity risk management:** ensuring a structurally sound statement of financial position, a diversified funding base and prudent term funding requirements.
- **Contingent liquidity risk management:** monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

Governance committees

The primary governance committee overseeing this risk is the Group Asset Liability Committee (ALCO), which is chaired by the Chief Executive. There is independent risk oversight of all liquidity limits and guidelines by Market Risk, Finance and Central Asset Liability Management units. ALCO reports to the Board Risk Committee.

Approach to managing liquidity risk

There is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures. The following elements are incorporated as part of a cohesive liquidity management process:

a) Maintaining a structurally sound statement of financial position;

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analysis are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group's defined liquidity risk thresholds.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

b) Foreign currency liquidity management;

A specific number of indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

c) Ensuring the availability of sufficient contingency liquidity;

Funding markets are evaluated on an on-going basis to ensure appropriate Group funding strategies are executed depending on the market, competitive and regulatory environment. The Group employs a diversified

d) Preserving a diversified funding base;

Concentration risk limits are used within the Group to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital.

e) Undertaking regular liquidity stress testing;

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the funding profiles and liquidity positions of the Group. The crisis impact is typically measured over a two month period, as this is considered the most crucial time horizon for a liquidity event. Anticipated on- and off-balance sheet cash flows are subjected to a variety of Group-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group's ability to maintain sufficient liquidity under adverse conditions.

f) Maintaining adequate liquidity contingency plans or liquidity buffer;

Portfolios of highly marketable securities over and above regulatory and stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO defined limits on the basis of diversification and liquidity.

g) Short-term and long-term cash flow management;

Active liquidity and funding management is an integrated effort across a number of functional areas. Short- term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The Group's long term funding strategy is derived from the projected net asset growth which includes consideration of Personal & Business Banking and Corporate & Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenure and currency exposure, as well as the availability and pricing of alternative liquidity sources.

Liquidity contingency plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator process supported by a clear and decisive crisis response strategy. Early warning indicators cover bank- specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

The cumulative impact of the above elements is monitored on a monthly basis by the Group's ALCO and the process is underpinned by a system of extensive internal and external controls. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

To ensure integrity of the process there is use of application of purpose built technology, documented processes and procedures; independent oversight by risk management and regular independent reviews and evaluations of the effectiveness of the system. The total amount of liquidity held is adequate to meet all internal stress tests as well as regulatory requirements.

Exposure to liquidity risk

The key measure by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and financial investment debt securities for which there is an active and liquid market less any deposits from Groups. Details of the reported Group's key subsidiary, Stanbic Bank Kenya Limited, ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2021 %	2020 %
At 31 December	44.2	56.4
Average for the year	51.5	58.8
Maximum for the year	59.8	61.5
Minimum for the year	43.3	51.0
Statutory minimum requirement	20.0	20.0

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

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.

Maturity analysis for financial assets and financial liabilities - GROUP

	Carrying value 2021 KShs Million	Gross nominal inflow/ (outflow) 2021 KShs Million	Redeemable on demand 2021 KShs Million	Maturing within 1 month 2021 KShs Million	Maturing after 1 month but within 6 months 2021 KShs Million	Maturing after 6 months but within 12 months 2021 KShs Million	Maturing after 12 months but within 5 years 2021 KShs Million	Maturing After 5 years 2021 KShs Million
Non- derivative financial assets								
Cash and balances to banks	15,403	15,403	15,403	-	-	-	-	-
Financial assets at FVTPL	18,535	20,002	-	2,049	13,513	1,383	2,053	1,004
Financial assets at FVOCI	19,227	20,338	-	1,024	10,594	6,117	2,603	-
Financial assets at amortised cost	21,773	32,741	-	8	1,676	1,508	19,055	10,494
Loans and advances to banks	44,008	45,486	15,565	24,238	2,583	176	2,924	-
Loans and advances to customers	185,313	260,492	14,638	4,401	22,626	26,405	163,834	28,588
Other assets	3,032	3,032	3,032	-	-	-	-	-
	307,291	397,494	48,638	31,720	50,992	35,589	190,469	40,086
Derivative assets:	1,881							
- Inflows		(404)	-	(191)	(77)	(67)	(69)	-
- Outflows		7,844	-	516	3,908	2,344	1,076	-
	1,881	7,440	-	325	3,831	2,277	1,007	-
Non- derivative financial liabilities								
Amounts due to other banks	(12,243)	(12,423)	(2,577)	(58)	(149)	(410)	(7,442)	(1,787)
Customer deposits	(242,345)	(243,359)	(158,525)	(69,431)	(13,313)	(1,428)	(623)	39
Financial liabilities	(357)	475	-	-	19	19	437	-
Borrowings	(5,700)	(6,554)	-	(21)	(101)	(113)	(569)	(5,750)
Other liabilities	(5,453)	(5,453)	(5,453)	-	-	-	-	-
	(266,098)	(267,314)	(166,555)	(69,510)	(13,544)	(1,932)	(8,197)	(7,576)
Derivative liabilities:	(1,743)							
- Inflows		(11,947)	-	(327)	(7,333)	(3,737)	(550)	-
- Outflows		165	-	10	23	96	36	-
	(1,743)	(11,782)	-	(317)	(7,310)	(3,641)	(514)	-

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Exposure to liquidity risk

Maturity analysis for financial assets and financial liabilities (continued)- GROUP

	Carrying value 2020 KShs Million	Gross nominal inflow/ (outflow) 2020 KShs Million	Redeemable on demand 2020 KShs Million	Maturing within 1 month 2020 KShs Million	Maturing after 1 month but within 6 months 2020 KShs Million	Maturing after 6 months but within 12 months 2020 KShs Million	Maturing after 12 months but within 5 years 2020 KShs Million	Maturing After 5 years 2020 KShs Million
Non- derivative financial assets								
Cash and balances to banks	18,077	18,077	18,077	-	-	-	-	-
Financial assets at FVTPL	33,729	34,021	-	8,791	11,954	10,118	1,579	1,579
Financial assets at FVOCI	30,664	31,711	-	3,500	8,572	18,172	1,467	-
Financial assets at amortised cost	23,191	27,855	-	8	949	949	15,511	10,438
Loans and advances to banks	38,119	37,273	11,233	18,282	3,027	179	4,552	-
Loans and advances to customers	158,180	224,914	16,109	3,978	20,406	23,869	112,696	47,856
Other assets	4,759	4,759	4,759	-	-	-	-	-
	306,719	378,610	50,178	34,559	44,908	53,287	135,805	59,873
Derivative assets:	2,956							
- Inflows	-	(225)	-	(2)	(20)	(38)	(165)	-
- Outflows	-	11,642	-	1,416	6,457	2,739	1,030	-
	2,956	11,417	-	1,414	6,437	2,701	865	-
Non- derivative financial liabilities								
Amounts due to other banks	(42,526)	(43,440)	-	(43,326)	(18)	(21)	(75)	-
Customer deposits	(217,444)	(218,201)	(130,620)	(73,538)	(12,019)	(1,122)	(895)	(7)
Financial liabilities	(418)	(1,000)	-	(515)	(17)	(66)	(402)	-
Borrowings	(5,504)	(6,591)	-	(66)	(395)	(790)	(3,502)	(1,838)
Other liabilities	(6,722)	(6,722)	(6,722)	-	-	-	-	-
	(272,614)	(275,954)	(137,342)	(117,445)	(12,449)	(1,999)	(4,874)	(1,845)
Derivative liabilities:	2,601							
- Inflows	-	(1,481)	-	(111)	(862)	(463)	(45)	-
- Outflows	-	22	-	1	21	-	-	-
	2,601	(1,459)	-	(110)	(841)	(463)	(45)	-

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

The amounts in the table above have been compiled as follows:

Type of financial	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows which include interest payments
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purpose	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprises cash and cash equivalents and debt securities issued by sovereigns which can be readily sold to meet liquidity requirements. In addition the Group maintains lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central bank.

The table below analyses the Company's non-derivative financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	0-3 MONTHS KShs Million
COMPANY	
At 31 December 2021	
Cash and balances to banks	**117**
Other liabilities	**(129)**
	(12)
At 31 December 2020	
Cash and balances to banks	132
Other liabilities	(144)
	(12)

4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar

The following table sets out the impact of offset, as well as financial assets and financial liabilities that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they have been offset in accordance with IAS 32, as required by IFRS 7R disclosure requirements. The gross amounts of financial asset and financial liabilities and their net amounts disclosed in the table below have been measured in the statement of financial position on the following bases:

- Derivative asset and liabilities – fair value;
- Loans and advances – amortised cost; and
- Customer deposits – amortised cost.

As at 31 December 2021, the Group had cash margins of KShs 1,470,000,000 (2020: KShs 1,321,000,000) held as collateral against loans and advances to customers. Therefore, the credit facilities secured by cash margins can be settled at net.

The ISDA* and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the bank or the counterparties following other predetermined events. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and the liabilities simultaneously.

The Group receives collateral in the form of cash in respect of lending.

The table below sets out the nature of agreement, and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement or similar agreement.

NOTES TO THE FINANCIAL STATEMENTS

4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

Financial instrument	Nature of agreement	Basis on which amounts are compiled
Derivative assets and liabilities	ISDAs	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.*

5 Segment information

The Group is required to disclose information to the users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates in compliance with IFRS 8.

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Identification of segments and the measurement of segment results is based on the Group's internal reporting to management.

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive (CE) with the assistance of the Group's Leadership Council (KLC) and the Asset and Liability Committee (ALCO). Management considers the business from client turnover perspective.

The Group has therefore segmented its business as CHNW, BCC and CIB. This is in line with Group reporting and decision-making reports.

The geographical spread (across borders) is also used as a part of performance analysis. The Group's main subsidiary (Stanbic Bank Kenya Limited) operates one Branch in the Republic of South Sudan.

CHNW and BCC

CHNW and BCC provides banking services to individual customers and small to medium sized enterprises. The products offered include:

(i) Mortgage Lending – provides residential accommodation loans to individual customers.

(ii) Instalment Sales and Finance Leases – comprises two areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.

(iii) Card Products – provides card facilities to individuals and businesses.

(iv) Transactional and Lending Products – transactions in products associated with the various points of contact channels such as Automated Teller Machines (ATMs), Internet, and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.

Corporate and Investment Banking (CIB)

CIB provides commercial and investment banking services to larger corporates, financial institutions, and international counter-parties. The products offered include:

- Global Markets – includes foreign exchange and debt securities trading.
- Transactional products and services – includes transactional banking and investor services.
- Investment Banking – includes project finance, advisory, structured finance, structured trade finance, corporate lending, primary markets and property finance.

The Group does not have any customer that contributes more than 10% of its revenue nor a customer that constitutes more than 10% of deposits or loans (2020: None)

NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

(a) Results by business units

Statement of profit and loss	Total 2021 KShs Million	Total 2020 KShs Million	CIB 2021 KShs Million	CIB 2020 KShs Million	BCC 2021 KShs Million	BCC 2020 KShs Million	CHNW 2021 KShs Million	CHNW 2020 KShs Million
Interest income	20,567	20,302	11,150	11,398	3,591	3,688	5,826	5,216
Interest expense	(6,194)	(7,507)	(4,608)	(5,397)	166	(308)	(1,752)	(1,802)
Net interest income	14,373	12,795	6,542	6,001	3,757	3,380	4,074	3,414
Fees and commission revenue	4,872	4,642	2,715	2,828	1,167	834	990	980
Fees and commission expense	(740)	(582)	(213)	(227)	(226)	(39)	(301)	(316)
Net fees and commission income	4,132	4,060	2,502	2,601	941	795	689	664
Trading revenue	5,988	6,234	4,512	4,685	828	921	648	628
Net income from financial instruments at fair value through profit or loss	592	93	592	93	-	-	-	-
Other income	47	38	173	35	(138)	3	12	-
Other (losses)/gains on financial instruments	(143)	17	(143)	17	-	-	-	-
Trading and other income	6,484	6,382	5,134	4,830	690	924	660	628
Total income	24,989	23,237	14,178	13,432	5,388	5,099	5,423	4,706
Credit impairment losses	(2,524)	(4,876)	(326)	(2,606)	(953)	(1,182)	(1,245)	(1,088)
Net income before operating expenses	22,465	18,361	13,852	10,826	4,435	3,917	4,178	3,618
Employee benefits expense	(6,519)	(5,929)	(3,354)	(4,232)	(1,158)	(441)	(2,007)	(1,256)
Depreciation and amortisation expense	(813)	(804)	(413)	(595)	(121)	(5)	(279)	(204)
Depreciation on right-of use assets	(352)	(458)	(121)	(205)	(15)	(9)	(216)	(244)
Other operating expenses	(5,016)	(4,895)	(2,231)	(555)	(2,054)	(2,812)	(731)	(1,528)
Finance costs	(9)	(48)	(9)	(48)	-	-	-	-
Total operating expenses	(12,709)	(12,134)	(6,128)	(5,635)	(3,348)	(3,267)	(3,233)	(3,232)
Profit before income tax	9,756	6,227	7,724	5,191	1,087	650	945	386
Income tax expense	(2,548)	(1,035)	(1,745)	(740)	(417)	(157)	(386)	(138)
Profit for the year	7,208	5,192	5,979	4,451	670	493	559	248

NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

5 (a) Results by business units (continued)

Statement of financial position	Total 2021 KShs Million	Total 2020 KShs Million	CIB 2021 KShs Million	CIB 2020 KShs Million	BCC 2021 KShs Million	BCC 2020 KShs Million	CHNW 2021 KShs Million	CHNW 2020 KShs Million
Assets								
Cash and balances with Central Bank of Kenya	15,403	18,077	11,277	12,385	2,664	3,747	1,462	1,945
Financial assets – (FVTPL)	18,535	33,729	18,535	33,729	-	-	-	-
Financial assets – (FVOCI)	19,227	30,664	19,227	30,664	-	-	-	-
Financial assets – (amortised cost)	21,773	23,191	21,773	23,191	-	-	-	-
Derivative assets	1,881	2,956	1,881	2,956	-	-	-	-
Loans and advances to banks	44,008	38,119	42,412	37,978	1,216	63	380	78
Loans and advances to customers	185,313	158,180	99,509	76,683	35,692	34,768	50,112	46,729
Other assets and prepayments	3,704	4,759	832	564	1,450	2,043	1,422	2,152
Investment in subsidiaries and other investments	18	18	10	18	4	-	4	-
Property and equipment	1,915	2,242	719	1,064	263	545	933	633
Right-of-use assets (leasehold land)	39	42	23	21	8	11	8	10
Other intangible assets	1,021	864	600	485	206	174	215	205
Intangible assets - goodwill	9,350	9,350	8 ,882	9,350	468	-	-	-
Right-of-use assets (buildings)	1,037	1,479	207	-	59	783	771	696
Deferred tax asset	5,648	4,847	3,731	3,089	876	995	1,041	763
Asset classified as held-for-sale	-	76	-	76	-	-	-	-
Total assets	328,872	328,593	229,618	232,253	42,906	43,129	56,348	53,211
Liabilities								
Derivative liabilities	1,743	2,601	1,743	2,601	-	-	-	-
Financial liabilities – FVTPL	357	418	357	418	-	-	-	-
Deposits from banks	12,243	42,526	12,243	42,526	-	-	-	-
Deposits from customers	242,345	217,444	113,340	99,195	56,467	49,436	72,538	68,813
Borrowings	5,700	5,504	3,318	3,166	1,164	1,165	1,218	1,173
Other liabilities and accrued expenses	7,149	6,581	5,724	4,030	48	454	1,377	2,097
Current tax liability	1,751	395	1,048	281	246	105	457	9
Deferred tax liability	-	1	-	-	-	1	-	-
Lease liabilities	1,132	1,386	373	614	105	229	654	543
Liabilities directly associated with assets classified as held-for-sale	-	7	-	7	-	-	-	-
Total liabilities	272,420	276,863	138,146	152,838	58,030	51,390	76,244	72,635
Equity	56,452	51,730	33,278	33,529	11,588	9,192	11,586	9,009
Funding	-	-	58,194	45,886	(26,712)	(17,453)	(31,482)	(28,433)
Total equity and liabilities	328,872	328,593	229,618	232,252	42,906	43,129	56,348	53,211

NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

5 (b) Results by geographical area

Statement of profit and loss	Total 2021 KShs Million	Total 2020 KShs Million	Kenya 2021 KShs Million	Kenya 2020 KShs Million	South Sudan 2021 KShs Million	South Sudan 2020 KShs Million
Interest income	20,567	20,302	20,561	20,296	6	6
Interest expense	(6,194)	(7,507)	(6,089)	(7,411)	(105)	(96)
Net interest income	14,373	12,795	14,472	12,885	(99)	(90)
Fees and commissSion revenue	4,872	4,642	4,066	3,729	806	913
Fees and commission expense	(740)	(582)	(721)	(542)	(19)	(40)
Net fees and commission income	4,132	4,060	3,345	3,187	787	873
Trading revenue	5,988	6,234	5,222	5,403	766	831
Net income from financial instruments at fair value through profit or loss	592	93	592	93	-	-
Other income	47	38	46	38	1	-
Other (losses)/gains on financial instruments	(143)	17	(143)	17	-	-
Trading and other income	6,484	6,382	5,717	5,551	767	831
Total income	24,989	23,237	23,534	21,623	1,455	1,614
Credit impairment losses	(2,524)	(4,876)	(2,523)	(4,877)	(1)	1
Net income before operating expenses	22,465	18,361	21,011	16,746	1,454	1,615
Employee benefits expense	(6,519)	(5,929)	(5,952)	(5,304)	(567)	(625)
Depreciation and amortisation expense	(813)	(804)	(784)	(788)	(29)	(16)
Depreciation on right-of use assets	(352)	(458)	(261)	(327)	(91)	(131)
Other operating expenses	(5,016)	(4,895)	(4,575)	(4,387)	(441)	(508)
Finance costs	(9)	(48)	(2)	(24)	(7)	(24)
Total operating expenses	(12,709)	(12,134)	(11,574)	(10,830)	(1,135)	(1,304)
Profit before income tax	9,756	6,227	9,437	5,916	319	311
Income tax expense	(2,548)	(1,035)	(2,483)	(1,047)	(65)	12
Profit for the year	7,208	5,192	6,954	4,869	254	323

NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

5 (b) Results by geographical area (continued)

Statement of financial position Assets	Total 2021 KShs Million	Total 2020 KShs Million	Kenya 2021 KShs Million	Kenya 2020 KShs Million	South Sudan 2021 KShs Million	South Sudan 2020 KShs Million
Cash and balances with Central Bank of Kenya	15,403	18,077	10,719	17,110	4,684	967
Financial assets – (FVTPL)	18,535	33,729	18,535	33,729	-	-
Financial assets – (FVOCI)	19,227	30,664	19,227	30,664	-	-
Financial assets – (amortised cost)	21,773	23,191	21,773	23,191	-	-
Derivative assets	1,881	2,956	1,881	2,956	-	-
Loans and advances to banks	44,008	38,119	31,649	23,890	12,359	14,229
Loans and advances to customers	185,313	158,180	185,293	158,162	20	18
Other assets and prepayments	3,704	4,759	3,690	6,739	14	(1,980)
Investment in subsidiaries and other investments	18	18	18	18	-	-
Property and equipment	1,915	2,242	1,785	2,077	130	165
Right-of-use assets (leasehold land)	39	42	39	42	-	-
Other intangible assets	1,021	864	1,015	861	6	3
Intangible assets - goodwill	9,350	9,350	9,350	9,350	-	-
Right-of-use assets (buildings)	1,037	1,479	805	946	232	533
Deferred tax asset	5,648	4,847	5,630	4,847	18	-
Asset classified as held-for-sale	-	76	-	76	-	-
Total assets	328,872	328,593	311,409	314,658	17,463	13,935
Liabilities						
Derivative liabilities	1,743	2,601	1,743	2,601	-	-
Financial liabilities – FVTPL	357	418	357	418	-	-
Deposits from banks	12,243	42,526	10,476	40,938	1,767	1,588
Deposits from customers	242,345	217,444	230,497	206,901	11,848	10,543
Borrowings	5,700	5,504	5,700	5,504	-	-
Other liabilities and accrued expenses	7,149	6,581	4,671	6,268	2,478	- 313
Current tax liability	1,751	395	1,732	392	19	3
Deferred tax liability	-	1	-	-	-	1
Lease liabilities	1,132	1,386	850	1,038	282	348
Liabilities directly associated with assets classified as held- for-sale	-	7	-	7	-	-
Total liabilities	272,420	276,863	256,026	264,067	16,394	12,796
Equity	56,452	51,730	55,383	50,591	1,069	1,139
Total equity and liabilities	328,872	328,593	311,409	314,658	17,463	13,935

NOTES TO THE FINANCIAL STATEMENTS

5 Segment information (continued)

5 (b) Results by geographical area (continued)

Reconciliation of reportable assets and liabilities

	GROUP 2021 KShs Million	GROUP 2020 KShs Million
Assets		
Total assets for reportable segments	350,330	338,368
Elimination of inter-branch balances with South Sudan	(21,458)	(9,775)
Entity's assets	328,872	328,593
Liabilities		
Total liabilities and equities for reportable segments	350,330	338,368
Elimination of inter-branch balances with South Sudan	(21,458)	(9,775)
Entity's liabilities and equities	328,872	328,593

	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
6 Interest income				
Loans and advances to customers	15,524	14,975	-	-
Financial assets – (FVOCI)	2,131	2,149	-	-
Financial assets – (amortised cost)	2,493	2,380	-	-
Placements and other bank balances	419	798	4	1
	20,567	20,302	4	1
7 Interest expense				
Current accounts	1,424	1,556	-	-
Savings and term deposit accounts	4,207	4,664	-	-
Deposits and placements from other banks	211	567	-	-
Interest on borrowed funds	242	547	-	-
Interest expense on lease liabilities (Note 31)	110	173	-	-
	6,194	7,507	-	-
Net interest income	14,373	12,795	4	1

All interest income reported above relates to financial assets not carried at fair value through profit or loss and all interest expense reported relates to financial liabilities not carried at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

		GROUP		COMPANY	
		2021 KShs Million	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
8	**Fees and commission revenue**				
	Account transaction fees	**1,471**	1,574	-	-
	Knowledge based and client administration fees	**1,251**	1,110	-	-
	Electronic banking fees	**591**	541	-	-
	Foreign service fees	**571**	486	-	-
	Documentation and administration fees	**234**	241	-	-
	Brokerage commission	**216**	256	-	-
	Other bank related fees and commission	**538**	434	-	-
		4,872	4,642	**-**	-

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 332,403,182 (2020: KShs 298,974,575).

All net fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.

		GROUP		COMPANY	
		2021 KShs Million	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
9	**Fees and commission expense**				
	Card based commission expenses	**218**	212	-	-
	Brokerage fees	**43**	91	-	-
	Other bank related fees and commission expenses	**479**	279	-	-
		740	582	**-**	-
10	**Trading revenue**				
	Net foreign exchange income	**6,031**	6,037	-	-
	(Loss)/gain in monetary value	**(43)**	197	-	-
		5,988	6,234	-	-
11 (a)	**Net income from financial instruments at fair value through profit or loss**				
	Fixed Income-financial assets-(FVTPL/ Held for trading)	**592**	93	-	-
11 (b)	**Other (losses)/gains on financial instruments**				
	Net gain on disposal of financial assets - FVTPL	**(143)**	17	-	-
		(143)	17	-	-

NOTES TO THE FINANCIAL STATEMENTS

		GROUP		COMPANY	
		2021 KShs Million	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
12	**Other income**				
	Gain on disposal of property and equipment	-	4	-	-
	Dividend income	-	-	**2,235**	2,320
	Other income	**47**	34	-	-
		47	38	**2,235**	2,320
13	**Employee benefits expense**				
	Salaries and wages	**6,027**	5,478	**34**	-
	Retirement benefit costs	**492**	451	**2**	-
		6,519	5,929	**36**	-
	Included in retirement benefit costs are;				
	Defined contribution scheme	**488**	447	-	-
	National Social Security Fund	**4**	4	-	-
		492	451	-	-
	Average staff numbers for the year;				
	Management	**399**	365	-	-
	Supervisory	**420**	425	-	-
	Clerical and other categories	**248**	209	-	-
	Total	**1,067**	999	-	-

			GROUP		COMPANY	
		Notes	**2021 KShs Million**	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
14	**Breakdown of expenses by nature**					
	Profit before tax has been arrived at after charging-;					
	Employee benefits	13	**6,519**	5,929	**36**	-
	Audit fees		**41**	43	**3**	3
	Directors' fees		**83**	59	**9**	9
	Depreciation of property and equipment	26	**498**	473	-	-
	Depreciation on right-of use assets	30	**352**	458	-	-
	Amortisation of right-of-use leasehold land	27	**3**	3	-	-
	Amortisation of intangible assets	28	**312**	328	-	-
	Franchise fees	42 (i)	**732**	675	-	-

NOTES TO THE FINANCIAL STATEMENTS

15 Finance costs

	Notes	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
Bank charges		9	48	1	-
		9	48	1	-
16 Income tax expense					
Current income tax		3,356	1,373	7	5
Current year charge	37 (a)	3,356	1,373	7	5
Previous year current income tax over provision		-	-	-	-
Deferred income tax		(808)	(338)	-	(5)
Current year (credit)/charge Kenya operations	38 (a)	(789)	(330)		(5)
Current year (credit)/charge foreign operations	38 (b)	(19)	(8)	-	-
Income tax expense for the year		2,548	1,035	7	-

Reconciliation of tax expense to expected tax base based on accounting profit:
The tax on the profit before tax differs from the theoretical amount using the statutory income tax rate as follows:

	2021 KShs Million	2020 KShs Million	2021 KShs Million	2020 KShs Million
Profit before income tax	9,756	6,227	2,176	2,275
Tax at statutory tax rate of 30% (2020: 25%)	2,927	1,557	653	569
Tax effect of:				
Income not subjected to tax	(481)	(1,054)	(671)	(580)
Expenses not deductible for tax purposes	138	402	25	11
Previous year's current tax over provision	-	160	-	-
Effect of tax paid in other jurisdictions	(25)	(7)	-	-
Effect of different tax rate in South Sudan	11	(23)	-	-
Income tax expense	2,548	1,035	7	-

17 Earnings per share
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

17 Earnings per share (continued)

	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
Earnings (Profit after tax)				
Earnings for the purposes of basic earnings per share (KShs Million)	7,208	5,192	2,169	2,275
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	18.23	13.13	5.49	5.75

There were no dilutive potential ordinary shares as at 31 December 2021 or 31 December 2020. Therefore, diluted earnings per share are the same as basic earnings per share.

	GROUP AND COMPANY 2021	GROUP AND COMPANY 2020
18 Dividend		
The calculation of dividends per share is based on:		
Dividends for the year attributable to ordinary shareholders:		
Interim dividend paid (KShs millions)	672	-
Final dividend proposed (KShs millions)	2,886	1,502
	3,558	1,502
Number of ordinary shares at issue date (in millions)	395	395
Dividends per share – KShs	9.00	3.80

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

At the next annual general meeting, a final dividend in respect of the year ended 31 December 2021 of KShs 7.30 (2020: KShs 3.80) per share amounting to a total of KShs 2,886,224,000 (2020: KShs 1,502,224,000) is to be proposed. These financial statements do not reflect this dividend as payable, the proposed dividend has however been transferred to a separate category of equity.

During the year an interim dividend of KShs 1.70 per share totalling to KShs 672,047,000 was paid (2020: Nil).

Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 10% for non-resident shareholders. Dividend paid to resident shareholders who own more than 12.5% share-holding are exempt from withholding tax.

NOTES TO THE FINANCIAL STATEMENTS

19 Cash and balances with Central Bank of Kenya

	GROUP		COMPANY	
	2021 KShs Million	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
Cash in hand	**3,866**	2,877	**-**	-
Balances with Central Bank of Kenya	**11,537**	15,200	**-**	-
	15,403	18,077	**-**	-

The Group's key subsidiary, Stanbic Bank Kenya Limited are 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 2021, the cash reserve requirement was 4.25% of the eligible deposits (2020: 4.25%).

The cash reserve requirement balance for the year ended 31 December 2021 is KShs. 9,547,857,985 (2020: KShs 8,779,084,750). The Central Bank allows a daily minimum of 3% (2020: 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. 6,739,664,460 as at 31 December 2021 (2020: KShs 6,197,000,990). The bank complied with the CRR requirement throughout the reporting period.

20 Financial assets and liabilities – FVTPL

20 (a) Financial assets – (FVTPL)

	GROUP	
Debt securities	**2021 KShs Million**	2020 KShs Million
Government treasury bills and bonds	**18,535**	33,729
	18,535	33,729
Maturity analysis;		
Maturing within 1 month	**2,951**	8,600
Maturing after 1 months but within 6 months	**12,194**	11,651
Maturing after 6 months but within 12 months	**1,279**	9,625
Maturing after 12 months but within 5 years	**1,575**	3,853
Maturing after 5 years	**536**	-
	18,535	33,729

The maturities represent periods to contractual redemption of financial assets - FVPTL recorded. Financial assets - FVTPL had a redemption value at 31 December 2021 of KShs 18,562,735,000 (2020: KShs 33,954,619,000). The weighted average effective interest yield on debt securities held for trading at 31 December 2021 was 9.11% (2020: 8.73%).

	GROUP	
	2021 KShs Million	2020 KShs Million
20 (b) Financial liabilities – FVTPL		
Unlisted	**357**	418
Maturity analysis;		
Maturing within 1 month	**-**	58
Maturing after 6 months but within 12 months	**-**	50
Maturing after 12 months but within 5 years	**357**	310
	357	418

The maturities represent periods to contractual redemption of trading liabilities recorded. Dated trading liabilities had a redemption value at 31 December 2020 of KShs. 350,000,000 (2020: KShs 405,590,000). The weighted average effective interest cost on debt securities held for trading at 31 December 2021 was 11.07% (2020: 9.56%).

21 Financial assets – (FVOCI)

		GROUP	
	Note	**2021 KShs Million**	2020 KShs Million
Financial assets – (FVOCI)	21 (a)	**19,227**	30,091
Pledged assets – (FVOCI)	21 (b)	**-**	573
		19,227	30,664

NOTES TO THE FINANCIAL STATEMENTS

21 (a) Financial assets – (FVOCI)

	GROUP	
Debt securities – at fair value:	**2021 KShs Million**	2020 KShs Million
Listed	**2,085**	1,078
Unlisted	**17,144**	29,017
	19,229	30,095
Comprising:		
Government bonds	**2,085**	1,078
Government treasury bills	**16,990**	29,017
Corporate Bonds	**154**	-
	19,229	30,095
Allowances for impairments		
Expected credit loss for debt securities measured at fair value through OCI (IFRS 9)	**(2)**	(4)
Credit impairment losses	**(2)**	(4)
Net debt securities at FVOCI	**19,227**	30,091

	GROUP	
Maturity analysis	**2021 KShs Million**	2020 KShs Million
Maturing within 1 month	**2,987**	3,460
Maturing after 1 month but within 6 months	**8,345**	8,328
Maturing after 6 months but within 12 months	**5,673**	17,223
Maturing after 12 months	**2,222**	1,080
	19,227	30,091

Financial investment securities had a redemption value at 31 December 2021 of KShs. 19,648,000,000 (2020: KShs 31,100,000,000).The weighted average effective interest cost on debt securities held for trading at 31 December 2021 was 8.64% (2020: 8.24%).

21 (b) Pledged assets – (FVOCI)

	GROUP	
	2021 KShs Million	2020 KShs Million
Fair value through OCI	**-**	573
	-	573
Maturity analysis		
Maturing after 1 months but within 6 months	**-**	573
Maturing after 12 months but within 5 years	**-**	-
	-	573

Dated pledged assets at fair value through OCI had a redemption value at 31 December 2021 of KShs. nil (2020: KShs 534,000,000).

The weighted average effective interest yield on investment securities at FVOCI on 31 December 2021 was nil (2020: 11.18%).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

NOTES TO THE FINANCIAL STATEMENTS

21 (b) Pledged 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 2021 Kshs	Total transfers between stages Kshs	Income statement movements: ECL on new exposure raised Kshs	Change in ECL due to modifications KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/ (released) 1 KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs
Financial assets (Fair value through OCI)										
Debt securities	**4**	**-**	**2**	**-**	**1**	**(4)**	**(1)**	**-**	**(1)**	**2**
Stage 1	**4**	**-**	**2**	**-**	**1**	**(4)**	**(1)**	**-**	**(1)**	**2**
Total	**4**	**-**	**2**	**-**	**1**	**(4)**	**(1)**	**-**	**(1)**	**2**

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note)

	Opening ECL 1 Jan 2020 Kshs	Total transfers between stages Kshs	Income statement movements: ECL on new exposure raised Kshs	Change in ECL due to modifications KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/ (released)1 KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2020 KShs
GROUP										
Financial assets (Fair value through OCI)										
Debt securities	2	-	4	-	-	(2)	2	-	-	4
Stage 1	2	-	4	-	-	(2)	2	-	-	4
Total	**2**	**-**	**4**	**-**	**-**	**(2)**	**2**	**-**	**-**	**4**

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note)

21.2 Reconciliation of fair value through OCI reserve for debt financial assets measured at fair value through OCI

	Balance at beginning of the year 2021 KShs	Reclassifications KShs	Net change in fair value KShs	Realised fair value adjustments and reversal to profit or loss KShs	Net expected credit loss raised/ (released) during the period KShs	Exchange and other movements KShs	Balance at end of the year 2021 KShs
GROUP							
Debt securities	**(1)**	**-**	**(13)**	**1**	**(12)**	**-**	**(13)**
Total	**(1)**	**-**	**(13)**	**1**	**(12)**	**-**	**13)**

	Balance at beginning of the year 2020 KShs	Reclassifications KShs	Net change in fair value KShs	Realised fair value adjustments and reversal to profit or loss KShs	Net expected credit loss raised/ (released) during the period KShs	Exchange and other movements KShs	Balance at end of the year 2020 KShs
GROUP							
Debt securities	(34)	-	(1)	34	33	-	(1)
Total	(34)	-	(1)	34	33	-	(1)

NOTES TO THE FINANCIAL STATEMENTS

22 Financial assets – (amortised cost)

	Note	GROUP 2021 KShs Million	2020 KShs Million
Pledged assets – (amortised cost)	22 (a)	**3,454**	3,676
Debt securities – (amortised cost)	22 (b)	**18,319**	19,515
		21,773	23,191

22 (a) Pledged assets – (amortised cost)

	Note	2021	2020
Amortised cost/held to collect debt securities		**3,455**	3,677
Gross pledged assets at amortised cost		**3,455**	3,677
Allowances for impairments			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	**(1)**	(1)
Credit impairment losses		**(1)**	(1)
Net pledged assets at amortised cost		**3,454**	3,676
Maturity analysis:			
Maturing after 1 months but within 6 months		**509**	514
Maturing after 6 months but within 12 months		**389**	210
Maturing after 12 months but within 5 years		**2,556**	2,952
		3,454	3,676

Dated pledged assets at amortised cost had a redemption value at 31 December 2021 of KShs. 3,370,000,000 (2020: KShs 4,104,000,000).

The weighted average effective interest yield on investment securities at FVOCI on 31 December 2021 was 11.00% (2020: 11.45%).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

22 (b) Debt securities – (amortised cost)

Debt securities:	Note	GROUP 2021 KShs Million	2020 KShs Million
Listed		**18,342**	19,529
Gross financial assets at amortised cost		**18,342**	19,529
Allowances for impairments			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	**(23)**	(14)
Credit impairment losses		**(23)**	(14)
Net debt securities at amortised cost		**18,319**	19,515

Comprising:	Note	GROUP 2021 KShs Million	2020 KShs Million
Government bonds		**18,342**	19,529
		18,342	19,529
Maturity analysis:			
Maturing after 1 month but within 6 months		**11**	-
Maturing after 6 months but within 12 months		**-**	11,009
Maturing after 12 months but within 5 years		**10,567**	8,520
Maturing after 5 years		**7,764**	-
		18,342	19,529

Dated held to collect assets had a redemption value at 31 December 2021 of KShs. 18,271,899,000 (2020: KShs 19,504,870,000).

The weighted average effective interest yield on held to collect investment securities at 31 December 2021 was 11.29% (2020: 11.01%).

NOTES TO THE FINANCIAL STATEMENTS

22 Financial assets – (amortised cost)

22.1 Reconciliation of expected credit losses for debt financial assets measured at amortised cost

	Opening ECL 1 Jan 2021 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Income statement movements: Change in ECL due to modifications KShs	Income statement movements: Subsequent changes in ECL KShs	Income statement movements: Change in ECL due to derecognition KShs	Net ECL raised/ (released)1 KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs
Financial assets Amortised cost										
Sovereign - Debt securities	14	-	6	-	4	(1)	9	-	-	23
Stage 1	14	-	6	-	4	(1)	9	-	-	23
Pledged assets	1	-	-	-	-	-	-	-	-	1
Stage 1	1	-	-	-	-	-	-	-	-	1
Stage 2	-	-	-	-	-	-	-	-	-	-
Total	15	-	6	-	4	(1)	9	-	-	24

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note).

	Opening ECL 1 January 2020 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Income statement movements: Change in ECL due to modifications KShs	Income statement movements: Subsequent changes in ECL KShs	Income statement movements: Change in ECL due to derecognition KShs	Net ECL raised/ (released)1 KShs	Impairment accounts written- off KShs	Exchange and other movements KShs	Closing ECL 31 December 2020 KShs
Sovereign - Debt securities	2	-	14	-	(2)	(2)	12	-	2	14
Stage 1	2	-	14	-	(2)	(2)	12	-	2	14
Pledged assets	-	-	1	-	-	-	1	-	-	1
Stage 1	-	-	1	-	-	-	1	-	-	1
Total	2	-	15	-	(2)	(2)	13	-	2	15

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

NOTES TO THE FINANCIAL STATEMENTS

23 Loans and advances

23 (a) Loans and advances to banks

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
Balances with banks		26,427	10,952	-	-
Balances due from Group banks	42 (a)	17,582	27,171	117	132
		44,009	38,123	117	132
Allowances for impairments					
Impairment Stages 1 & 2 (performing loans)		(1)	(4)	-	-
Credit impairment allowances		(1)	(4)	-	-
Net loans and advances		44,008	38,119	117	132
Maturity analysis:					
Redeemable on demand		15,564	11,257	117	132
Maturing within 1 month		24,999	20,249	-	-
Maturing after 1 month but within 12 months		1,695	2,743	-	-
Maturing after 12 month but within 5 years		1,750	3,870	-	-
Net loans and advances to banks		44,008	38,119	117	132

23.1 Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost:

	Opening ECL 1 Jan 2021 KShs	Total transfers between stages KShs	Income statement movements: ECL on new exposure raised KShs	Income statement movements: Change in ECL due to modifi- cations KShs	Income statement movements: Subse- quent changes in ECL KShs	Income statement movements: Change in ECL due to derecog- nition KShs	Net ECL raised/ (re- leased)1 KShs	Impair- ment accounts writ- ten-off KShs	Exchange and other move- ments KShs	Closing ECL 31 Dec 2021 KShs
BANKS										
Stage 1	4	-	6	-	(9)	-	(3)	-	-	1
Total	4	-	6	-	(9)	-	(3)	-	-	1

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

	Opening ECL 1 Janu- ary 2020 KShs	Total transfers between stages KShs	Income statement movements: ECL on new ex- posure raised KShs	Income statement movements: Change in ECL due to modifi- cations KShs	Income statement movements: Subse- quent changes in ECL KShs	Income statement movements: Change in ECL due to derecog- nition KShs	Net ECL raised/ (re- leased)1 KShs	Impair- ment accounts written-off KShs	Exchange and other move- ments KShs	Closing ECL 31 De- cember 2020 KShs
BANKS										
Stage 1	1	-	2	-	1	-	3	-	-	4
Total	1	-	2	-	1	-	3	-	-	4

NOTES TO THE FINANCIAL STATEMENTS

23 Loans and advances

23 (b) Loans and advances to customers

		GROUP	
	Note	2021 KShs Million	2020 KShs Million
Mortgage lending		35,864	34,783
Vehicle and asset finance	23(e)	10,728	13,127
Overdraft and other demand lending		14,638	16,109
Term lending		139,089	112,061
Card lending		622	515
Gross loans and advances to customers		200,941	176,595
Allowances for impairments			
Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	23(c (i))	(15,628)	(18,415)
Credit impairment allowances		(15,628)	(18,415)
Net loans and advances		185,313	158,180
Maturity analysis:			
Redeemable on demand		16,154	13,088
Maturing within 1 month		16,609	8,646
Maturing after 1 month but within 6 months		30,146	25,542
Maturing after 6 months but within 12 months		6,864	13,997
Maturing after 12 months but within 5 years		73,889	77,440
Maturing after 5 years		41,651	19,467
Net loans and advances		185,313	158,180

The weighted average effective interest rate on loans and advances to customers as at 31 December 2021 was 8.44% (2020: 8.79%). 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.

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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

			Income statement movements								
	Opening ECL 1 Jan 2021 KShs	Total transfers between stages KShs	ECL on new exposure raised KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/ (released)1 KShs	Impairment accounts written- off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2021 KShs	Interest in suspense KShs	Total KShs
Customers											
Mortgage loans	1,510	-	12	361	-	373	(22)	(131)	1,730	(9)	1,721
Stage 1	20	38	6	(32)	-	12	-	-	32	-	32
Stage 2	330	(26)	6	82	-	62	-	-	392	-	392
Stage 3	1,160	(12)	-	311	-	299	(22)	(131)	1,306	(9)	1,297
Vehicle and asset finance	2,464	-	78	88	-	166	(83)	(235)	2,312	85	2,397
Stage 1	77	13	30	(43)	-	-	-	-	77	-	77
Stage 2	439	(9)	25	(79)	-	(63)	-	(8)	368	-	368
Stage 3	1,948	(4)	23	210	-	229	(83)	(227)	1,867	85	1,952
Card debtors	87	-	4	36	-	40	(37)	(29)	61	-	61
Stage 1	26	15	2	(21)	-	(4)	-	-	22	-	22
Stage 2	35	(15)	2	29	-	16	-	-	51	-	51
Stage 3	26	-	-	28	-	28	(37)	(29)	(12)	-	(12)
Other loans and advances	4,279	-	673	1,028	-	1,701	(480)	300	5,800	263	6,063
Stage 1	366	61	247	(285)	-	23	-	-	389	-	389
Stage 2	920	(136)	189	(21)	-	32	-	-	952	-	952
Stage 3	2,993	75	237	1,334	-	1,646	(480)	300	4,459	263	4,722
Corporate	10,075	-	562	321	(247)	636	(3,540)	184	7,355	(1,969)	5,386
Stage 1	560	48	283	(82)	(158)	91	-	(82)	569	-	569
Stage 2	336	(51)	58	16	(232)	(209)	-	297	424	-	424
Stage 3	9,179	3	221	387	143	754	(3,540)	(31)	6,362	(1,969)	4,393
Total	18,415	-	1,329	1,834	(247)	2,916	(4,162)	89	17,258	(1,630)	15,628

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 23(d)).

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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)-

			Income statement movements								
	Opening ECL 1 Jan 2020 KShs	Total transfers between stages KShs	ECL on new exposure raised KShs	Subsequent changes in ECL KShs	Change in ECL due to derecognition KShs	Net ECL raised/ (released)[1] KShs	Impairment accounts written-off KShs	Exchange and other movements KShs	Closing ECL 31 Dec 2020 KShs	Interest in suspense KShs	Total KShs
Customers											
Mortgage loans	1,154	1	10	222	-	233	(4)	(17)	1,366	144	1,510
Stage 1	23	36	4	(43)	-	(3)	-	-	20	-	20
Stage 2	311	(42)	4	57	-	19	-	-	330	-	330
Stage 3	820	7	2	208	-	217	(4)	(17)	1,016	144	1,160
Vehicle and asset finance	1,714	-	82	493	-	575	(61)	10	2,238	226	2,464
Stage 1	96	40	28	(87)	-	(19)	-	-	77	-	77
Stage 2	490	(95)	40	(6)	-	(61)	-	10	439	-	439
Stage 3	1,128	55	14	586	-	655	(61)	-	1,722	226	1,948
Card debtors	82	-	-	74	-	74	(76)	7	87	-	87
Stage 1	23	10	-	(7)	-	3	-	-	26	-	26
Stage 2	41	(11)	-	5	-	(6)	-	-	35	-	35
Stage 3	18	1	-	76	-	77	(76)	7	26	-	26
Other loans and advances	3,023	(1)	717	720	-	1,436	(403)	47	4,103	176	4,279
Stage 1	251	63	148	(96)	-	115	-	-	366	-	366
Stage 2	880	(143)	89	94	-	40	-	-	920	-	920
Stage 3	1,892	79	480	722	-	1,281	(403)	47	2,817	176	2,993
Corporate	8,198	-	777	1,885	(2)	2,660	(1,241)	57	9,674	401	10,075
Stage 1	657	(122)	221	(171)	-	(72)	-	(25)	560	-	560
Stage 2	352	28	75	(117)	(2)	(16)	-	-	336	-	336
Stage 3	7,189	94	481	2,173	-	2,748	(1,241)	82	8,778	401	9,179
Total	14,171	-	1,586	3,394	(2)	4,978	(1,785)	104	17,468	947	18,415

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note).

NOTES TO THE FINANCIAL STATEMENTS

23 Loans and advances (continued)

23 (d) Credit impairment losses

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million
Loans impairment (credit)/charge for financial assets		8	14
Loans impairment for customer loans		2,916	4,978
Loans impairment charge/(credit) for performing bank loans		(3)	3
Loans impairment for non-performing off balance sheet Letters of credit and guarantees	43 (c)	39	-
Loans impairment for performing off balance sheet Letters of credit and guarantees	43 (c)	(10)	2
Amounts recovered during the year		(426)	(121)
Net credit impairment losses		**2,524**	4,876

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 2021 KShs Million	GROUP 2020 KShs Million
Maturity analysis:		
Not later than 1 year	2,046	2,199
Later than 1 year and not later than 5 years	8,536	10,069
Later than 5 years	146	859
	10,728	13,127

23 (f) Loans to employees

The aggregate amount of loans and advances to employees on the statement of financial position is:

	GROUP 2021 KShs Million	GROUP 2020 KShs Million
At start of year	3,798	3,894
New loans issued	1,635	1,073
Interest on loan	470	336
Loan repayments	(1,699)	(1,505)
At end of year	**4,204**	3,798

24 Other assets and prepayments

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
Uncleared effects		1,942	3,055	21	20
Off market loan adjustment		651	585	-	-
Trade receivables and prepayments		824	735	-	-
Due from related companies	42 (g)	259	330	-	-
Others		28	54	-	-
		3,704	4,759	**21**	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.

NOTES TO THE FINANCIAL STATEMENTS

25 Investment in subsidiaries and other investments

25 (a) Investment in subsidiaries

Company	Beneficial ownership	Country of Incorporation	Company 2021 KShs Million	Company 2020 KShs Million
Stanbic Bank Kenya Limited	1	Kenya	18,010	18,010
SBG Securities Limited	1	Kenya	166	166
Stanbic Bancassurance Intermediary Limited (formerly Stanbic Insurance Agency Limited)	1	Kenya	42	42
Stanbic Kenya Foundation Limited	1	Kenya	-	-
			18,218	18,218

All subsidiary entities are incorporated and domiciled in Kenya. The consolidated financial statements are available to the public and can be accessed on http://www.stanbicbank.co.ke/kenya/About-Us/Investor-relations.

The principal place of business for the subsidiaries is Stanbic Bank Centre, Chiromo Road.

There were no significant restrictions on the company's ability to access the assets and settle liabilities of the subsidiaries. The total amount disclosed as investment in subsidiaries is a non-current asset.

25 (b) Other investments

Unquoted:	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
Equity investment at fair value through profit and loss default	18	18	-	-
At 31 December	**18**	18	-	-

The investment is in Anglo African Property Holding Limited where the Group holds a beneficial interest of 1%.

The investment is unquoted and its carrying amount (cost) approximates its fair value.

26 Property and equipment

26 (a) Group

	Land and premises KShs Million	Equipment, furniture & fittings KShs Million	Motor vehicles KShs Million	Work in progress KShs Million	Total KShs Million
Year ended 31 December 2021					
Cost					
At 1 January 2021	385	5,242	159	112	5,898
Additions	-	225	7	32	264
Disposals/retirement	-	(705)	(13)	-	(718)
Transfers from work in progress	-	99	-	(99)	-
Transfer from intangible assets (Note 28)	-	-	-	5	5
Foreign exchange revaluation	-	(22)	-	-	(22)
Hyperinflation adjustment	-	(76)	-	-	(76)
At 31 December 2021	385	4,763	153	50	5,351
Depreciation					
At 1 January 2021	(151)	(3,371)	(134)	-	(3,656)
Depreciation for the year	(13)	(469)	(16)	-	(498)
Disposals/ Retirement	-	705	13	-	718
Foreign exchange revaluation	-	-	-	-	-
At 31 December 2021	(164)	(3,135)	(137)	-	(3,436)
Carrying amount at 31 December 2021	221	1,628	16	50	1,915

NOTES TO THE FINANCIAL STATEMENTS

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 2020					
Cost					
At 1 January 2020	385	4,558	168	388	5,499
Additions	-	341	5	62	408
Disposals/retirement	-	-	(14)	-	(14)
Transfers from work in progress	-	324	-	(324)	-
Transfer to intangible assets (Note 28)	-	-	-	(1)	(1)
Foreign exchange revaluation				(13)	(13)
Hyperinflation adjustment	-	19	-	-	19
At 31 December 2020	385	5,242	159	112	5,898
Depreciation					
At 1 January 2020	(138)	(2,926)	(133)	-	(3,197)
Depreciation for the year	(13)	(445)	(15)	-	(473)
Disposals/ Retirement	-	-	14	-	14
At 31 December 2020	(151)	(3,371)	(134)	-	(3,656)
Carrying amount at 31 December 2020	234	1,871	25	112	2,242

26 (b) Company

	Computer Equipment	
	2021 KShs Million	2020 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 2021 and 31 December 2020, there were no items of property and equipment pledged by the Group and Company to secure liabilities. No items of property and equipment were obtained from borrowed funds hence no capitalization of borrowing costs.

Revaluation of land and buildings

The revaluation reserve in equity relates to the value of the Stanbic office in Chiromo at the point of merger between CFC Bank and Stanbic Bank in 2008. The fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer were based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

As the functional currency of Stanbic South Sudan is the currency of a hyperinflationary economy, property, plant and equipment relating to this Branch is restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Depreciation relating to the property, plant and equipment of Stanbic South Sudan is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

NOTES TO THE FINANCIAL STATEMENTS

27 Right-of-use leasehold land

	GROUP	
	2021 KShs Million	2020 KShs Million
Cost		
At 1 January	**85**	85
At 31 December	**85**	85
Amortisation		
At 1 January	**(43)**	(40)
Charge for the year	**(3)**	(3)
At 31 December	**(46)**	(43)
Carrying amount at 31 December	**39**	42

This relates to land leased by the Group from the Government of Kenya for a lease term period of 99 years. The total amount disclosed as prepaid operating lease in the Group is non-current.

28 Other Intangible assets

	GROUP			
	Work in progress KShs Million	**Software KShs Million**	**Other intangible assets KShs Million**	**Total KShs Million**
Year ended 31 December 2021				
Cost				
At 1 January 2021	**19**	**3,325**	**1,099**	**4,443**
Additions	**409**	**65**		**474**
Transfer from work in progress	**(31)**	**31**		**-**
Transfer to property and equipment (Note 26)	**-**	**(5)**	**-**	**(5)**
At 31 December 2021	**397**	**3,416**	**1,099**	**4,912**
Amortisation				
At 1 January 2021	**-**	**(2,590)**	**(989)**	**(3,579)**
Amortisation charge for the year	**-**	**(266)**	**(46)**	**(312)**
At 31 December 2021	**-**	**(2,856)**	**(1,035)**	**(3,891)**
Carrying amount at 31 December 2021	**397**	**560**	**64**	**1,021**

NOTES TO THE FINANCIAL STATEMENTS

28 Other Intangible assets (continued)

	GROUP			
	Work in progress KShs Million	Software KShs Million	Other intangible assets KShs Million	Total KShs Million
Year ended 31 December 2020				
Cost				
At 1 January 2020	16	3,162	1,099	4,277
Additions	66	100	-	166
Transfer from work in progress	(63)	63	-	-
Transfer to property and equipment (Note 26)	-	1	-	1
Transferred to assets held-for-sale	-	(1)	-	(1)
At 31 December 2020	19	3,325	1,099	4,443
Amortisation				
At 1 January 2020	-	(2,308)	(944)	(3,252)
Amortisation charge for the year	-	(283)	(45)	(328)
Foreign Exchange revaluation	-	-	-	-
Transferred to assets held-for-sale	-	1	-	1
At 31 December 2020	-	(2,590)	(989)	(3,579)
Carrying amount at 31 December 2020	19	735	110	864

As the functional currency of Stanbic Bank South Sudan branch is the currency of a hyperinflationary economy, intangible assets relating to this branch are hyperinflated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation relating to intangible assets of Stanbic Bank South Sudan branch is based on the hyperinflated amounts, which have been adjusted for the effects of hyperinflation.

The total amount disclosed as intangible assets is non-current and relates to computer software. Work in progress relates to computer software for upgrades in mobile banking and telephone system which had not been completed as at year end.

As at 31 December 2021, the intangible assets had an average remaining useful life of 3 years.

The intangible assets arising from the business combination comprise of the following:

	Cost KShs Million	Useful life Years
Trade names	260	15
Customer relationships	475	5 - 15
Others	364	2 - 5
	1,099	

29 Intangible assets - goodwill

	GROUP		COMPANY	
	2021 KShs Million	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
Cost				
At 1 January and 31st December	9,350	9,350	-	-

Goodwill arose from the merger between CfC Bank and Stanbic Bank in 2008.

Goodwill relating to Stanbic Holdings Plc was tested for impairment on 31 December 2021. The recoverable amount was determined to be the value in use. Unless indicated otherwise, the value in use in 2021 was determined in a manner consistent with that used in prior years. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use.

(a) Future cash flows

The forecast periods adopted reflect a set of cash flows that based on management judgement and expected market conditions could be sustainably generated over such a period. An eight-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 10.1% (2020: 9.1%). These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, no impairment was identified.

NOTES TO THE FINANCIAL STATEMENTS

29 Intangible assets - goodwill (continued)

(b) Discount rate

The pre-tax discount rate used was based on an assessment of the risks applicable to the Stanbic Holdings Plc. The cost of equity discount rate calculated for the forecast years was 16.31% per annum (2020: 16.87%). The cost of equity assigned to the cash-generating unit and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is derived from an equity pricing model deemed appropriate based on the entity under review. The risk-free rate used to determine the cost of equity has been derived from the 10-year US Dollar government bonds adjusted for inflation differential and country risk yield.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. 95% of the goodwill has been allocated to Corporate and Investment Banking CGU and the remaining 5% has been allocated to Personal and Business Banking CGU.

30 Right-of-use assets (buildings)

	Buildings KShs Million	Branches KShs Million	ATM Space KShs Million	Others KShs Million	Total KShs Million
Year ended 31 December 2021					
Cost					
At start of year	245	1,859	57	112	2,273
Additions and modifications	-	46	19	55	120
Disposals and terminations	(17)	-	-	-	(17)
Translation difference	-	(290)	-	-	(290)
	228	1,615	76	167	2,086
Depreciation					
At start of year	99	615	27	53	794
Depreciation charge for the year	43	263	18	28	352
Disposals and terminations	(16)	-	-	-	(16)
Translation difference	-	(81)	-	-	(81)
	126	797	45	81	1,049
At end of year	102	818	31	86	1,037
Year ended 31 December 2020					
Cost					
At start of year	78	1,574	33	32	1,717
Additions	167	57	24	80	328
Translation difference	-	228	-	-	228
	245	1,859	57	112	2,273
Depreciation					
At start of year	47	318	13	24	402
Depreciation charge for the year	52	363	14	29	458
Translation difference	-	(66)	-	-	(66)
	99	615	27	53	794
At end of year	146	1,244	30	59	1,479

The group leases property for use as branches, offices, ATMs and parking spaces. The leases of offices and ATM spaces are typically for periods of between 2 and 30 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

NOTES TO THE FINANCIAL STATEMENTS

31 Lease liabilities

	2021 KShs Million	2020 KShs Million
Non-current	842	1,371
Current	290	15
	1,132	1,386

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 2021					
At start of year	175	1,109	36	66	1,386
Additions and modifications	-	46	19	55	120
Interest charged to profit or loss	13	82	5	10	110
Foreign exchange revaluation	-	3	-	-	3
Cash flows:					
- Operating activities (interest paid)	(13)	(82)	(5)	(10)	(110)
- Payments under leases	(40)	(297)	(12)	(28)	(377)
At end of year	135	861	43	93	1,132
31 December 2020					
At start of year	40	1,304	20	7	1,371
Additions and modifications	167	58	24	79	328
Interest charged to profit or loss	16	140	7	12	175
Translation difference	-	1	3	8	12
Cash flows:					
- Operating activities (interest paid)	(16)	(140)	(7)	(12)	(175)
- Payments under leases	(32)	(254)	(11)	(28)	(325)
At end of year	175	1,109	36	66	1,386

	2021 %	2020 %
Weighted average effective interest rates at the reporting date was:	9.44	9.44

	GROUP	
	2021 KShs Million	2,020 KShs Million
Maturity analysis of lease liabilities is as follows:		
Within 1 year	290	15
From 1 year to 5 years	842	1,338
More than 5 years	-	33
	1,132	1,386

NOTES TO THE FINANCIAL STATEMENTS

32 Ordinary share capital and share premium

32 (a) Authorised share capital

	2021		2020	
	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

	2021		2020	
	Number of shares (millions)	Share capital KShs Million	Number of shares (millions)	Share capital KShs Million
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

	2021 KShs Million	2020 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 meetings of the Company

33 Derivative assets and derivative liabilities

All derivatives are classified as fair value through profit or loss (FVTPL).

33.1 Use and measurement of derivative instruments

In the normal course of business, the Group enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation and for credit exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swap transactions undertaken by the Bank are as follows:

a) Interest rate swap contracts which generally entail the contractual exchange of fixed and floating interest payments in a single currency, based on a notional amount and an interest reference rate.

b) Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded Over The Counter (OTC) or on a regulated exchange.

c) Forwards and futures are contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated 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:

NOTES TO THE FINANCIAL STATEMENTS

33 Derivative assets and derivative liabilities (continued)

33.2 Derivatives held-for-trading (continued)

30.2.1 Foreign exchange derivatives

Foreign exchange derivatives are primarily used to economically hedge foreign currency risks on behalf of clients and for the bank's own positions. Foreign exchange derivatives primarily consist of foreign exchange forwards and swaps, foreign exchange futures and foreign exchange options.

30.2.2 Interest rate derivatives

Interest rate derivatives are primarily used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of clients and for the Group's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, forwards, options, swaps and swap options.

33.3 Day one profit or loss

Where the fair value of an instrument differs from the transaction price, and the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation model whose variables include only data from observable markets, the difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If the fair value of the financial instrument cannot be evidenced by comparison with other observable current market transactions in the same instrument or non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the valuation model is deferred and subsequently recognised in accordance with the Group's accounting policies (refer to accounting policy 2.6 – Financial instruments).

33.4 Fair values

The fair value of a derivative financial instrument represents, for quoted instruments in an active market, the quoted market price and, for an unquoted instrument, the present value of the positive and/or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at the reporting date.

33.5 Notional amount

The contract/notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing exchange rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Group's participation in derivative contracts.

	GROUP					
	2021 Fair values			2020 Fair values		
	Notional contract amount KShs Million	Assets KShs Million	Liabilities KShs Million	Notional contract amount KShs Million	Assets KShs Million	Liabilities KShs Million
Foreign exchange derivatives						
Currency forwards	50,619	825	821	59,914	1,077	983
Currency swaps	54,689	161	90	43,509	413	245
Currency options	8,675	182	48	10,595	416	187
Total OTC derivatives	113,983	1,168	959	114,018	1,906	1,415
Interest rate derivatives						
Cross currency interest rate swaps	31,749	713	784	33,247	1,050	1,186
Total OTC derivatives	31,749	713	784	33,247	1,050	1,186
Total derivative assets held for trading	145,732	1,881	1,743	147,265	2,956	2,601
Current	111,141	1,084	1,000	118,915	1,799	1,481
Non-current	34,591	797	743	28,350	1,157	1,120
Total	145,732	1,881	1,743	147,265	2,956	2,601

NOTES TO THE FINANCIAL STATEMENTS

34 Deposits and current accounts from banks and customers

34 (a) Deposits from banks

		GROUP	
	Note	2021 KShs Million	2020 KShs Million
Deposits from banks		2,424	16,310
Deposits due to Group banks	42 (b)	9,819	26,216
Total deposits from banks		12,243	42,526

Maturity analysis of deposits from banks

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP	
	2021 KShs Million	2020 KShs Million
Repayable on demand	2,259	21,490
Maturing within 1 month	318	176
Maturing after 1 month but within 6 months	1,526	9,418
Maturing after 6 months but within 12 months	21	2,185
Maturing after 12 months	8,119	9,257
	12,243	42,526

Included in balances due to group companies are borrowings of KShs. 8,328,303,025 (2020: KShs. 13,610,584,528). The average interest rate for these borrowings is 4.07% (2020: libor + 1.91%).

34 (b) Deposits from customers

	GROUP	
	2021 KShs Million	2020 KShs Million
Current accounts	151,164	129,939
Call deposits	7,310	9,139
Savings accounts	63,400	58,030
Term deposits	15,541	17,484
LC acceptances	4,930	2,852
Total deposits from customers	242,345	217,444
Total deposits from banks and customers	254,588	259,970
Maturity analysis of deposits from customers		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
Repayable on demand	150,948	130,153
Maturing within 1 month	71,649	73,525
Maturing after 1 month but within 6 months	17,683	11,893
Maturing after 6 months but within 12 months	1,423	1,076
Maturing after 12 months	642	797
	242,345	217,444

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 2021 was 1.34% (2020: 1.67%).

NOTES TO THE FINANCIAL STATEMENTS

35 Borrowings

	Notional value KShs Million	Carrying amounts KShs Million	Interest Rate	Date of Issue	Maturity date
At 31 December 2021					
Subordinated debt - USD 30M	**3,389**	**3,402**	**4.29%**	**28-Feb-18**	**28-Feb-28**
Subordinated debt - USD 20M	**2,259**	**2,298**	**4.91%**	**30-Jan-19**	**12-Dec-28**
Total	**5,648**	**5,700**			
At 31 December 2020					
Subordinated debt - USD 30M	3,052	3,285	6.82%	28-Feb-18	28-Feb-28
Subordinated debt - USD 20M	2,018	2,219	6.28%	30-Jan-19	12-Dec-28
Total	5,070	5,504			

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. 241,772,253 (2020: KShs 546,694,865). The weighted average effective interest rate on borrowings as at 31 December 2021 was 4.40% (2020: 9.93%).

The Group has not had any defaults of principal, interest or other breaches with regard to any borrowings during 2021 and 2020. The borrowings are payable on their maturity dates at the notional value.

Counterparties and covenants to the subordinated debt facilities are as follows:

a) USD 30 million obtained from Standard Bank of South Africa in 2018.There are no covenants relating to this financing.

b) USD 20 million obtained from the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) in 2019. The Group has complied with all covenants throughout the reporting year.

	GROUP	
	2021 KShs Million	2020 KShs Million
Reconciliation of liabilities arising from financing activities:		
At start of year	**5,504**	9,127
Interest charged to profit or loss	**242**	547
Foreign exchange loss/(gain)	**197**	386
Cash flows:		
- Operating activities (Interest paid)	**(243)**	(558)
- Repayments of borrowings	**-**	(3,998)
At end of year	**5,700**	5,504

36 Other liabilities and accrued expenses

36 (a) Other liabilities and accrued expenses

		GROUP		COMPANY	
	Note	2021 KShs Million	2020 KShs Million	2021 KShs Million	2020 KShs Million
Accruals		**2,909**	2,988	**15**	11
Deferred bonus scheme	36 (b)	**103**	79	**-**	-
Unpresented bank drafts		**73**	56	**-**	-
Margin on guarantees and letters of credit		**1,287**	1,321	**-**	-
Items in transit		**194**	59	**-**	-
Due to group companies	42 (h)	**934**	426	**-**	-
Sundry creditors		**1,491**	1,511	**114**	133
Expected credit losses on off balance sheet items	43 (c)	**158**	141	**-**	-
		7,149	6,581	**129**	144

Sundry creditors relate to accounts payable, credits in transit, PAYE and VAT payables.

NOTES TO THE FINANCIAL STATEMENTS

36 Other liabilities and accrued expenses (continued)

36 (b) Deferred bonus scheme (DBS)

It is essential for the Group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the Group and employees, as well as to attract and retain skilled, competent people.

The Group has implemented a scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to Standard Bank Group's (SBG) share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to SBG's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to KShs 102,865,749 at 31 December 2021 (2020: KShs 78,636,177) and the amount charged for the year was KShs 108,203,400 (2020: KShs 50,989,553).

	Units 2021	Units 2020
Reconciliation		
Units outstanding at beginning of the year	**66,834**	59,152
Granted	**8,294**	32,923
Exercised	**(16,304)**	(25,762)
Transfers	**(31,329)**	521
Units outstanding at end of the year	**27,495**	66,834
Weighted average fair value at grant date (ZAR)*	**142.00**	152.64
Expected life (years)	**2.51**	2.51

* South African Rand

37 Current income tax asset/ (liability)

The current income tax payable and current income tax receivable have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off current tax.

The tax receivable/(payable) from the tax authorities in the jurisdictions of operations are highlighted below;

		GROUP	
	Note	2021 KShs Million	2020 KShs Million
Kenya operations	37 (a)	**(1,732)**	(392)
Foreign operations	37 (b)	**(19)**	(3)
As at 31 December		**(1,751)**	(395)

37 (a) Current income tax asset/ (liability)

		GROUP		COMPANY	
	Note	2021 KShs Million	2020 KShs Million	2021 KShs Million	2020 KShs Million
Kenya operations					
At 1 January		**(395)**	(398)	**16**	16
Exchange difference on translation		**7**	-	**-**	-
Current income tax charge	16	**(3,356)**	(1,373)	**(7)**	(5)
Income tax paid		**2,012**	1,374	**-**	-
South sudan tax payable	37 (b)	**(19)**	(3)	**-**	-
Prior year provision		**-**	5	**-**	5
		(1,751)	(395)	**9**	16

The Group and Company amount above relates to current income tax receivable/ (payable) from the Kenyan tax authority and is current.

NOTES TO THE FINANCIAL STATEMENTS

37 Current income tax asset/ (liability) (continued)

37 (b) Current income tax asset/ (liability)

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million
Foreign operations			
As at 1 January		-	-
Current tax charge		19	3
Transfer to tax payable account	37 (a)	(19)	(3)
As at 31 December		-	-

The Group has operations in South Sudan. The amount above relates to current income tax payable in South Sudan.

38 Deferred income tax asset/ (liability)

38 (a) Deferred income tax asset/ (liability)

The deferred tax liability and asset have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off tax.

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million	COMPANY 2021 KShs Million	COMPANY 2020 KShs Million
Kenya operations					
At start of year		4,847	4,397	-	-
Credit /debit to statement of profit or loss	16	789	330	-	-
Credit /debit to statement of profit or loss - Foreign operations	39 (b)	19	-	-	-
Credit/ debit to OCI		-	(32)	-	-
Previous year deferred income tax over provision		-	148	-	-
Exchange difference on translation		(7)	4	-	-
At 31 December		5,648	4,847	-	-

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

	1.1.2021 KShs Million	(Credited)/ charged to statement of profit or loss KShs Million	Charge to SOCI KShs Million	Translation difference KShs Million	31.12.2021 KShs Million
Year ended 31 December 2021					
Arising from:					
Property and equipment	88	122	-	-	210
Unrealised gain on bonds- FVOCI	4	-	-	-	4
Unrealised gain on bonds- FVTPL	(133)	(13)	-	-	(146)
Right-of-use assets	26	20	-		46
Impairment charges on loans and advances	3,700	429	-	-	4,129
Other provisions	1,244	231	-	-	1,475
Group intangible assets	(90)	-	-	-	(90)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	2	-	-	(7)	(5)
South Sudan deffered tax asset	14	19	-	-	33
Net deferred asset	4,847	808	-	(7)	5,648

NOTES TO THE FINANCIAL STATEMENTS

38 Deferred income tax asset/ (liability) (continued)

38 (a) Deferred income tax asset/ (liability) (continued)

	1.1.2020 KShs Million	(Charge)/ Credited to statement of profit or loss KShs Million	Charge to SOCI KShs Million	Translation movement KShs Million	31.12.2020 KShs Million
Year ended 31 December 2020					
Arising from:					
Property and equipment	(30)	118	-	-	88
Unrealised gain on bonds- FVOCI	36	-	(32)	-	4
Unrealised gain on bonds- FVTPL	318	(451)	-	-	(133)
Right-of-use assets	(8)	34	-		26
Impairment charges on loans and advances	3,077	623	-	-	3,700
Other provisions	1,089	155	-	-	1,244
Group intangible assets	(90)	-	-	-	(90)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	(2)	4	-	-	2
South Sudan deffered tax asset	15	(1)	-	-	14
Net deferred asset	4,397	482	(32)	-	4,847

The total amount disclosed as deferred income tax asset is non-current.

38 (b) Deferred income tax asset/ (liability) - Foreign operations

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million
Foreign operations			
At start of year		(1)	(25)
Debit/(credit) to statement of profit or loss	16	19	8
Debit to other comprehensive income		-	-
Exchange difference on translation		-	16
At end of year		18	(1)

The total amount disclosed as deferred income tax liability is a non-current liability.

As the functional currency of Stanbic Bank South Sudan branch is the currency of a hyperinflationary economy, deferred tax relating to this branch is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

	GROUP 01.01.2021	GROUP (Credited)/ charged to statement of profit or loss	GROUP Translation difference	GROUP 31.12.2021
Year ended 31 December 2021				
Arising from:				
Property and equipment	(3)	2	-	(1)
Other provisions	-	7	-	7
Right-of-use assets	2	10	-	12
Net deferred income tax asset	(1)	19	-	18

NOTES TO THE FINANCIAL STATEMENTS

38 Deferred income tax asset/ (liability) (continued)

38 (b) Deferred income tax asset/ (liability) (continued)

	GROUP			
	01.01.2020	(Credited)/ charged to statement of profit or loss	Credited to OCI	31.12.2020
Year ended 31 December 2020				
Arising from:				
Property and equipment	(5)	2	-	(3)
Right-of-use assets	(20)	6	16	2
Net deferred income tax liability	(25)	8	16	(1)

39 Notes to the cash flow statement

39 (a) Reconciliation of profit before income tax to net cash generated from operating activities

		GROUP		COMPANY	
	Note	**2021 KShs Million**	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
Net profit before income tax		**9,756**	6,227	**2,176**	2,275
Adjusted for:					
Depreciation - property and equipment	26	**498**	473	-	-
Amortisation of intangible assets	28	**312**	328	-	-
Amortisation of ROU assets - leasehold land/prepaid operating lease	27	**3**	3	-	-
Depreciation on right-of use assets (buildings)	30	**352**	458	-	-
Change in fair value of derivatives		**217**	(1,500)	-	-
Interest charged on borrowings	35	**242**	547	-	-
Changes in operating assets and liabilities held-for-sale		**69**	32	-	-
Previous year deferred income tax over provision		-	(148)	-	-
Cash flows from operating activities		**11,449**	6,420	**2,176**	2,275

39 (b) Analysis of balances of cash and cash equivalents as shown in the statement of cash flows

	GROUP		COMPANY	
	2021 KShs Million	2020 KShs Million	**2021 KShs Million**	2020 KShs Million
Unrestricted cash and balances with CBK	**5,855**	9,298	-	-
Treasury bills	**17,858**	56,245	-	-
Loans and advances to banks	**41,087**	33,958	**117**	132
Amounts due to other banks	**(2,201)**	(4,065)	-	-
Cash and cash equivalents at the end of the year	**62,599**	95,436	**117**	132

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2021 between those that are financial and non-financial.

All financial assets and liabilities have been classified according to their measurement category with disclosure and their fair value

	Fair value through profit or loss - default KShs Million	Fair value through profit or loss - designated KShs Million	Amortised cost KShs Million	Fair value through OCI KShs Million	Other non-financial assets/ liabilities	Total carrying amount KShs Million	Fair value KShs Million
Year ended 31 December 2021							
Assets							
Cash and balances with Central Bank of Kenya	11,317	-	4,086	-	-	15,403	15,403
Financial assets – held for trading	18,535	-	-	-	-	18,535	18,535
Financial assets – FVOCI	-	-	-	19,227	-	19,227	19,227
Financial assets – amortised cost	-	-	21,773	-	-	21,773	24,471
Derivative assets	1,881	-	-	-	-	1,881	1,881
Loans and advances to banks	-	-	44,008	-	-	44,008	39,862
Loans and advances to customers	-	-	185,313	-	-	185,313	189,903
Other financial assets	-	-	3,032	-	-	3,032	3,032
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	19,682	19,682	-
	31,751	-	258,212	19,227	19,682	328,872	312,332
Liabilities							
Deposits from customers	-	-	(242,345)	-	-	(242,345)	(220,440)
Deposits from banks	-	-	(12,243)	-	-	(12,243)	(9,298)
Derivative liabilities	(1,743)	-	-	-	-	(1,743)	(1,743)
Trading liabilities	(357)	-	-	-	-	(357)	(357)
Borrowings	-	-	(5,700)	-	-	(5,700)	(4,361)
Other financial liabilities	-	-	(5,453)	-	-	(5,453)	(5,453)
Other non - financial liabilities	-	-	-	-	(4,579)	(4,579)	-
	(2,100)	-	(265,741)	-	(4,579)	(272,420)	(241,652)

NOTES TO THE FINANCIAL STATEMENTS

40 Classification of assets and liabilities (continued)

Accounting classifications and fair values of assets and liabilities (continued)

	Fair value through profit or loss - default KShs Million	Fair value through profit or loss - designated KShs Million	Amortised cost KShs Million	Fair value through OCI KShs Million	Other non-financial assets/ liabilities KShs Million	Total carrying amount KShs Million	Fair value KShs Million
Year ended 31 December 2020							
Assets							
Cash and balances with Central Bank of Kenya	11,656	-	6,421	-	-	18,077	18,077
Financial assets – held for trading	33,729	-	-	-	-	33,729	33,729
Financial assets – FVOCI	-	-	-	30,664	-	30,664	30,664
Financial assets – amortised cost	-	-	23,191	-	-	23,191	17,114
Derivative assets	2,956	-	-	-	-	2,956	2,956
Loans and advances to banks	-	1,309	36,810	-	-	38,119	33,221
Loans and advances to customers	-	-	158,180	-	-	158,180	156,242
Other financial assets	-	-	4,759	-	-	4,759	4,759
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	18,900	18,900	-
	48,359	**1,309**	**229,361**	**30,664**	**18,900**	**328,593**	**296,780**
Liabilities							
Deposits from customers	-	-	(217,444)	-	-	(217,444)	(179,883)
Deposits from banks	-	-	(42,526)	-	-	(42,526)	(23,682)
Derivative liabilities	(2,601)	-	-	-	-	(2,601)	(2,601)
Trading liabilities	(418)	-	-	-	-	(418)	(418)
Borrowings	-	-	(5,504)	-	-	(5,504)	(8,620)
Other financial liabilities	-	-	(6,581)	-	-	(6,581)	(6,581)
Other non - financial liabilities	-	-	-	-	(1,789)	(1,789)	-
	(3,019)	**-**	**(272,055)**	**-**	**(1,789)**	**(276,863)**	**(221,785)**

41 Fair value of financial instruments

Valuation process

All financial instruments carried at fair value, regardless of classification, are marked to market using models that have been validated independently by the Group's model validation unit and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the market risk unit. Such price validation is performed on at least a monthly basis and daily where possible given the liquidity of the underlying price inputs. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to market, are carefully validated and tabled at the monthly price validation forum to ensure these are reasonable and used consistently. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed monthly to the market risk committee and ALCO.

Level hierarchy

The table that follows analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

NOTES TO THE FINANCIAL STATEMENTS

41 Fair value of financial instruments (continued)

Valuation process

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the assets and liabilities.

Significant unobservable inputs

The fair value of level 3 assets and liabilities is determined using valuation techniques that include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. These inputs include credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates and other illiquid risk drivers. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing this exposure on a regular basis

41 (a) Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy:

Financial instruments measured at fair value on a recurring basis

	Note	Level 1 KShs Million	Level 2 KShs Million	Level 3 KShs Million	Total KShs Million
At 31 December 2021					
Assets					
Cash and balances with Central Bank of Kenya (minimum regulatory reserve)		11,317	-	-	11,317
Financial assets – FVTPL	20(a)	-	18,535	-	18,535
Financial assets – FVOCI	21	-	19,227	-	19,227
Equity investments	25(b)	-	-	18	18
Derivative assets	33	-	1,881	-	1,881
		11,317	39,643	18	50,978
Liabilities					
Financial liabilities – FVTPL	20(b)	-	357	-	357
Derivative liabilities	33	-	1,743	-	1,743
		-	2,100	-	2,100

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41 Fair value of financial instruments (continued)

41 (a) Financial instruments measured at fair value (continued)

	Note	Level 1 KShsMillion	Level 2 KShsMillion	Level 3 KShsMillion	Total KShsMillion
At 31 December 2020					
Assets					
Cash and balances with Central Bank of Kenya (minimum regulatory reserve)		11,656	-	-	11,656
Financial assets – FVTPL	20(a)	-	33,729	-	33,729
Financial assets – FVOCI	21	-	30,664	-	30,664
Equity investments	25(b)	-	-	18	18
Derivative assets	33	-	2,956	-	2,956
		11,656	67,349	18	79,023
Liabilities					
Financial liabilities – FVTPL	20(b)	-	418	-	418
Derivative liabilities	33	-	2,601	-	2,601
		-	3,019	-	3,019

There were no transfers between levels in 2021 and 2020.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of cash and subordinated debt listed on the Nairobi Securities Exchange (NSE).

Sensitivity of fair value of level 2 financial instruments

The fair value of level 2 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

Level 2 financial assets and financial liabilities

	Valuation basis/technique	Main assumptions[1]
Derivative instruments	Discounted cash flow model	Discount rate
	Black-Scholes model	Risk-free rate, volatility rate
	Multiple valuation technique	Valuation multiples
Trading assets	Discounted cash flow model	Discount rate, liquidity discount rate
	Black-Scholes model	Risk-free rate, volatility rate
Financial assets	Discounted cash flow model	Discount rate, liquidity discount rate
	Multiple valuation technique	Valuation multiples
	Quoted exit price adjusted for notice period	Discount rate
Loans and advances to customers	Discounted cash flow model	Discount rate, liquidity discount rate
Financial liabilities	Discounted cash flow model	Discount rate, liquidity discount rate
Deposits from Banks	Discounted cash flow model	Discount rate, liquidity discount rate
Deposits from customers	Discounted cash flow model	Discount rate, liquidity discount rate
Other financial liabilities	Discounted cash flow model	Discount rate, liquidity discount rate
Cash with Central Bank of Kenya	Prevailing exchange rate	Exchange rate
Investment in equities	Sale price	Discount rate

[1]The main assumptions for all instruments include applicable credit spreads.

NOTES TO THE FINANCIAL STATEMENTS

41 Fair value of financial instruments (continued)

41 (b) Financial instruments not measured at fair value

Financial assets and Financial liabilities

Assets and liabilities not measured at fair value for which fair value is disclosed is as shown in the table below:

	Level 1 KShs Million	Level 2 KShs Million	Level 3 KShs Million	Fair value KShs '000	Carrying amount KShs Million
At 31 December 2021					
Assets					
Cash and balances with the Central Bank of Kenya	4,086	-	-	4,086	4,086
Loans and advances to banks	-	-	39,861	39,861	44,008
Loans and advances to customers	-	-	189,903	189,903	185,313
Financial assets - amortised cost	-	24,471	-	24,471	21,773
Other assets	-	-	3,032	3,032	3,032
	4,086	24,471	232,796	261,353	258,212
Liabilities					
Deposits from banks	-	-	(9,298)	(9,298)	(12,243)
Deposits from customers	-	-	(220,440)	(220,440)	(242,345)
Borrowings	-	-	(4,361)	(4,361)	(5,700)
Other liabilities	-	-	(5,453)	(5,453)	(5,453)
	-	-	(239,552)	(239,552)	(265,741)
At 31 December 2020					
Assets					
Cash and balances with the Central Bank of Kenya	6,421	-	-	6,421	6,421
Loans and advances to banks	-	-	33,221	33,221	38,119
Loans and advances to customers	-	-	156,242	156,242	158,180
Financial assets - amortised cost	-	17,114	-	17,114	23,191
Other investments	-	-	18	18	18
Other assets	-	-	4,169	4,169	4,759
	6,421	17,114	193,650	217,185	230,688
Liabilities					
Deposits from banks	-	-	(23,682)	(23,682)	(42,526)
Deposits from customers	-	-	(179,883)	(179,883)	(217,444)
Borrowings	-	-	(8,620)	(8,620)	(5,504)
Other liabilities	-	-	(6,440)	(6,440)	(6,440)
	-	**-**	**(218,625)**	**(218,625)**	**(271,914)**

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:

2021	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		
Subordinated debt		
Other financial assets		

NOTES TO THE FINANCIAL STATEMENTS

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 2021, the Group has made provision for doubtful debts relating to long outstanding amounts owed by related parties KShs 286,384,000 (2020: KShs 275,290,000) as indicated on Note 42 (g).

42 (a) Loans due from group banks

	GROUP		COMPANY	
	2021 KShs Million	2020 KShs Million	2021 KShs Million	2020 KShs Million
Stanbic Bank Kenya Limited	-	-	117	132
Stanbic Bank Uganda Limited	446	27	-	-
Stanbic Bank Tanzania Limited	14	13	-	-
Standard Bank (Mauritius) Limited	-	3	-	-
Standard Bank of South Africa Limited	2,405	6,285	-	-
Standard Bank Isle of Man Limited	14,717	20,843	-	-
	17,582	27,171	117	132
Interest income earned on the above is:	296	396	4	1

42 (b) Deposits due to group banks

	GROUP	
	2021 KShs Million	2020 KShs Million
Standard Bank of South Africa Limited	580	12,589
Standard Bank Namibia Limited	-	1
Stanbic Bank Uganda Limited	899	3
Stanbic Bank Zambia Limited	1	2
Stanbic Bank Zimbabwe Limited	1	-
Stanbic Bank Botswana Limited	2	-
Standard Bank (Mauritius) Limited	497	617
Standard Bank Malawi Limited	-	1
Standard Bank Isle of Man Limited	7,832	12,994
Stanbic Bank Tanzania Limited	7	9
	9,819	26,216
Interest expense incurred on the above is:	232	417

The weighted average effective interest rate on loans and advances to group companies as at 31 December 2021 is 1.22% (2020: 2.43%) and on amounts due to group companies was 1.97% (2020: 1.41%).

42 (c) Deposits due to group companies non-bank

	GROUP	
	2021 KShs Million	2020 KShs Million
The Heritage Insurance Company Limited	297	268
Liberty Life Assurance Kenya Ltd	164	106
Liberty Kenya Holdings Limited	10	10
	471	384

NOTES TO THE FINANCIAL STATEMENTS

42 Related party transactions (continued)

42 (d) Key management compensation

Key management personnel include: the members of the Stanbic Holdings Plc board of directors and prescribed officers effective for 2021 and 2020. 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 2021 and 31 December 2020 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 18 million (2020: KShs nil).

No specific credit impairments have been recognised in respect of loans granted to key management (2020: 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	
	2021 KShs Million	2020 KShs Million	2021 KShs Million	2020 KShs Million
Fees for services as a director	83	59	9	9
Salaries and other short-term employment benefits	131	77	-	-
Post-employment pension	4	4	-	-
Share-based payments	27	18	-	-
	245	158	9	9

42 (g) Amounts due from related companies

	GROUP	
	2021 KShs Million	2020 KShs Million
Standard Bank Jersey Limited	1	1
Stanbic Bank Tanzania Limited	297	297
Standard Bank of South Africa Limited	234	296
Stanbic Bank Zambia Limited	-	2
Standard Bank de Angola S.A.	13	9
	545	605
Provisions on regional costs balances	(286)	(275)
At 31 December	259	330
Movement analysis		
At 1 January	605	834
Additions	824	729
Receipts	(884)	(958)
Closing Balance	545	605
Provisions on regional costs balances	(286)	(275)
At 31 December	259	330

42 (h) Other payables due to related companies

	GROUP		COMPANY	
	2021 KShs Million	2020 KShs Million	2021 KShs Million	2020 KShs Million
Standard Bank of South Africa Limited	927	424	-	-
Stanbic Bank Uganda Limited	7	2	-	-
	934	426	-	-

There is no interest accruing for these outstanding liabilities

NOTES TO THE FINANCIAL STATEMENTS

42 (i) Related party expenses

The Group incurred the following related party expenses payable to Standard Bank of South Africa:

	GROUP	
	2021 KShs Million	**2020 KShs Million**
Franchise fees	732	675
Information technology	574	257
Other operating costs	149	121
	1,455	1,053

43 Contingent liabilities - Group

	2021 KShs Million	2020 KShs Million
Commitments were with respect to:		
Letters of credit and acceptances	3,919	3,427
Guarantees	74,998	67,497
Unutilised facilities	14,468	11,331
	93,385	82,255

31 December 2021	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing after 5 years	Total carrying value
Letters of credit and acceptances	384	1,020	1,825	690	-	-	3,919
Guarantees	4	1,210	14,294	27,749	31,464	277	74,998
Unutilised facilities	-	2,291	8,214	3,947	16	-	14,468
	388	4,521	24,333	32,386	31,480	277	93,385
31 December 2020							
Letters of credit and acceptances	622	539	1,830	436	-	-	3,427
Guarantees	38	349	18,667	20,059	27,810	574	67,497
Unutilised facilities	-	994	6,176	4,161	-	-	11,331
	660	1,882	26,673	24,656	27,810	574	82,255

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.

43 (b) Segmental analysis of off-balance sheet liabilities

	2021		2020	
	KShs Million	**%**	KShs Million	%
Agriculture	2,269	2%	1,406	2%
Manufacturing	5,736	6%	5,751	7%
Construction	21,612	23%	20,310	25%
Energy	890	1%	274	0%
Transport and communication	1,658	2%	1,581	2%
Distribution/wholesale	15,750	17%	14,287	17%
Financial Services	44,958	48%	38,256	47%
Tourism	-	0%	-	0%
Other activities and social service	512	1%	390	0%
	93,385	100%	82,255	100%

NOTES TO THE FINANCIAL STATEMENTS

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.

		Income statement movements							
	Opening ECL 1 Jan 2021 KShs	**Total transfers between stages KShs**	**ECL on new exposure raised KShs**	**Derecog-nition KShs**	**Subse-quent changes in ECL KShs**	**Net ECL raised/ (released)1 KShs**	**Impair-ment accounts written-off KShs**	**Exchange and other move-ments KShs**	**Closing ECL 31 Dec 2021 KShs**
Off balance sheet									
Stage 1	123	(1)	36	(37)	(26)	(27)	-	(4)	91
Letters of credit	15	-	5	(8)	4	1	-	(4)	12
Guarantees	108	(1)	31	(29)	(30)	(28)	-	-	79
Stage 2	18	1	26	(9)	-	17	-	(8)	28
Letters of credit	5	-	-	-	-	-	-	(5)	-
Guarantees	13	1	26	(9)	-	17	-	(3)	28
Stage 3	-	-	-	-	39	39	-	-	39
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	-	-	-	-	39	39	-	-	39
Total ECL	141	-	62	(46)	13	29	-	(12)	158

		Income statement movements							
	Opening ECL 1 Jan 2020 KShs	Total transfers between stages KShs	ECL on new exposure raised KShs	Derecog-nition KShs	Subse-quent changes in ECL KShs	Net ECL raised/ (re-leased)1 KShs	Impair-ment accounts written-off KShs	Exchange and other move-ments KShs	Closing ECL 31 Dec 2020 KShs
Off balance sheet									
Stage 1	62	35	42	(16)	-	26	-	-	123
Letters of credit	10	-	3	(4)	6	5	-	-	15
Guarantees	52	35	39	(12)	(6)	21	-	-	108
Stage 2	79	(35)	2	(30)	4	(24)	-	(2)	18
Letters of credit	9	-	-	(2)	-	(2)	-	(2)	5
Guarantees	70	(35)	2	(28)	4	(22)	-	-	13
Total ECL	141	-	44	(46)	4	2	-	(2)	141

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 265,000,000 (2020: KShs 253,000,000).

NOTES TO THE FINANCIAL STATEMENTS

44 Other reserves

	Pre-acquisition reserve KShs Million	Revaluation of financial assets-at FVOCI KShs Million	Regulatory credit risk reserve KShs Million	Revaluation reserve on buildings KShs Million	Share-based payment reserve KShs Million	Foreign currency translation reserve KShs Million	Total KShs Million
For the year ended 31 December 2021							
At 1 January 2021	(126)	-	-	107	-	(1,330)	(1,349)
Total comprehensive income for the year	-	12	-	(8)	-	(324)	(320)
Currency translation difference for foreign operations	-	-	-	-	-	(324)	(324)
Transfer of excess depreciation to retained earnings	-	-	-	(8)	-	-	(8)
Realised fair value adjustment on financial assets - Fair value through OCI transferred to profit or loss	-	12	-	-	-	-	12
Transfer of statutory credit risk reserve	-	-	5	-	-	-	5
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group							
Share based payment reserve	-	-	-	-	-	-	-
Total transactions with owners of the Group	-		-	-	-	-	-
At 31 December 2021	(126)	12	5	99	-	(1,654)	(1,664)
For the year ended 31 December 2020							
At 1 January 2020	(126)	34	938	115	36	(1,160)	(163)
Total comprehensive income for the year	-	(34)	-	(8)	-	(170)	(212)
Currency translation difference for foreign operations	-	-	-	-	-	(170)	(170)
Transfer of excess depreciation to retained earnings	-	-	-	(8)	-	-	(8)
Realised fair value adjustment on financial assets - Fair value through OCI transferred to profit or loss	-	(34)	-	-	-	-	(34)
Transfer of statutory credit risk reserve	-	-	(938)	-	-	-	(938)
Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group							
Share based payment reserve	-	-	-	-	(36)	-	(36)
Total transactions with owners of the Group	-	-	-	-	(36)	-	(36)
At 31 December 2020	(126)	-	-	107	-	(1,330)	(1,349)

NOTES TO THE FINANCIAL STATEMENTS

44 Other reserves (continued)

	Note	GROUP 2021 KShs Million	GROUP 2020 KShs Million
Pre-acquisition reserve		(126)	(126)
Revaluation of financial assets- Fair value		12	-
Regulatory credit risk reserve		5	-
Revaluation reserve on buildings		99	107
Foreign currency translation reserve		(1,654)	(1,330)
At end of year		(1,664)	(1,349)

The pre-acquisition reserve solely represents the deficit on the AFS 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.

	2021 KShs Million	2020 KShs Million
At start of year	-	36
Equity growth scheme for the year	-	-
Vested during the year	-	(36)
At end of year	-	-

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 2021, the total amount included in staff costs for Group Share Incentive Scheme was KShs nil (2020: KShs nil) and for Equity Growth Scheme was KShs nil (2020: KShs nil).

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

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:

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Group Share Incentive Scheme	Option price range (ZAR) 2021	Number of options 2021	2020
Options outstanding at beginning of the year		20,000	36,250
Granted		-	-
Transfers		187	-
Exercised	98.8 - 111.94	-	(16,250)
Lapsed		-	-
Options outstanding at end of the year		**20,187**	20,000

The weighted average SBG share price for the year to 31 December 2021 was ZAR 131.30 (2020: ZAR 116.16).

The following options granted to employees had not been exercised at 31 December 2021:

Number of ordinary shares	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
187	98.8	98.8	Year to 31 December 2023
20,000	107.55	107.55	Year to 31December 2023
20,187			

The following options granted to employees had not been exercised at 31 December 2020:

Number of ordinary shares	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
20,000	107.55	107.55	Year to 31 December 2021
20,000			

	Number of rights 2021	Number of rights 2020
Equity Growth Scheme		
Rights outstanding at beginning of the year	5,375	5,375
Transfers	37,662	-
Exercised	-	-
Lapsed	-	-
Rights outstanding at end of the year	**43,037**	5,375

1 At 31 December 2021 the Bank would need to issue 6,125 (2020: 1,196) SBG shares to settle the outstanding appreciated rights value.

All rights granted to employees have been exercised as at 31 December 2021.

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
1,785	98.8	98.8	Year to 31 December 2023
1	98.8	98.8	Year to 31 December 2023
3,000	96.68	96.68	Year to 31 December 2023
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
43,037			

The following rights granted to employees had not been exercised at 31 December 2020:

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
5,375	98.8	98.8	Year to 31 December 2021
5,375			

NOTES TO THE FINANCIAL STATEMENTS

46 Capital commitments

Capital commitments for the acquisition of property and equipment are summarised below:

	2021 KShs Million	2020 KShs Million
Authorised and contracted for	261	142
Authorised but not contracted for	1,156	963

47 Operating leases

The Group has entered into a number of commercial leases for its premises and office equipment under operating leases. These leases have an average life of between six years with a renewal option included in the contracts. 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;

	2021 KShs Million	2020 KShs Million
Less than one year	18	27
Between one and five years	3	18
	21	45

48 Fiduciary activities

The assets held on behalf of individuals, trusts, retirement benefit plans and other institutions:

	2021 KShs Million	2020 KShs Million
Assets held on behalf of individual's trusts and other institutions	429,329	365,573

49 Assets and liabilities classified as held-for-sale

The assets and liabilities of SBG Securities Limited - Uganda branch and SBG Rwanda were classified as held-for-sale as at 31 December 2020 following approval by the board of directors to dispose the branch as a going concern. The branches were disposed off in 2021.

49 Assets and liabilities classified as held-for-sale

	2021 KShs Million	2020 KShs Million
Assets		
Trade and other receivables	-	7
Cash and cash equivalents	-	67
Current income tax	-	2
	-	76
Liabilities		
Trade and other payables	-	7
	-	7

50 Subsequent event

There have been no other events or transactions subsequent to 31 December 2021 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.*

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ADDITIONAL INFORMATION

CMA Corporate Governance Scorecard

Internal document to be used by CMA to assess the application of the CG code by issuers of securities	
Company Name (in full):	STANBIC HOLDINGS PLC.
Company market to book ratio at end of financial year	0.61
No of outstanding shares at end of financial year	Issued shares: 395,321,638
Unissued shares:	78,362,573
Closing price of stock at end of financial year	Kes 87.25
Net sales as per Income Statement at end of financial year:	Kes. 24,990,145,000
Net profit as per Income Statement at end of financial year:	Kes. 7,208,090,000
Total debt (short and long term) as per Balance Sheet at end of financial year:	Kes. 5,699,641,000
Total equity as per Balance Sheet at end of financial year:	Kes. 56,453,027,000
Total no. of Board members at end of financial year	9
No. of independent directors at end of financial year	6
No. of non-executive directors at end of financial year	8

					Responses			
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4		Application or Explanation - Note 2	Source of Information
		A	**INTRODUCTION**					
1	M	A.1	Has the company developed and published a Board Charter which is periodically reviewed and which sets out the Board responsibility for internal control?	1.1.2, 2.6.2, 6.3.2	FA		There is a Board Mandate (Charter) in place. It is reviewed on an annual basis, with the most recent review being done on 2 March 2022. Responsibility for internal control is set out under Section 3.1.1 of the Board Mandate, where the Board through the Board Audit Committee allows for deeper focus on internal control. Sections 8.15 and 8.30 of the Board Mandate also give further specification on this.	The Board Mandate is found on the Company website (https://www.stanbicbank.co.ke/kenya/About-Us), under Governance Documents. Board Meeting Minutes further capture records of dates of review.
3	M	A.2	Does the Board Charter or company documents distinguish the responsibilities of the board from management in line with Code requirements?	1.1.2, 2.3.1, 2.3.2, 2.6.2	FA		Yes. This is outlined in the Board Mandate, under Section 3 which distinguishes the role of Board Committees and Section 8 which distinguishes the role of the Board. The responsibilities of the management committees which fall under the subsidiary companies, are further distinguished in their individual committee mandates.	Board Mandate/Charter found on the Company website.
3	A or E	A.3	Is there a statement indicating the responsibility of Board members for the application of corporate governance policies and procedures of the company?	1.1.6	FA		Yes. The statement is included in the Board Mandate under the opening paragraph on the Board's Purpose. A more detailed statement is also contained in the Terms of Reference in the Board Mandate, under Sections 8.16, 8.18 and 8.19. The Annual Report also gives further emphasis in the section containing the Corporate Governance Statement.	The Board Mandate and Pages 110 (Standard Bank Limited Overview) and 111 (Board of Directors) of the 2021 Annual Integrated Report both found on the Company's Website.
4	M	A.4	Has the Board ensured all directors, CEOs and management are fully aware of the requirements of the Kenyan CG Code?	1.1.6	FA		Yes. In compliance with the training requirements under Section 8.28 of the Board Mandate and Section 7.2.3 of the Nominations Committee Mandate, the Board and Management underwent internal training on Compliance on 6 April 2021, by the Chief Compliance Officer and Compliance Manager. The Compliance team have also included the Code under a regulatory universe document. The Board Charter has provisions that incorporate the requirements of the Code.	Board Mandate and Nominations Committee Mandate available on the Company's Website. Compliance Regulatory Universe available for review.
5	M	A.5	Do company documents indicate the role of the Board in developing and monitoring the company strategy?	Part II - Overview, 2.3	FA		Yes. This is indicated as part of the Terms of Reference in the Board Mandate, under Section 8.2. Section 2.6 also indicates that the composition of the Board should be aligned to the strategic requirements of the Company. This is also reflected in the Corporate Governance Statement in the 2021 Annual Integrated Report.	Board Mandate and 2021 Annual Integrated Report, both found on the Company's website.
6	A or E	A.6	Does the company strategy promote sustainability of the company?	2.3.6	FA		Yes. This is articulated in the strategy for the Company's operating banking subsidiary and reflected in the core strategic value drivers adopted which focus on ensuring client value, employee welfare, implementing risk controls and doing the right business the right way, financial outcomes and measuring impact on society, the economy and the environment. In 2021, the Company through its banking subsidiary formulated a mandate for its Social, Economic and Environmental (SEE) steering committee. This guides the committee in its operations as it tracks performance against set metrics that are based on the indicators for measurement of sustainability impact incorporated in the SEE Impact Framework. The SEE Committee reports to the Executive Committee on a monthly basis and SEE performance is reported to the Board on a quarterly basis as part of the strategy update report.	2021 Annual Integrated Report found on the Company's website highlights the Company's strategy in promoting sustainability of the Company and its subsidiaries.
7	M	A.7	Are all board committees governed by a written charter/terms of reference, disclosing its mandate, authority, duties, composition, leadership and working processes?	2.2.2	FA		Yes. Each committee has its own mandate, which outlines the terms of reference, authority, responsibilities, composition, leadership and working processes. The committees are highlighted under Section 3 of the Board Mandate and delegated authority under Section 8.6 of the same. The mandates of the committees are reviewed annually and published on the Company's website. Further, summaries of the committees' duties and activities are provided in the Annual Integrated Report under the Corporate Governance Statement Section.	The Board Mandate, the Board Audit Committee Mandate, the Nominations Committee Mandate and the 2021 Annual Integrated Report, found on the Company's website.

					Responses			
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4		Application or Explanation - Note 2	Source of Information
		B	**BOARD OPERATIONS and CONTROL**					
8	M	B.1	Has the Board established a Nomination Committee comprised mainly of independent and non-executive Board members?	2.1.2, 2.2.2	PA		Yes, the Board has established a Board Nominations Committee, comprised solely of Independent Non-Executive Directors and Non-Executive Directors. There are 4 members, 2 of whom, are Independent Non-Executive Board Members. The Chairman is independent. However, as a member of a Group of Companies, the Chairman of the Board and the Regional Chief Executive are required to be members and they are not independent. The membership of the committee is confirmed in the Board minutes, which records the appointment of members. The composition of the Committee in 2021, including attendance, is published in the Corporate Governance section of the 2021 Annual Integrated Report.	Board Meeting Minutes. In addition, the Nominations Committee Mandate Section 3.1 and the 2021 Annual Integrated Report, available on the Company's Website.
9	M	B.2	Is the chairperson of the Nomination Committee an independent director?	2.2.3	FA		The Board appointed an independent Non-Executive Director to chair the Committee, with effect from 27 February 2020 and continues to be the Chairman as approved during the last annual review of compostion of Board Committees on 25 November 2021.	Nominations Committee Meeting Minutes, Board Meeting Minutes, as well as the Board Nominations Committee Mandate which is on Company Website.
10	M	B.3	Has the board adopted and published procedures for nomination and appointment of new Board members?	2.1.1, 2.1.7	FA		These are contained in Article 101 of the Company's Articles of Association, Sections 4.8 - 4.11 of the Governance Framework, Section 4 of the Board Mandate; and the Board Nominations Committee Mandate under Section 7.1. The Nominations Committee evaluates potential Board members based on the required skills and on the diversity policy. Selected candidates are recommended to the Board for consideration and appointment subject to regulatory approval.	The Board Mandate, the Governance Framework, the Board Nominations Committee Mandate and the Company's Articles of Association found on the Company's website.
11	M	B.4	Is the Board size sufficient for the exercise of the company business?	2.1.4	FA		Yes. The Board is composed of 9 Directors, with room for appointment of 6 more Directors. This is within the requirement stipulated under Section 2.1 of the Board Mandate and under Article 90 of the Company's Articles of Association.	The Board Mandate and Articles of Association found on the Company's website.
12	A or E	B.5	Has the board adopted a policy to ensure Board diversity including age, race and gender in its composition? Does the Board disclose measurable objectives for board diversity and report on these?	2.1.1, 2.1.3, 2.1.5, 2.5.1	FA		Yes. The Company has a Diversity policy in place and a summary is available on the Company's website. Further, Section 7.1.5 of the Board Nominations Committee Mandate and Section 2.7 of the Board Mandate emphasises the need for diversity of the Board in terms of age, race and gender. Diversity in skills, experience and views is important for the Board to ensure effective monitoring of the Company and delivery of value to diverse stakeholders.	The Diversity Policy, Board Mandate, Board Nominations Committee Mandate and the Governance Framework contained on the Company's website.
13	M	B.6	Do Board members represent a mix of skills, experience, business knowledge and independence to enable the discharge of their duties?	2.1.2, 2.2.1	FA		Yes, they do. This is a requirement under Section 4.2 of the Board Mandate. The mix of skills, knowledge, business experience and independence of the Board members has been indicated in the Annual Integrated Report under the skills matrix and in the Directors' individual profiles.	Board Mandate and 2021 Annual Integrated Report contained on the Company's website.
14	M	B.7	Has the board adopted and applied a policy limiting the number of board positions each Board member may hold at any one time?	2.1.6	FA		Only where it interferes with discharge of duties. The Conflicts of interest section of the Board Mandate under Sections 10.1, 10.2 and 10.3 requires disclosure of multiple directorships and annual declaration of the same, or immediate disclosure where an appointment occurs between annual declarations. A current declaration of interests register and Conflict of Interest register are maintained by the Company Secretary. The Board is also guided by the Company's Governance Framework Section 7.4 and by applicable regulations, notably regarding number of directorships allowed on public listed companies.	The Board Mandate and the Governance Framework both contained on the Company's website.
15	M	B.8	Have any Alternate Board members been appointed? If so, have the Alternate Director/s been appointed according to regulation and Code requirements?	2.1.6, 2.1.7	FA		There are currently no alternate directors appointed. Article 94 of the Articles of Association, however, allow for appointment of alternate directors.	None Applicable
16	M	B.9	Are independent directors at least one-third of the total number of Board members?	1.1.2, 2.1.3, 2.4.1	FA		Yes. As at 31 December 2021, six of the nine Directors on the Board are Independent Non-Executive Directors. This is disclosed in the 2021 Annual Integrated Report.	The 2021 Annual Integrated Report under profile of Directors contained within the Corporate Governance Statement.

					Responses		
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4	Application or Explanation - Note 2	Source of Information
		B	**BOARD OPERATIONS and CONTROL**				
17	A or E	B.10	Does the Board have policies and procedures to annually assess the independence of independent Board members?	2.4.1	FA	Yes. In compliance with Section 11 of the Board Mandate, the Board conducts a Board Evaluation Exercise in the first quarter of every financial year (with the last exercise being carried out on 3 March 2022 for the year ending 31 December 2021 by an independent service provider, in line with recommended best practice). This includes an evaluation of the independence of Independent Directors. A register of declaration of interest is also mandated under Section 9.6 of the Board Mandate and a record of the same maintained by the Company Secretary. There is also a register with the declaration of independence by the directors in line with the applicable regulations. A report on the independence status of non-executive directors is also submitted to the Board on an annual basis.	Board Mandate contained on the Company's website. Board Evaluation Report and Minutes of the session, provided to relevant regulators. Declaration of independence of the directors register.
18	M	B.11	Do all independent Board members have a tenure of less than 9 years?	2.4.2	FA	Yes. This is stipulated in the Board Mandate under Section 4.6. After expiry of this period, such Directors are designated as Non-Independent Non-Executive Directors.	Board Mandate.
19	M	B.12	Is the Board comprised of a majority of non-executive board members?	2.1.3	FA	Yes. 8 out of the 9 Directors are Non-Executive Directors.	Board Meeting Minutes and the 2021 Annual Integrated Report under Director Profiles.
20	M	B.13	Does the Board ensure a smooth transition of Board members?	2.1.8	FA	Yes. The Company's Articles of Association Article 104 and the Board Nominations Committee Mandate under Sections 7.1.5 and 7.1.6 guarantee this. The Board is always adequately composed and it is provided that only a third of Directors retire by rotation at the Annual General Meeting.	Articles of Association of the Company and Board Nominations Committee Mandate available on the Company's website.
21	M	B.14	Has the Board established an Audit Committee according to Code requirements?	2.2.4, 6.5.1, 2.1.7	FA	Yes. The Board is empowered under Article 142 of the Articles of Association to form any committees necessary. The Board has established an effective Audit Committee in accordance with Section 3.1.1 of the Board Mandate. The Committee is chaired by an Independent Non-Executive Director and professional accountant in good standing. Two other members sit on the Committee, all Independent Non-Executive Directors. The composition requirements of the Committee are clearly outlined under Section 2 of the BAC Mandate.	The Board Audit Committee (BAC) Meeting Minutes, Board Meeting Minutes and the BAC Mandate. The BAC mandate is available on the Company's website.
22	M	B.15	Are the functions of the Chairperson and the Chief Executive Officer exercised by different individuals?	2.3.3	FA	Yes, the functions of the Chairman of the Board and the Chief Executive Officer are exercised by different individuals. This is indicated under the Governance Framework under Principle 1.3 and supported by Section 2.5 of the Company's Board Mandate.	The Board Mandate and 2021 Annual Integrated Report, both available on the Company's website. Board Meeting Minutes and the Governance Framework.
23	M	B.16	Is the Chairman of the Board a non-executive board member?	2.3.4	FA	Yes, the Chairman of the Board is a Non-Executive Director. This is reflected in the Board Mandate, Board Meeting minutes and the Annual Integrated Report, under Director profiles. Section 2.5 of the Board Mandate indicates that the Chairman of the Board must be a Non-Executive Director.	2021 Annual Integrated Report and the Board Mandate available on the Company's website. Annual General (AGM) Minutes and Board Meeting Minutes.
24	A or E	B.17	Has the Board established procedures to allow its members access to relevant, accurate and complete information and professional advice?	2.3.5	FA	This is explicitly provided for under Sections 8.37 and 9.6 of the Board Mandate. Board members have the authority to obtain access to all relevant information as and when required. Further, the Board may obtain information from Management or an external professional where necessary, at the Company's cost.	Board Mandate available on the Company's website.
25	M	B.18	Has the Board adopted a policy on managing conflict of interest?	2.3.8	FA	Included in the Company's Articles of Association under Articles 129, 130, 131, 132 and 133. Section 10 of the Board Mandate makes explicit provisions on matters touching on conflict of interest, which is in line with the Code of Corporate Governance. At the beginning of every calendar year, Board members are required to sign a register on declaration of interests, as a Conflict of Interest Register and this is reviewed in the event a change arises. In addition, the agenda of every board meeting includes an item of declaration of any conflict of interest at the beginning of the meeting, prior to confirmation of minutes. The Company's Governance Framework and Code of Ethics also contain provisions on this.	Register of Conflicts of Interest, Register of Declaration of Interest and Governance Framework available for review. Articles of Association, Board Mandate and Group Code of Ethics contained on the Company's website. In addition, Board Meeting Minutes provides evidence.

					Responses			
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4		Application or Explanation - Note 2	Source of Information
		B	**BOARD OPERATIONS and CONTROL**					
26	M	B.19	Has the Board adopted a policy on related party transactions which meets the requirements of the Code?	2.3.7	FA		This is in place within the Company's banking subsidiary Board Credit Committee Mandate under Section 6.4.1 and in the Board Mandate under Section 10. Related party transactions are also disclosed in the Financial Statements section of the Annual Integrated Report.	Stanbic Bank Kenya Board Credit Committee Mandate, Company Board Mandate and 2021 Annual Integrated Report.
27	M	B.20	Has the company appointed a qualified and competent company secretary who is a member in good standing of ICPSK?	2.3.9	FA		The Company Secretary is a member of ICPSK (Now ICS) and is a member of good standing, in line with the Company's Articles of Association and Board Mandate.	On page 107 of the 2021 Annual Report, Section 12 of the Board Mandate and Article 149 of the Articles of Association on the Company's website. ICS Records and website.
28	A or E	B.21	Has the Board adopted policies and processes to ensure oversight of sustainability, environmental and social risks and issues?	2.3.2, 2.3.6	FA		This is provided for under Section 8.22 of the Board Mandate. The Annual Integrated Report also contains a detailed report on the Social, Economic and Environmental activities of the Company and the progress made in that regard. The Company also issued a Report to Society in November 2021 detailing Stanbic's activities in this respect. Further, an Environmental & Social Policy and Standard, a Social, Environmental and Economic Impact Framework, and Energy Management Policy have been implemented in the Company's banking subsidiary.	Environmental & Social Policy and Standard, Board Mandate and 2021 Annual Integrated Report available on the Company's website. Also the Social, Environmental and Economic Impact Framework and the Energy Management Policy.
29	A or E	B.22	Has the Board developed an annual work-plan to guide its activities?	2.6.3	FA		The Board has an annual work-plan which is approved in the fourth quarter of the preceding financial year.	Board Work-plan and Board Meeting Minutes available for review by the Regulator.
30	M	B.23	Has the Board determined, agreed on its annual evaluation process and undertaken the evaluation of the Board, the Board Committees, the CEO and the company secretary?	2.6.4, 2.8	FA		Section 11 of the Board Mandate explicitly provides for evaluation of the Board, Board Committees, the Chairman, the CEO and the Company Secretary. The 2021 evaluation was carried out in-house by the Company Secretariat. The Board completed the full annual evaluation and met to discuss the same on 3 March 2022.	Board Evaluation Minutes, Board Mandate and Board Evaluation Report available for review by the Regulator.
31	A or E	B.24	Has the Board established and applied a formal induction program for in-coming members?	2.7.1	FA		There is a formal induction program in place for all in-coming members. This is provided for under Section 4.5 of the Board Mandate and Section 7.2.2 of the Board Nominations Committee Mandate. The Corporate Governance Statement in the Annual Integrated Report makes reference to this process.	2021 Annual Integrated Report, Board Mandate and Board Nominations Committee Mandate.
32	A or E	B.25	Do Board members participate in on-going corporate governance training to the extent of 12 hours per year?	2.7.3	FA		Yes. In 2021, all Directors received over 12 hours training on areas of governance from the Company and other credible sources. Mention of the same is made in the Corporate Governance section of the Annual Integrated Report. A calendar of Board Training sessions, including corporate governance training is usually prepared and approved on an annual basis and approved in the fourth quarter of the previous financial year. Further, all Directors must sign the attendance register after the sessions indicating their presence and participation and the register includes the hours for each training. The trainings are conducted by both external and internal subject matter experts.	Board Training Calendar, Attendance Register, 2021 Annual Integrated Report. This is included in the Corporate Governance section of the Annual Integrated Report available on the Company's website.
33	A or E	B.26	Has the Board set up an independent Remuneration Committee or assigned to another Board committee the responsibility for determination of remuneration of directors?	2.9.2	FA		This function is carried out by the Nominations Committee. This is provided for under Section 8.35 of the Board Mandate, in the Board Nominations Mandate and has been disclosed in detail in the 2021 Annual Integrated Report under the Board Committees section of the Corporate Governance Report. The full Board considers and endorses the Board remuneration Report for ratification and approval by shareholders.	Board Mandate, Board Nominations Committee Mandate, 2021 Annual Integrated Report, Nominations Committee Meeting Minutes and Board Meeting Minutes.
34	M	B.27	Has the Board established and approved formal and transparent remuneration policies and procedures to attract and retain Board members?	2.9.1	FA		There is a Board Remuneration Policy in place and reviewed on an annual basis, and which is published on the Company's website and in the 2021 Annual Integrated Report.	Board Remuneration Policy available in the Annual Integrated Report and on the Company's website.
35	M	B.28	Does the Board ensure compliance with all applicable laws, regulations and standards, including the Constitution and internal policies?	2.10, 2.10.1, 2.10.2	FA		This is done through the Compliance and Legal & Governance units, through quarterly reports submitted to the Board touching on these areas. The Board Nominations Committee is also responsible for ensuring this, as per Section 7.1.8 of the Board Nominations Committee Mandate.	Board and Committee Meeting Minutes and Board Nominations Committee Mandate.

					Responses			
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4		Application or Explanation - Note 2	Source of Information
		B	**BOARD OPERATIONS and CONTROL**					
36	M	B.29	In the past year, has the Board carried out an internal legal and compliance audit and in the past two years, an independent legal and compliance audit?	2.10.3	PA		A comprehensive independent Legal & Compliance Audit was carried out by TripleOKLaw Advocates in 2020 for the two-year period ending 31 December 2019 on the Company and its banking subsidiary and the relevant reports issued. This was noted and approved by the Board as necessitated under Section 8.17 and 8.19 of the Board Mandate. The auditor issued an opinion stating that the Board has put in place effective, appropriate and adequate governance structures in the organisation for legal compliance which are in compliance with the legal and regulatory framework, in relation to corporate governance and in line with good governance practices, for the interest of stakeholders as evaluated against the agreed and defined criteria, for the two-year period ending 31 December 2019. There were findings that were recommended in the audit and a tracker has been put in place to follow the implementation and closure of the findings. An internal Legal & Compliance Audit was conducted in 2021. The Internal Audit plan is risk based and appropriately covers the Legal & Compliance risk management on cyclic basis as well as in scope of the audit planned.	Page 110, under Shareholders' Responsibilities section of the 2021 Annual Integrated Report, Legal & Compliance Audit Report for the two-year period ending 31 December 2019 and the Board and BAC minutes of Q1, 2021 meetings. Board Meeting Minutes of 27 February 2020 approving the appointment of TripleOKLaw Advocates to conduct the Legal & Compliance Audit for the Company.
37	A or E	B.30	Has the Board undertaken an annual governance audit?	2.11.1	FA		A comprehensive independent Governance Audit was carried out by TripleOKLaw Advocates LLP ('the Auditor') on the Company for the year ending 31 December 2021. The Auditor issued an opinion that the Board has put in place effective, appropriate and adequate governance structures in the organization which are in compliance with the legal and regulatory framework, in relation to corporate governance and in line with good governance practices, for the interest of stakeholders as evaluated against the agreed and defined criteria, as at the year ended 31 December 2021. The Company received an exemption from carrying out a governance audit for the year ending 31 December 2020 because of the leadership rating achieved. Recommendations in the 2019 Governance Audit have been addressed as follows: (a) provision of further detail in the Company Secretary's job description to reflect stipulations within the Code, as confirmed by the Auditor in the course of the current audit; (b) Development of a disclosure framework mirroring the Bank's Communication & External Relations Framework: This was done through the implementation of the Group Stakeholder Engagement Guidelines which, inter alia, guide the provision of information to the public through the Company's website and press releases; (c) separate documentation of a formal succession plan which is being addressed through preparation of a draft plan for discussion to be submitted to the Nominations Committee in Q4 2022 and subsequent approval by the Board; (d) inclusion of Conflict of Interest Policy on the website in the Investor Relations section under the Stanbic Holdings Plc tab (e) inclusion of IT Policy in the Annual Report: this has been included on page 117 of the 2021 Annual Integrated Report; (f) express statement in the Annual Report of no known insider dealings this has been included on page 110 of the 2021 Annual Integrated Report; (g) inclusion of the Whistleblowing Policy on page 117 of the 2021 Annual Integrated Report; (h) having 3 Independent Executive Directors sitting on the Board Audit Committee as confirmed by the Auditor in the current audit; (i) placing a limit on the number of other directorships a Board member may hold: The Company opted to retain the broad wording of Section 4.2 of the Mandate that obliges Directors to commit the necessary time and effort to fulfil their duties to the Company, which extends to limiting their directorships in other companies, in particular listed companies. Directors are required to attest to other directorships and the potential impact/ impact of these on their ability to commit the time and effort required in the service on the Board of the Company is considered prior to appointment and annually during the Board Evaluation process. Board members seek to comply with Section 2.1.6 of the Code and are currently in compliance. However, it is recognised that there may be instances when a Director who holds less than maximum number of directorships provided in the Code is nevertheless unable to manage their time commitments and that an explicit numerical limit in the Board Mandate may hamper the Board's discretion in addressing such an instance; (j) Keep a record of trainings and a log of hours of training undertaken: The practice of logging of training hours has been adopted for 2022. Recommendations from the 2021 Audit are to be tracked and implemented in the current year.	Letter from Capital Markets Authority granting exemption dated 9 November 2020, Governance Audit Report for the year ending 31 December 2021, Pages 110 and 117 of the 2021 Annual Report.

					Responses		
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4	Application or Explanation - Note 2	Source of Information
		C	**RIGHTS of SHAREHOLDERS**				
38	M	C.1	Does the governance framework recognize the need to equitably treat all shareholders, including the minority and foreign shareholders?	3.0 Overview, 3.2.1	FA	Yes. This is contained in Article 128 of the Articles of Association. The Company's Code of Ethics goes a step further to emphasise the need to treat all shareholders fairly. Further, the Board has Independent Non-Executive Directors with the fiduciary duty to protect the interests of all shareholders and ensure that all shareholders are treated equitably.	Articles of Association and Group Code of Ethics available on the Company's website.
39	M	C.2	Other than at the AGM, does the Board facilitate the exercise of shareholders' rights?	3.1.1	FA	All shareholders are given equal notice of general meetings and have an equal right to vote. Notices are given to all shareholders as required by law. Where an investor is unable to physically attend such meetings, they are allowed to attend by proxy. The 2021 AGM was held virtually and the Company ensured that shareholders would be able to fully participate in the meeting, where shareholders were allowed to send questions in advance of the meeting and also participate in the live question & answer session of the meeting. The Company also holds an Investor briefing twice a year after release of the Company's financials. All investors are allowed to access information pertinent to them, including the Annual Integrated Report on the Company's website, as well as at the Shares Registrar and Company Secretary's offices.	2021 Annual Integrated Report, and Company's website, AGM Minutes, media briefing available on print and electronic media.
40	M	C.3	Does the Board facilitate shareholders participation at the AGM?	3.1.1	FA	Public notices are issued through two daily national newspapers, registered mail for shareholders in the diaspora, text messages and the Company's website within the stipulated time. The abridged audited financial statements are included in the notices sent by mail and published in the newspapers. The full audited financial statements are available on the Company's website. The AGM venue is accessible and sufficient notice is provided as to the venue. Where the AGM is held virtually, the Company gives guidance on how shareholders can access and participate in the proceedings of the meeting. The AGM proceedings encourage active participation by shareholders during the meeting and sufficient time is allocated for that. Those unable to attend physically or virtually may do so by proxy.	AGM Notices published in print media, the Company's website, NSE website, records of registered mail and text messages.
41	A or E	C.4	Are minority and foreign shareholders holding the same class of shares treated equitably?	3.2.1	FA	Yes, they are. minority and foreign shareholders hold the same class of shares, ordinary shares, and are treated equitably. The Articles of Association set out the rights of shareholders.	Articles of Association published on the Company's website.
42	A or E	C.5	Does the Board proactively provide information to shareholders and the media, (and in a timely basis) on corporate affairs and corporate governance?	3.1.1, 3.4.1	FA	Yes, all material information is published within the time stipulated by law, the evidence is in the media publications, on the Company website and on the Nairobi Securities Exchange (NSE) website. Further, there are 2 investor briefings held every year. Where it is not possible to hold physical meetings for the briefings, the Company holds virtual briefings and informs shareholders of the same.	Media records, Company's website, NSE website, correspondence with CMA and NSE.
43	A or E	D.1	Does the Board have a stakeholder-inclusive approach in its practice of corporate governance and which identifies and engages its various stakeholders?	4.1.1	FA	Yes. As part of our engagement with stakeholders, we have identified the environmental, social and governance issues presenting significant risks and opportunities to our business, and our ability to create value. Prioritised themes for disclosure and engagement with stakeholders are contained in the 2021 Annual Integrated Report and reflected on the Company website. These issues are also covered in the Group Code of Ethics. Further, the Group Stakeholder Engagement Guidelines have also been approved by the Board and adopted and made available on the Company's website.	The Company's website, 2021 Annual Integrated Report, Group Code of Ethics and Group Stakeholder Engagement Guidelines.

					Responses			
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4		Application or Explanation - Note 2	Source of Information
		D	**STAKEHOLDER RELATIONS**					
44	A or E	D.2	Has the Board developed policies, procedures and strategies to manage relations with different/key stakeholder groups?	4.1.2, 4.1.3, 4.1.5, 4.2.1	FA		Yes, through the Articles of Association. Further, the necessary policies and procedures have been implemented in the Company's subsidiaries. A Group Stakeholder Engagement Guideline is in place and available on the Company's website.	Artilces 56 to 61 of the Company's Articles of Association, the Environmental & Social Policy and Group Stakeholder Engagement Guideline are available on Company's website.
45	A or E	D.3	Does the Board take into account the interests of key stakeholder groups prior to making decisions?	4.1.4	FA		Yes. This is done through issuing public notices via the media and the Company website and where required by law, seeking approval from shareholders at a General Meeting. The Company (and its subsidiaries) is also guided by its policies stated above.	Media records, Company's website, Notices and AGM Minutes.
46	M	D.4	Does the Board ensure communications with stakeholders?	4.2, 4.2.1	FA		By complying with the requirements of legislation, regulation and the Company's Articles of Association on public notices to stakeholders. The Board also ensures that the stakeholders have access to the Company website, Annual Integrated Reports and investor briefings.	Media records, Articles of Association, 2021 Annual Integrated Report and Company's website.
47	M	D.5	Has the Board established a formal dispute resolution process to address internal and external disputes?	4.3.1	FA		There are formal internal and external dispute resolution processes in place. For stakeholders, including clients, suppliers and service providers, we include dispute resolution mechanisms in our contracts to address external disputes. Regarding staff, our People & Culture policy has mechanisms for internal dispute resolution. At Board level, there is a Board Dispute Resolution Policy in place.	External vendor service contracts, People & Culture Policy and Board Dispute Resolution Policy. The policies are available on the Company's website.
		E	**ETHICS AND SOCIAL RESPONSIBILITY**					
48	A or E	E.1	Does the Board ensure that all deliberations, decisions and actions are founded on the core values (responsibility, accountability, fairness and transparency) underpinning good governance and sustainability?	5.1.1	FA		Yes. This is contained in the Code of Ethics, Environmental & Social Policy and in the Governance Framework. This is further detailed in the Board Mandate under Sections 4.5, 8.22, 8.24 and 8.38. The Board also emphasises its awareness of these duties in the Annual Integrated Report under the Corporate Governance Overview section. The Social, Economic and Environmental Impact Framework enhances this decision making process.	Code of Ethics, Governance Framework, Environmental & Social Policy, the Social, Economic and Environmental Impact Framework, 2021 Annual Integrated Report and Board Mandate, all available on the Company's website.
49	M	E.2	Has the Board developed and publicly disclosed a Code of Ethics and Conduct (which includes sustainability) and has it worked to ensure its application by all directors, management and employees?	2.6.1, 5.2.2, 5.2.3, 5.2.4	FA		The Group Code of Ethics is all encompassing and applicable uniformly to all Directors, management and employees. The same is available on the Company's website.	Group Code of Ethics is available on the Company's website.
50	A or E	E.3	Does the Board ensure that compliance with the Ethics Code and Conduct is integrated into company operations?	5.2.3	FA		Yes. This is included in the Board Mandate and various policies of the Company and its subsidiaries (the group). In addition, all employees of the group are required to undertake online training and examination on the Group Code of Ethics.	Board Mandate, 2021 Annual Integrated Report, policies and Group Code of Ethics, included on the Company's website.
51	A or E	E.4	Does the Board incorporate ethical and sustainability risks and opportunities in the risk management process?	5.2.1	FA		Yes. The evidence is in the documented processes and Board approved policies of its subsidiary companies. Further, this is included under Section 6.5 of the Terms of Reference in the Board Risk Committee Mandate of the banking subsidiary.	Board Risk Committee Mandate, the Integrated Operational Risk Policy and the Environmental & Social Policy, all of the Company's banking subsidiary, are available on the Company's website.
52	A or E	E.5	Is the company performance on ethics assessed, monitored and disclosed to internal and external stakeholders?	5.2.4, 5.2.5	FA		The Company strongly values matters of ethics, environmental, social and governance. Accordingly, the Board reviews the Company's Code of Ethics on an annual basis and staff of Stanbic Group are mandated to undertake annual compliance trainings on ethics. In addition, the Company's operating subsidiaries have a Social, Economic and Environmental impact framework which has annual and continuous targets as well as matrices which are monitored and performance against these targets are reported internally and externally through the Annual Integrated Report. The principles of the Code of Ethics are disclosed to employees and Directors when they undergo induction during onboarding. The external and internal Legal and Compliance Audit reports issued to the Board also contain a report to the Board on the level of compliance on ethics. The Code of Ethics is also included on the website for all stakeholders to view.	Our values (Page 16), Induction & Ongoing Education (Page 112), Whistle-blower Policy Summary (Page 117), and Stakeholder Engagement Guidelines (Page 118) in the 2021 Annual Integrated Report, Company website, external and internal Legal & Compliance Audit Reports.
53	A or E	E.6	Has the company established and implemented a whistle blowing policy?	5.2.5	FA		There is a Whistleblowing Policy in place and is reviewed annually. The same is available on the Company's website and in the Annual Integrated Report.	Whistleblowing Policy available on the Company's website and the 2021 Annual Integrated Report.

Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Responses Application - FA, PA or NA - See Notes 1, 2, 3, & 4	Application or Explanation - Note 2	Source of Information
		E	**ETHICS AND SOCIAL RESPONSIBILITY**				
54	A or E	E.7	Has the Board/or management developed policies on corporate citizenship and sustainability and strategies for company use?	5.3.1, 5.4	FA	Yes. There is a Group Corporate Social Investment Framework, the Environmental & Social Policy and the Social, Economic & Environmental Impact Framework.	Group Corporate Social Responsibility Framework and Environmental & Social Policy and available on the Company's website. Also the Social, Economic & Environmental Impact Framework.
55	M	E.8	Does the Board consider not only the financial performance but also the impact of the company's operations on society and the environment?	5.3.2, 5.3.3	FA	Yes. This has been covered in elaborate detail in the 2021 Annual Integrated Report, under the Corporate Governance section.	2021 Annual Integrated Report and policies and impact framework mentioned above. The Company's Reports to Society.
56	A or E	E.9	Does the Board monitor and report activities on corporate citizenship and sustainability and demonstrate they are well coordinated?	5.4.1	FA	Yes, the same is also contained in the 2020 Annual Integrated Report.	The 2021 Annual Integrated Report.
		F	**ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL**				
57	M	F.1	Does the Audit Committee and the Board review the financial statements for integrity of the process and for truthful and factual presentation?	6.1, 6.1.1a	FA	The Audit Committee oversees the integrity of the process and for truthful and factual presentation. It further endorses the approval of the financial statements to the Board. Disclosures on this are made in the Annual Integrated Report in the section on Corporate Governance detailing the mandate and activities of Board Committees. This is indicated in Section 7.2 of the BAC Mandate and Section 3.1.1 of the Board Mandate.	Board Audit Committee Meeting Minutes and Board Meeting Minutes. In addition, the 2021 Annual Integrated Report, the Board Mandate and the Board Audit Committee Mandate available on the website.
		G	**TRANSPARENCY and DISCLOSURE**				
58	M	F.2	Does the Annual Report contain a statement from the Board explaining its responsibility for preparing the accounts and is there a statement by the external auditor about his/her reporting responsibilities?	6.1.2	FA	Yes. This is contained in the section on the Report of the Directors and the Statement of Directors' Responsibilities. The external auditor's statement is contained within the Independent Auditor's Report.	Pages 125 and 130 of the 2021 Annual Integrated Report available on the website.
59	A or E	F.3	Does the board or audit committee have a process in place to ensure the independence and competence of the Company's external auditors?	6.1.1b	FA	Yes. The Company uses a reputable firm of qualified auditors and the independence of the external auditors is confirmed in the Post-Audit Report on an annual basis. Disclosure of this is made in the Annual Integrated Report. There is also a confirmation on quarterly basis at the subsidiary Bank Board Credit Committee.	Board Audit Committee Meeting Minutes, Board Credit Committee minutes, Board Meeting Minutes and 2021 Annual Integrated Report.
60	M	F.4	Do the shareholders formally appoint the external auditor at the AGM through a formal and transparent process after Audit Committee review and recommendation?	6.1.3	FA	Yes. This is part of the Agenda that is circulated with the AGM Notice at least 21 days prior to the AGM. The proceedings are reflected in the AGM Minutes.	AGM Minutes and AGM Notice circulated prior to the meeting available on the website.
61	A or E	F.5	Is the Company working towards the introduction of integrated reporting (incorporating financial and non-financial information) or is the company's Annual Report prepared on an integrated basis using frameworks developed by the Integrated Reporting Council, The Global Reporting Initiative, the G4 Sustainability Guidelines and/or the Sustainability Accounting Standards Board?	6.1.5	FA	The Company's Annual Integrated Report is prepared in an integrated basis using the Global Reporting Initiative.	2021 Annual Integrated Report available on the Company's website.
62	A or E	F.6	Has the Board established a risk management framework for the company which is inclusive of key risks, foreseeable risks, environmental and social risks and issues?	6.2.1	FA	Yes there are various risk management policies implemented by the Company's subsidiary companies. This is approved by the Board Risk Committee of the banking subsidiary. Reports can be found in the Board Risk Committee Meeting Minutes. Further, the banking subsidiary applies the Equator Principles in its lending activities for applicable projects.	The Company's banking subsidiary, Stanbic Bank Kenya Limited, Board Risk Committee Meeting Minutes and the Integrated Operational Risk policy available on the website and the 2021 Annual Integrated Report.

					Responses		
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4	Application or Explanation - Note 2	Source of Information
		G	**TRANSPARENCY and DISCLOSURE**				
63	M	F.7	Has the Board established and reviewed on a regular basis the adequacy, integrity and management of internal control systems and information systems (including for compliance with all applicable laws, regulations, rules and guidelines)?	6.3.1, 6.3.2, 6.3.3	FA	Yes. These are covered within the Board, Board Audit Committee (BAC) Mandate, as well as the Board Risk Committee and Board Engineering & Innovation Mandates of the Company's banking subsidiary. The risks are discussed on a quarterly basis at the Group Boards and Committee Meetings.	Board Mandate, BAC Mandate, Board Meeting Minutes, BAC meeting minutes and the banking subsidiary Board Risk Committee and Board Engineering & Innovation Mandates and Meeting Minutes.
64	M	F.8	Does the Board annually conduct a review on the effectiveness of the company's risk management practices and internal control systems and report this to shareholders?	6.4.1	FA	Yes. The review is undertaken during the quarterly Board Risk Committee and Board Engineering & Innovation Committee Meetings of the banking subsidiary, BAC Meetings and Board Meetings. The shareholders are informed through the Annual Integrated Report, in the section concerning Risk Management.	Board Risk Committee and Board Engineering & Innovation Committee of the banking subsidiary, Board Mandate, BAC Mandate and meeting minutes on a quarterly basis. The 2021 Annual Integrated Report and mandates are available on the website.
65	M	F.9	Has the Board established an internal audit function according to Code requirements and which reports directly to the Audit Committee?	6.5.2	FA	Yes. This is provided for in the Board Audit Committee and Board Mandates. The Internal Audit function reports to the Board through the Board Audit Committee. This is disclosed in the 2021 Annual integrated Report in the section on Corporate Governance Statement. This is also provided for under Section 7.3.1 of the BAC Mandate which provides for establishment of a permanent internal audit function commensurate with the size and functions of the Company. This is further reinforced under Section 8.5 of the Board Mandate which requires the establishment of the internal audit function which should be adequately staffed for its purpose.	Board Audit Committee Mandate, Board Mandate, and the 2021 Annual Integrated Report available on the Company's website .
66	A or E	F.10	Does the Board disclose details of Audit Committee activities ?	6.5.1, 6.5.2	FA	Yes. These are disclosed in the Annual Integrated Report under the Corporate Governance Statement section.	2021 Annual Integrated Report available on the Company's website.
67	M	G.1	Does the company have policies and processes to ensure timely and balanced disclosure of all material information as required by all laws, regulations and standards and the Code?	7.0 Overview, 7.1.1	FA	Yes. This role is carried out by the Board, Company Secretary and Finance function. This is enforced under Section 8.22 of the Board mandate. There are also documented internal procedures. Public notices are published in two national newspapers and on the Company's website in compliance with the stipulated timeframe.	Board Mandate and public notices contained on the Company's website, as well as correspondence with all relevant regulators .
68	A or E	G.2	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's governance, the Board and the Audit Committee?	7.1.1	FA	Information on the Company's governance, the Board and the Board Audit Committee are disclosed in the Annual Integrated Report under the Corporate Governance Statement.	Pages 110 - 116 of the 2021 Annual Integrated Report available on the Company's website.
69	A or E	G.3	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's mission, vision and strategic objectives?	7.1.1	FA	Yes. The vision, mission, values and strategic objectives of the Company are included in the Group Strategy section of the Annual Integrated Report. The Report also outlines the progress made towards living and achieving these objectives.	The Group Strategy section (Pages 10 and 15; 20, 24 and 25) in the 2021 Annual Integrated Report.
70	A or E	G.4	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to remuneration and whistleblowing?	7.1.1	FA	Yes. This is explicitly covered within the Corporate Governance Overview section, Remuneration Overview section and within the Annual Financial Statements. There is also a section within the statements, that covers Remuneration of Directors. Disclosure on the Whistleblowing Policy has been included in the Risk section of the 2021 Annual Integrated Report.	In the Corporate Governance Overview (Page 112), Fees for Non-Executive Directors and Remuneration (Page 116), Governance Policies (Page 118) and the Annual Financial Statements sections (Pages 126 and 127) of the 2021 Annual Integrated Report found on the Company website.
71	A or E	G.5	As a minimum, does the company website disclose current information on all areas prescribed in 7.1.1 (Board Charter, Whistleblowing Policy, Code of Ethics and information on resignation of directors)?	7.1.1	FA	Yes. The Company's website contains information pertaining to the Board Charter, Whistleblowing Policy, Group Code of Ethics and resignation of Directors.	The Governance section of the Company website
72	A or E	G.6	Does the Board disclose the management discussion and analysis as required in 7.1.1?	7.1.1	FA	Yes. This is disclosed in the Audited Financial Statements and within the Annual Integrated Report, with details of the same being contained in the Chairman's statement, and the Chief Executive's statement. This also includes the operating banking subsidiary.	2021 Annual Integrated Report available on the Companies website.

				Responses				
Consecutive No.	Mandatory or 'apply or explain' or 'good practices'	Part No.	Question	Kenya Code and Other References	Application - FA, PA or NA - See Notes 1, 2, 3, & 4		Application or Explanation - Note 2	Source of Information
		G	**TRANSPARENCY and DISCLOSURE**					
73	A or E	G.7	Has the Board provided disclosures as required in 7.1.1 on compliance with laws, regulations and standards; ethical leadership, conflict of interest, corporate social responsibility and citizenship?	7.1.1	FA		Yes. In the Annual integrated Report.	The Corporate Governance section of the 2021 Annual Integrated Report.
74	A or E	G.8	Has the Board made all required disclosures, including confirming requirements of 7.1.1 which include that a governance audit was carried out and that there are no known insider dealings?	7.1.1	FA		Yes. The Board explicitly disclosed in the Annual Integrated Report that there were no known insider dealings in the Company. The Board has also explicitly disclosed that the CMA exempted the Company from carrying out a governance audit for the year ending 31 December 2021.	The Corporate Governance section of the 2021 Annual Integrated Report.
75	A or E	G.9	Has the Board disclosed the company's risk management policy, company procurement policy, policy on information technology as per 7.1.1?	7.1.1	FA		Yes. The Risk Management Policy, Procurement Policy and IT Policy of the banking subsidiary of the Company are disclosed in the Annual Integrated Report. These policies have also been posted on the Company's website.	2021 Annual Integrated Report and the Company's website under Governance Documents.
76	M	G.10	Has the Board disclosed information on shareholders, including the key shareholders, directors and senior management and the extent of their shareholdings as required in 7.1.1 and on stakeholders who influence company performance and sustainability?	7.1.1	FA		This information has been disclosed in the 2021 Annual Integrated Report, specifically under the Financial Statements. No member of the Board or senior management holds any shares in the Company.	2021 Annual Integrated Report available in the Company's website, Annual Returns filed with the Registrar of Companies and monthly Reports submitted to the CMA and NSE.
77	M	G.11	Has the Board disclosed all related-party transactions?	7.1.1t	FA		Yes. These are disclosed in the Annual Integrated Report under the Financial Statements.	2021 Annual Integrated Report available on the Company's website.
78	M	G.12	Does the Board include in its Annual Report a statement of policy on good governance and the status of the application of this Code?	1.1.3, 7.1.1r	FA		Yes. A statement of policy on good governance and the status of the application of the Code is contained in the 2021 Annual Integrated Report, which has been posted on the website.	The CMA Governance Statement Scorecard is contained in the 2021 Annual Integrated Report and on the Company's website. Our Governance Value Proposition, Stanbic Holdings Plc Overview & Codes and Regulations (Page 110) and Governance Framework Summary (Page 118) of the Annual Report.

Note 1 All elements marked in green are mandatory and MUST be complied with and , if not, regulatory sanctions will be imposed. When completing column 'F' for MANDATORY ITEMS, 'FA' will mean 'Fully Complied With', 'PA' will mean 'Partially Complied With' and 'NA' will mean 'Not Complied With'

Note 2 Column 'F' should be marked as follows: 'FA' - Full Application, PA - Partially Applied or 'NA' - Not Applied. Full application of this Code is prescribed, therefore anything less than 'full application' is considered 'non compliance and non-application' of the Code. A response of PA or NA is noncompliance and requires an explanation to be provided with a firm commitment to moving towards full compliance. See also Note 4.

Note 3 An explanation of how the Code provision is applied is required in column 'G' and shall be supported by evidence. If the provision is NOT applied, an explanation for why it is not applied or only partially applied is required in column 'G'. For each question, column 'G ' will be completed.

Note 4

CHIEF EXECUTIVE

COMPANY SECRETARY

CHAIRMAN

Group Shareholding

Top 10 Global Investors as at 31 December 2021			
Range	**Records**	**Range Total**	**Percentage**
1. 1 to 500	1,900	301,499	.08%
2. 501 to 1000	476	394,713	.10%
3. 1001 to 5000	763	1,826,934	.46%
4. 5001 to 10000	342	2,517,986	.64%
5. 10001 to 50000	312	6,628,599	1.68%
6. 50001 to 100000	78	5,522,318	1.40%
7. 100001 to 500000	71	17,571,940	4.45%
8. 500001 to 1000000	21	15,433,128	3.90%
9. 1000001 to 2000000000	19	345,124,521	87.30%
	3,982	**395,321,638**	**100.00%**

Shares Distribution Statistics as at 31 December 2021			
Range	**Records**	**Range Total**	**Percentage**
Stanbic Nominees Limited A/C NR00901	PO Box 30550-00100 Nairobi	285 600 408	72.25
Standard Chartered Nominees Non-Resd A/C 9866	PO Box 40984-00100 Nairobi	18 095 347	4.58
Standard Chartered Nominees Non-Resd A/C KE11663	PO Box 40984-00100 Nairobi	9 876 881	2.50
Standard Chartered Nominees Non-Resd A/C KE9053	PO Box 40984-00100 Nairobi	5 680 033	1.44
The Permanent Secretary to the Treasury of Kenya	On behalf of the Government of Kenya Treasury Building Kenya	4 342 548	1.10
ICEA Lion Life Assurance Company Limited – Pooled	PO Box 46143-00100 Nairobi	2 531 453	0.64
Kenya Commercial Bank Nominees Limited A/C915B Kenya Commercial Bank Nominees Limited A/C 915B	PO Box 30664-00100 Nairobi	2 137 651	0.54
Standard Chartered Nominees A/C9230	PO Box 40984-00100 Nairobi	2 093 422	0.53
Kingsway Nominees Limited	PO Box 42841-00100 Nairobi	1 987 300	0.50
Standard Chartered Nominees A/C 918	PO Box 40984-00100 Nairobi	1 779 405	0.45
Others		61 197 190	15.48
	Grand totals	**395 321 638**	**100.00**

Notice of Annual General Meeting

NOTICE is hereby given to Shareholders that, in accordance with Articles 71(A), 71(B), 71(C) and 71(D) of the Stanbic Holdings Plc's Articles of Association, the Sixty-Seventh Annual General Meeting (AGM) of the Company will be held as a virtual meeting by electronic means on Thursday 19th May 2022 at 11:00 a.m. to transact the following business:

1. The Secretary to read the notice convening the meeting and confirm the presence of a quorum.

2. To receive and adopt the Audited Financial Statements for the year ended 31st December 2021, and the Directors' and Auditor's Report thereon.

3. To consider and if thought fit, approve the recommendation by the Board for a final dividend of KShs7.30 per ordinary share. The total dividend per share will be KShs9.00 for the year ended 31st December 2021. The published book closure date is 20th May 2022, and if the final dividend is approved by the Company's shareholders, the payment of a final dividend will be made on or about 3rd June 2022.

4 To elect Directors:

   i) In accordance with Articles 104 and 106 of the Company's Articles of Association, Ms Ruth Theddesia Ngobi retires by rotation and though eligible, does not offer herself for re-election.

   ii) In accordance with Articles 104 and 106 of the Company's Articles of Association, Mr Kitili Mbathi retires by rotation and being eligible, offers himself for re-election.

   iii) In accordance with Articles 104 and 106 of the Company's Articles of Association, Ms Rose Bosibori Osoro retires by rotation and being eligible, offers herself for re-election.

   iv) In accordance with Article 101 of the Company's Articles of Association, Ms Wambui Kihuha Mbesa, a director appointed to the Board to fill a casual vacancy, retires at the dissolution of the meeting and having been recommended by the Board, offers herself for election as a director.

   v) In accordance with Article 101 of the Company's Articles of Association, Mr Joseph Loyld Omondi Muganda, a director appointed to the Board to fill a casual vacancy, retires at the dissolution of the meeting and having been recommended by the Board, offers himself for election as a director.

5 To pass an ordinary resolution pursuant to Section 681(1) of the Companies Act, 2015, approving the Directors' remuneration report for the year ended 31st December 2021 as provided in the Audited Financial Statements.

6. To consider and if thought fit, to pass an ordinary resolution approving the Directors' remuneration policy.

7. To pass an ordinary resolution pursuant to Section 721(4) of the Companies Act, 2015, to appoint Messrs KPMG as auditors of the Company.

8. To pass an ordinary resolution pursuant to Section 724(1) of the Companies Act, 2015, authorising the Directors to fix the remuneration of the appointed auditors.

9. To consider and if though fit, to pass an ordinary resolution pursuant to Section 769(1) of the Companies Act, 2015, to appoint the following members of the Board Audit Committee:
   i) Ms Dorcas Florence Kombo.
   ii) Ms Rose Bosibori Osoro.
   iii) Mr Joseph Loyld Omondi Muganda..

10. Any other business for which due notice has been given.

BY ORDER OF THE BOARD

Janet Kabiru
Ag. Company Secretary

25th April 2022

Proxy Form

To: The Company Secretary
Stanbic Holdings Plc

PROXY FORM for 2022 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, 19th May 2022 and at any adjournment thereof.

Mobile Number (of the proxy holder):..

Dated this ....day of.. 2022

Full name: ....

....

....

Signature: ....

Note: The proxy form should be completed and returned to reach the Company's shares registrar, Image Registrars Limited, not later than 48 hours before the meeting or any adjournment thereof, using either of the addresses provided below:

1. Image Registrars Ltd, offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, Kenya
2. Image Registrars Ltd, P.O. Box 9287- 00100 GPO, Nairobi, Kenya
3. stanbicagm@image.co.ke

ELECTRONIC REGISTRATION CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of member(s): ....

....

....

Address: ....

....

....

Mobile Number: ....

Date: ....

Signature: ....

Please tick the boxes below and return to Image Registrars at P.O. Box 9287 – 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Consent to Registration

I/WE consent to registration to participate in the virtual Annual General Meeting for Stanbic Holdings Plc to be held on 19th May 2022.

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 2022 Annual General Meeting Resolutions by dialling *483*822# . This is a free service. Voting closes on 19h May 2022 at 1pm*.

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 2021 together with the Chairman's, Directors' and Auditors' reports thereon) is then presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 5

The second question (I approve a first and final dividend of KShs... per ordinary share for the Financial Year ended 31 December 2021 as recommended by the Directors) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 6

The third question (I re-elect Mr Kitili Mbathi who retires at the end of this meeting in accordance with provisions of Articles 104 and 106 of the Company's Articles of Association, and, being eligible has offered himself for re-election) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

* Mobile Station International Subscriber Directory Number

STEP 7

The fourth question (I re-elect Ms Rose 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 8

The fifth question (I elect Ms Wambui Mbesa who retires at the end of this meeting in accordance with provisions of Article 101 of the Company's Articles of Association, and, has been recommended by the Board for election as a Board Director to fill a casual vacancy) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 9

The sixth question (I elect Mr Joseph Muganda who retires at the end of this meeting in accordance with provisions of Article 101 of the Company's Articles of Association, and, has been recommended by the Board for election as a Board Director to fill a casual vacancy) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 10

The seventh 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 2021) as presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 11

The eighth question (I approve the Directors' Remuneration Policy contained in the Audited Financial Statements for the year ended 31 December 2021) is presented and the shareholder responds by voting 'Yes' or 'No'. The menu proceeds to the next question.

STEP 12

The ninth question (I approve the appointment of Messrs KMPG as the Auditor of the Company for the year 2022 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 13

The tenth question (I authorise the Directors to fix the Auditor's remuneration for the year 2022 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 14

The eleventh 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 15

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 16

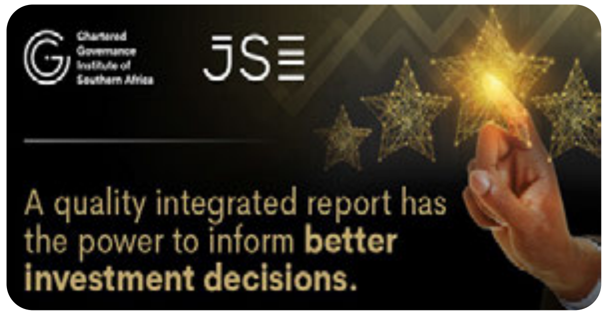
An SMS to confirm the successful voting is sent to the shareholder.

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.

TRUSTED FINANCIAL PARTNER

What are we known for?

A special thanks to our shareholders who invested in us, allowing us to re-imagine ourselves and enhance our service offering in the market. We also appreciate the support received from suppliers and partners along this journey. We value the commitment and support from our clients who's feedback and backing has allowed us to grow, and improve our service offering through a deeper understanding of their needs.



- Best Investment Bank in Kenya 2013 – 2021
- Best Trade Finance Bank in Kenya 2016, 2017 - 2019, 2021
- 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
- 2nd largest market share in home loans
- Best Bank in Kenya and 1st runners up overall for Regional Integrated report at the 2021 CGISA / JSE Integrated Reporting Awards
- Best Bank in Kenya and 1st runners up in East Africa for the Best Presented Annual Report under Bank category at the 2021 FiRE Awards
- Member of Standard Bank, Africa's Most Valuable Banking Brand by Brand Finance and Africa's largest financial services organisation by assets