standard chartered

Annual Report 2023

Towards a sustainable future

here for good™

Who we are

Standard Chartered Bank Kenya Limited is a leading international banking group and the largest international bank in Kenya. Established in 1911, Standard Chartered Bank Kenya Limited is one of the oldest banks servicing this market.

We connect companies, institutions and individuals who are the engines of global growth, to and in some of the world's most dynamic markets. Every day, we help clients to manage and invest their finances safely and seamlessly, and confidently grow their businesses and wealth.

Over our 112 years' history, leveraging our unique footprint, we have built a bank like no other, with diverse capabilities and partnerships that set us apart, inspired by our brand promise, we are here for good.

Financial and Capital KPIs

We measure our progress against the Group's key performance indicators (KPIs), a selection of which are below. Our Group KPIs include non-financial measures reflecting our commitment to sustainable social and economic development across our business, operations and communities.

KPIs

Operating income

KShs 40,860m

↑23%
(2022: KShs 33,093m)

Profit before tax

KShs 19,668m

↑15%
(2022: KShs 17,103m)

Basic earnings per share

KShs 36.17m

↑15%
(2022: KShs 31.47)

Return on capital employed

31.95%

↑1048bps
(2022: 21.47%)

Total capital ratio

17.84%

↑56bps
(2022: 17.28%)

Tier 1 capital ratio

17.77%

↑241bps
(2022: 15.36%)

Non-Financial Measures

Diversity and inclusion: women in senior roles

41% ↓(2022: 47%)

Non-branch transactions

96% ↓(2022: 97%)

Stakeholders

Throughout this report, we use these icons to represent the different stakeholder groups for whom we create value.

Clients

Regulators and governments

Investors

Suppliers

Society

Employees

1. Tier 1 capital and total capital are computed as a percentage of the Company's risk weighted assets.

[1] In this report, Standard Chartered Bank Kenya Limited is also referred to as (the 'Company' or the 'Bank' or 'Standard Chartered' and together with its subsidiaries is referred to as 'the Group').

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Corporate Governance

Financial statements


standard chartered
Switch your salo.
Bank better.
Get more from your salary
Access Money Market Funds, T-bills and Government Bonds mkononi.
Cash advance from Stanchart Credit Cards mkononi.
Jijenga na Stanchart Loans from KES 50K to KES 7M.
Secure your child's future with Education policy from KES 3,200 p/m.
Swipe, Earn & Redeem points. Free shopping, fuel & dining.
Download SC Mobile App to open a Personal Bank account.
Enjoy Zero monthly fees, free E-statements, free transfers between StanChart accounts and free-to-swipe StanChart Visa cards.
Welcome to Standard Chartered. Bank Better.
Terms and conditions apply. Standard Chartered Bank Kenya LTD is regulated by Central Bank of Kenya.
Investment products are distributed by Standard Chartered Investment Services Ltd a wholly owned subsidiary of the Bank that is licensed by the Capital Markets Authority as a Fund Manager.
Insurance solutions are underwritten by Sanlam Life Insurance Kenya Ltd and is responsible for the settlement of all claims relating to the solutions. Insurance products are distributed through Standard Chartered Bancassurance Intermediary Limited a wholly owned subsidiary of the Bank that is regulated by the Insurance Regulatory Authority.

Five year summary of financial performance

Five year summary of financial performance

	2023	2022	2021	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Operating income	**40,860,006**	33,092,934	28,302,502	26,688,964	27,949,636
Operating expenses	**(17,897,409)**	(15,074,919)	(14,192,783)	(15,686,497)	(15,542,350)
Impairment losses on financial instruments	**(3,217,995)**	(784,623)	(1,492,838)	(3,586,052)	(233,429)
Impairment losses on equipment and intangible assets	**(76,120)**	(130,193)	(18,828)	(20,357)	-
Profit before tax	**19,668,482**	17,103,199	12,598,053	7,396,058	12,173,857
Income tax expense	**(5,833,015)**	(5,045,264)	(3,554,214)	(1,955,641)	(3,937,084)
Profit after tax	**13,835,467**	12,057,935	9,043,839	5,440,417	8,236,773

Information per ordinary share

Basic earnings per share (KShs)	**36.17**	31.47	23.49	13.95	21.36
Dividend per share on each ordinary share (KShs)	**29.00**	22.00	19.00	10.50	12.50

Consolidated Statements of financial position

Loans and advances to customers (gross)	**172,936,616**	148,690,254	136,181,940	130,719,448	136,534,569
Impairment losses on loans and advances to customers	**(9,774,839)**	(9,277,694)	(10,207,350)	(9,195,221)	(7,844,228)
Government securities	**69,574,696**	105,696,882	95,596,185	99,779,222	99,610,577
Other assets	**196,225,702**	136,150,573	113,301,163	104,301,621	73,838,138
Total assets	**428,962,175**	381,260,015	334,871,938	325,605,070	302,139,056
Deposits from customers	**342,853,241**	278,879,309	265,469,114	256,497,530	228,433,515
Other liabilities	**24,576,667**	46,243,976	16,188,718	18,217,502	25,945,014
Total liabilities	**367,429,908**	325,123,285	281,657,832	274,715,032	254,378,529
Net assets	**61,532,267**	56,136,730	53,214,106	50,890,038	47,760,527
Shareholders' funds	**61,532,267**	56,136,730	53,214,106	50,890,038	47,760,527

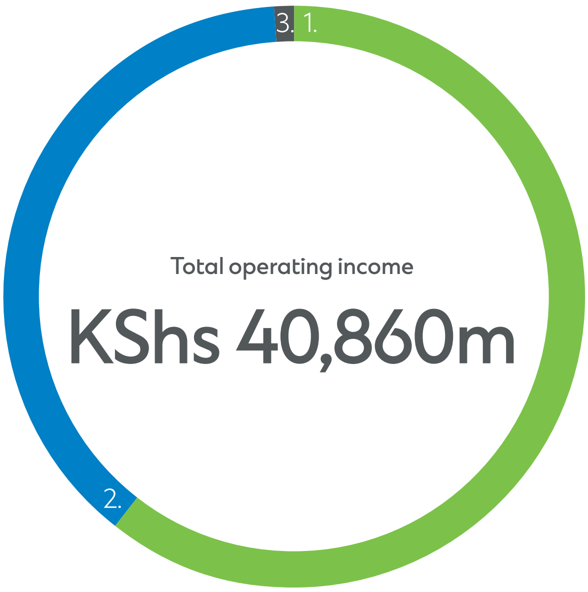
Ratios

Shareholders' funds	**44%**	46%	50%	59%	56%
Return on capital employed	**32%**	21%	19%	11%	19%
Impairment charge/gross loans and advances	**2%**	1%	1%	3%	0%
Gross loans and advances to deposits ratio	**50%**	53%	51%	51%	60%
Gross non-performing loans and advances/total gross loans and advances	**7%**	9%	10%	15%	9%
Core capital/total deposit liabilities	**15%**	15%	15%	15%	16%
Core capital/total risk weighted assets	**18%**	15%	16%	16%	15%
Total capital/total risk weighted assets	**18%**	17%	18%	18%	18%

What we do

At Standard Chartered, our purpose is to drive commerce and prosperity through our unique diversity. We serve two client segments supported by eight functions.

Our client segments



	Operating income
1. Corporate, Commercial & Institutional Banking Serving large corporations, financial institutions, public sector and government with their transaction banking, financial markets, corporate finance and borrowing needs.	KShs 19,023m
2. Consumer, Private & Business Banking Serving small to medium-sized businesses and individuals with a focus on affluent and emerging affluent.	KShs 19,902m
3. Central & other items	KShs 1,935m
4. Total operating income	KShs 40,860m

Enabling and supporting our businesses

Global functions

Our client-facing businesses are supported by our functions, which work together to ensure the Group's operations run smoothly and consistently. The functions are:

Human Resources

Maximises the value of our investment in people through recruitment, development and employee engagement.

Legal

Provides legal advice and support to the Group to manage legal risks and issues.

Transformation, Technology & Operations

Responsible for leading bank-wide transformation and for reshaping the Group's systems and technology platforms to ensure we provide robust, responsive, and innovative technology and digital solutions. This function also manages all client operations, seeking to provide an optimal client service and experience across the board.

Risk

Responsible for the overall second-line-of-defence responsibilities related to risk management, which involves oversight and challenge of first-line-of-defence risk management actions.

Chief Financial Officer

Incorporates the following support functions: Finance, Supply Chain, and Property.

Corporate Affairs, Brand and Marketing

Manages the Group's marketing and communications and engagement with stakeholders to protect, promote and protect the Group's reputation, brand and services.

Internal Audit

An independent function whose primary role is to help the Board and Executive Management protect the assets, reputation and sustainability of the Group.

Conduct, Financial Crime and Compliance

Partners internally and externally dedicated to achieving the highest standards in conduct and compliance to enable a sustainable business and fight financial crime.

Our valued behaviours

Our valued behaviours are the guiding principles for how we work together, and the way we do business, every day.

Do the right thing

- Live with integrity
- Think client
- Be brave, be the change

Never settle

- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

Better together

- See more in others
- "How can I help?"
- Build for the long term

futuremakers
by Standard Chartered

Strathmore University
@iBizAfrica Incubation Centre

Chairperson's statement

Embedding a culture of excellence to deliver sustained value

Kellen Kariuki
Chairperson

Dear Shareholders,

I am honoured to present Standard Chartered Bank Kenya Limited's annual report for the year 2023.

In a year marked by unprecedented change across the world, our Company remained resilient, adapting swiftly to an evolving operating landscape whilst managing to achieve commendable milestones. Undoubtedly, the year posed unforeseen challenges, from supply chain disruptions to market volatility. However, our agile approach and prudent risk management mitigated the impact, allowing us to navigate through the turbulent times and emerge stronger. Despite the challenging macro-economic climate, the Company has delivered a robust financial performance. Our commitment to innovation and operational excellence led to a 23.5 per cent increase in revenues. This growth was propelled by strategic investments and the unwavering dedication of our talented workforce, led by an energetic and impactful leadership team.

Our confidence in Kenya's role as a pivotal economic force in our region remains steadfast. We are delighted to see increased alignment of Government initiatives that are aligned with private sector capacity, which is critical for ensuring productive industrial and economic outcomes. Kenya is endowed with almost endless opportunities including a young and talented population, natural resources, immense agricultural capacity and advantageous geographic settings. We are encouraged by the Bank's continued progress to meet the country's evolving needs as the economy advances and adapts to a rapidly changing operating landscape.

With fresh opportunities for growth and success emerging, the Company is ideally positioned to act as a trusted, long-term partner to support the continued growth of the Kenyan economy. A key success factor will be our ability to create sustainable long-term value for all our stakeholders, from our suppliers to our clients to our investors, in line with our strategic imperatives.

Our strategy is captured in four strategic priorities: Network, Affluent, Mass Retail and Sustainability. These pillars are underpinned by a commitment to our ambitions of Accelerating Zero, Lifting Participation and Resetting Globalisation.

'In a year marked by unprecedented change across the world, our Company remained resilient, adapting swiftly to an evolving operating landscape whilst managing to achieve commendable milestones.'

Dividends

In November 2023, the Board announced the payment of an interim dividend of KShs 6.00 for each ordinary share which was paid on 29th December 2023. I am pleased to report that the Board is recommending the payment of a final dividend of KShs 23.00 for each ordinary share. This, in addition to the interim dividend paid in December 2023, brings the total dividend to KShs 29.00 for every ordinary share of KShs 5.00. This compares to a total dividend of KShs 22.00 per ordinary share paid in 2022, reflecting a 31.8 percent increase year on year. The Board remains committed to sustainable shareholder returns.

Collaborating for a Sustainable Future

Throughout the year, we fortified our position in the industry through strategic collaborations and ground-breaking initiatives. The Company deepened its focus on building a financial business that is fit for the future. Our ambition is to establish a strong, future-focused business that works alongside partners to deliver sustainable results for our clients.

In particular, we aim to become a regional leader in the field of Sustainability, well recognised by clients, shareholders and other stakeholders. We are gaining traction on Sustainable Finance where our target is to have 10 per cent of our revenues sourced from Sustainable Finance.

Notably, our focus on sustainability linked initiatives not only aligns with our values but also continues to drive operational efficiency. In 2023, our carbon emissions stood at 282 tons, an increase from 187 tons in 2022. However, this marks a significant decrease from 814 tons recorded in 2018, demonstrating a strong long-term reduction in our carbon footprint.

The Government's ambition to restore degraded landscapes and ecosystems through growing 15 billion trees, aligns very closely with our Company's commitment to enrich Kenya's green cover by planting over 10 million seedlings across the country by 2025. We are increasingly aware that this ambition will only be fulfilled by working with a diverse and committed group of partners.

In line with this agenda, we have partnered with the Nairobi Arboretum Park, the oldest historical park in Nairobi to support a nursery that will grow one million tree seedlings. To date, the nursery has produced over 384,000 seedlings. To this end, we are also actively partnering with our key clients and like-minded organisations across the country. For instance, in Mombasa, we have partnered with Mombasa Cement, while in Kisumu, we have partnered with Kisumu County to plant over 2,000 trees along the Airport Corridor as well as at Masinde Muliro University. The Company's entire ecosystem, including Board members, enthusiastically participated in tree planting events in the course of the year.

In 2023, I was pleased to commission a new collaboration with the Mombasa Walk Movement, a renowned community-based organisation, to promote healthy living and environmental sustainability ahead of the Standard Chartered Nairobi Marathon.

Strong Governance Commitment

Our role as a Board has become increasingly focussed on our ability to provide guidance and support that enables the business to navigate a rapidly evolving operating landscape.

Our commitment to continue to leverage our strong focus on building a diversified business that harnesses the talents that

Chairperson's statement
continued

reflect the diverse nature of the Kenyan population, remains paramount. Our business is increasingly gender neutral, with 50 per cent of our Board and 41 per cent of our senior leadership being female.

The Board remains impressed by the results of the work that the Company's CEO, Kariuki Ngari, and his team have achieved in 2023. More details on our performance are shared later in this report.

We appreciate Imtiaz Khan for his dedicated service to the Board from 22nd August 2018 until 31 December 2023 when he stepped down as an Independent Non-Executive Director to pursue other interests. During his tenure, Imtiaz demonstrated exceptional leadership, commitment and expertise serving as the Chair of the Board Audit Committee, Chair of the Board Credit Committee and member of the Board Risk Committee. His contributions have been pivotal to the Company's continued success.

We recognise the fact that our Board Members have played an active role in enhancing linkages with SCB Group in the course of the year by spending valuable time discussing the business and operating environment with visiting Group representatives including Phil Rivett and Jackie Hunt who are Independent Non-Executive Directors of Standard Chartered PLC.

Future Outlook

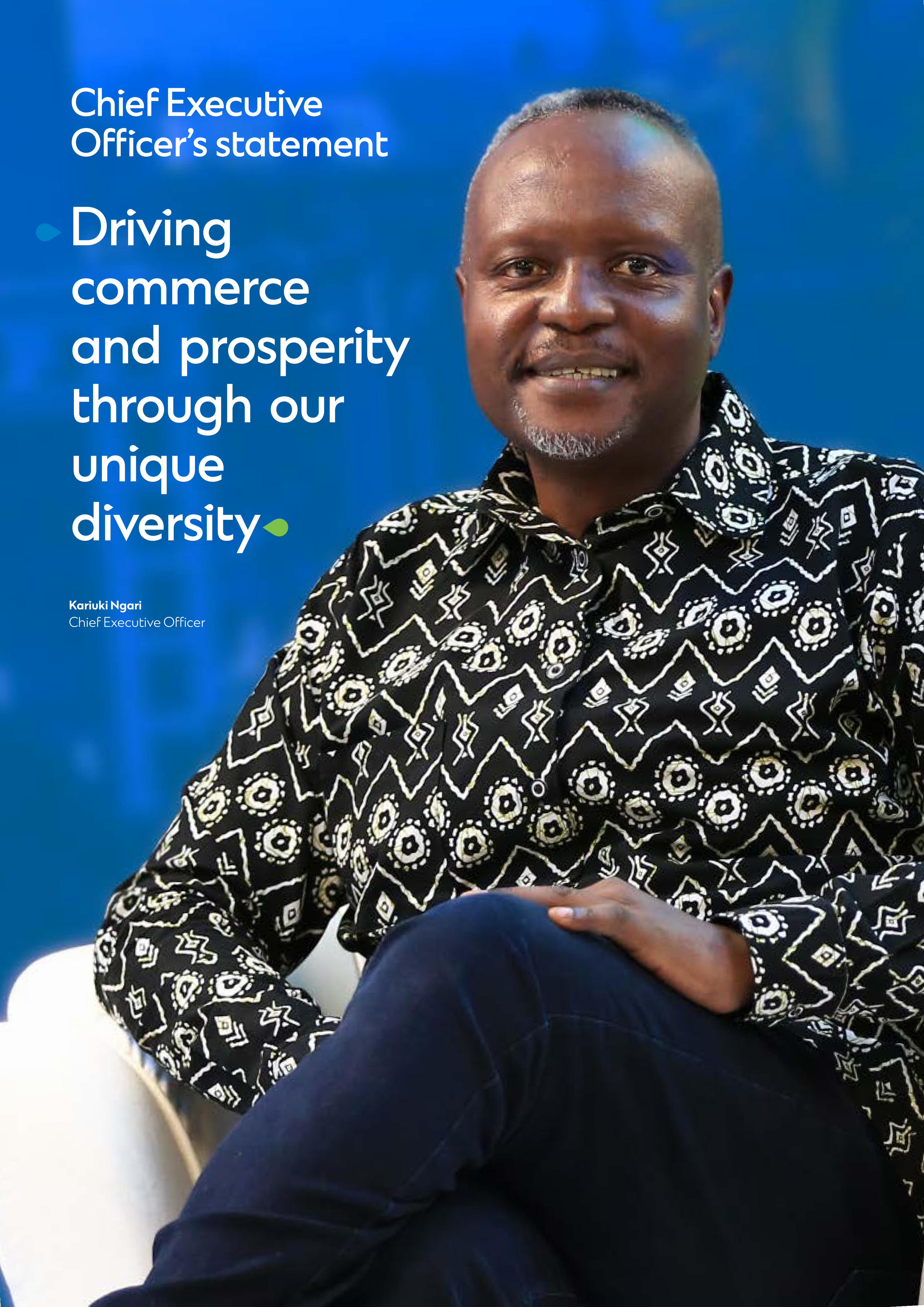
Looking ahead, we remain committed to our vision of being here for good. Our strategic roadmap includes further innovation and a continued emphasis on sustainable practices. We are confident that these initiatives will fortify our position as a leader in the industry, ensuring sustained growth and value creation for our stakeholders.

I extend my heartfelt gratitude to our shareholders, clients, dedicated employees, and esteemed Board members for their unwavering support and commitment. Our collective efforts have been instrumental in achieving our shared success.

Kellen Kariuki
Chairperson
12 March 2024

Chief Executive Officer's statement

Driving commerce and prosperity through our unique diversity



Kariuki Ngari
Chief Executive Officer

In 2023, we delivered strong results, demonstrating we have the right strategy, business model and intent to build on this momentum to continue delivering sustainably higher returns.

It is also a testament of the support of our Board, hard work from our talented colleagues, the trust of our clients, and our unwavering focus on operational excellence.

In many respects, this was a journey of resilience and growth and was achieved against the backdrop of a continuing challenging macro-economic environment. We delivered a strong performance with a top line growth of 23.5 per cent, benefitting not only from rising interest rates but robust underlying business momentum. Our continued investment in a strong digital proposition and the impact of inflation led to an 18.7 per cent rise in operating expenses.

Whilst the impairment losses on loans and advances increased by KShs 2.1 billion, this reflects the continued active management of the credit portfolio. Credit quality remained resilient.

All this helped us grow our profit before tax by 15.0 per cent to KShs 19.7 billion, the highest level ever.

Loans and advances, and deposits were up 17.0 per cent and 22.9 per cent respectively, demonstrating that we continue to provide value to our clients and we remain highly liquid and strongly capitalised.

This has enabled the Bank to propose a final dividend per ordinary share of KShs 23.00, which together with the interim dividend paid in December 2023 of KShs 6.00 per ordinary share, brings the total dividend per ordinary share for the year to KShs 29.00, reflecting a 31.8 per cent growth.

Our strategy is driving success

Our strategy is designed to deliver our Purpose: to drive commerce and prosperity through our unique diversity. We set out four strategic priorities in 2021: continue to grow our Network and Affluent client businesses, return to growth in Mass Retail and advance on all fronts of our Sustainability agenda. We are making good progress in every area.

Network

Our strong network and superior digital solutions make us a top connector bank for our clients. We continue to leverage on our strategic advantages;

- Strong trade corridors which support our ambition of being the top connector bank. Our top 4 corridors are Europe, America, Middle East & Asia contributing 45 per cent, 27 per cent and 20 per cent of corridor revenues respectively.
- Our digital capabilities through our Straight2Bank platform.
- Access to diverse pools of capital.

The network business continues to perform well. During the year the business achieved 72 per cent growth in revenue to deliver revenue of KShs 17.1 billion. We increased the penetration and utilisation of our Straight2Bank digital platform to 90 per cent and of 81 per cent respectively.

Affluent

We continue to accelerate growth in this segment through superior products, digital capabilities and partnerships taking advantage of;

- Access to our Wealth Management solutions through self-service with over 180 funds.
- Personalised expert wealth advice.
- International Banking proposition across our footprint in Hong Kong, Singapore, UAE, Jersey and India.
- 69 Wealth Management Certified Relationship Managers.

The Affluent segment continues to grow and remains the largest contributor to CPBB revenues at 58 per cent. Income in this segment grew by 29 per cent year on year to KShs 11.5 billion. Wealth Management (WM) continued to support this growth and now stands at KShs 4.9 billion having grown by 15 per cent from the prior year. Assets Under Management ("AUM") in the WM business grew by 25 per cent to KShs 185.5 billion compared to KShs 148.2 billion from 2022.

Mass Retail

Mass Retail is a key focus area for CPBB. The strategy for this segment is anchored on servicing these clients on our digital platforms; our key differentiator. We continue to create awareness to our clients on the various capabilities that we offer on our digital platforms to drive our digital penetration, which increased from 75 per cent as of December 2022 to 80 per cent.

In the last five years, since 2019, we have acquired 319,000 clients through the SC mobile app. The current portfolio of active digital accounts generated KShs 1.28 billion in revenue up 104 per cent year on year. The balance sheet for these customers witnessed significant growth with assets growing by 24 per cent while liabilities grew 70 per cent.

In support of this business, we launched the SC Shilingi Fund in 2022. The Fund offers convenience as it is available 24/7 on the SC Mobile app. Clients can invest a minimum of KShs 500 and earn competitive returns. They also benefit from the power of monthly compounding and access to unlimited withdrawals. As at 31 December 2023, the Fund had attained KShs 5.16 billion in investment AUM from 15,500 clients, 88.6 per cent of whom are new to wealth. On the back of this solid momentum, we aim to drive the growth of this solution to greater heights.

The Mass Retail business also serves a valuable strategic purpose as a pipeline for future Affluent clients.

Sustainability

Our deep-rooted commitment to sustainability has been at the forefront of our operations. Through various initiatives, including community outreach programs, environmental conservation efforts, and ethical business practices, we have made significant strides towards our key focus areas: sustainable finance, being a responsible company and building inclusive communities.

- Our sustainable finance revenue is up to KShs 1.28 billion from KShs 109 million. We are massively proud that in 2023 we led the signing of one of the largest and the first

Chief Executive Officer's statement
continued

Kenya shilling denominated Sustainability Linked Loan (SLL) in the region, signalling our strategic focus towards enhancing access to financing of sustainable initiatives for Kenya.

- We partnered with local corporates including Davis and Shirtliff Group, IClear Services Company Limited and Chloride Exide (K) Limited to enable individuals and SMEs to transition to clean energy.
- We have made progress in our journey as a responsible Company. Some of our noteworthy achievements include;
    - 27 per cent reduction in our carbon emission from the 2021 baseline.
    - Solar installation and rainwater harvesting systems completed for 4 branches.
    - Completion of the solar carport installation in Head Office.
    - All sites are certified as single use plastic free and LED compliant.
    - 97 per cent waste recycled in Head Office and Kenyatta Branch and paper usage down by 20 per cent from 2022.
- In 2023, we hosted the 20th edition of the Standard Chartered Nairobi Marathon, which resulted in record numbers of participants, partners and sponsors. Since its beginning in 2003, the Standard Chartered Nairobi Marathon has defined itself as a premier sporting event that has enabled Kenyan athletes to catapult themselves to national and international stardom. It is also increasingly an inclusive, sustainable, and accessible event that acts as a platform where we bring our sustainability values to life.
- We contributed to job creation, skills development, and the empowerment of local communities through our employability program. This was achieved through intensive training and career mentorship sessions in 5 universities, technical institutions, special and integrated high schools reaching 5,725 students. Importantly, 3,061 (81 per cent) are young people with disabilities and 48 per cent are female students. Over 1,500 of the beneficiaries underwent intensive training where over 1,200 participants (80 per cent) reported improved knowledge, 297 received internship and 237 entered decent employment.

We are proud of the demonstrable progress we have made embedding sustainability in our operations. Looking ahead to 2024, leveraging on our over 100 Sustainable Finance experts across the globe, 40+ sustainable finance solutions across our business and leading sustainable finance franchise, I am confident that we will continue to deliver on this strategy further.

Future Outlook

We have made significant progress in our strategic pillars and we are committed to an ambition for more. Continuing to deliver strong income growth, combined with improving operational leverage and maintaining our responsible approach to risk and capital will require consistent delivery and dedicated focus on strategy execution. We will continue to make the necessary investments to ensure that our platforms on which our clients depend on are superior in the market.

As we look ahead, external pressures persist, and we remain attentive to ensure that we remain focused on delivering on our targets, seizing the growth opportunities we have, driving a culture of excellence and creating exceptional long-term value for our clients, shareholders and communities.

Finally, I would like to acknowledge the remarkable efforts of my colleagues for their dedication to our clients and the communities that we serve. I extend my deepest gratitude to our shareholders, esteemed Board members, and the supportive Kenyan community. Their unwavering support and commitment have been instrumental to our success.

Kariuki Ngari
Chief Executive Officer
12 March 2024

Executive Committee

1. **Kariuki Ngari**
   Chief Executive
2. **Chemutai Murgor**
   Chief Financial Officer
3. **Birju Sanghrajka**
   Head, Commercial, Corporate and Institutional Banking (CCIB)
4. **Edith Chumba**
   Head, Consumer, Private and Business Banking (CPBB)
5. **Makabelo Malumane**
   Head, Transaction Banking
6. **Evans Munyori**
   Head, Human Resources
7. **Joyce Kibe**
   Head, Corporate Affairs, Brand and Marketing
8. **Peter Gitau**
   Chief Technology and Operations Officer
9. **Tanveer Nandhra**
   Head, Financial Markets
10. **Judy Nyaga**
    Company Secretary
11. **Dr. Davidson Mwaisaka**
    Head, Legal
12. **David Mwindi**
    Head, Conduct, Financial Crime and Compliance
13. **Dedan Muugi**
    Head, Audit*
14. **James Mucheke**
    Chief Risk Officer

*Subject to regulatory approval

Business model

We help corporates and financial institutions connect and maximise opportunities across our global network, and we support individuals and local businesses in growing their wealth.

Our business

Corporate, Commercial and Institutional Banking (CCIB)

We support companies across the world, from small and medium enterprises to large corporates and institutions, both digitally and in person.

Consumer, Private and Business Banking (CPBB)

We support small businesses and individuals, from Mass Retail clients to affluent and high-net-worth individuals, both digitally and in person.

Our products and services

Financial Markets

- Macro, commodities and credit trading
- Financing and securities services
- Sales and structuring
- Debt capital markets and leveraged finance
- Project and export Finance

Transaction Banking

- Cash management
- Payments & transactions
- Trade finance products

Wealth Management

- Investments
- Insurance
- Wealth advice
- Portfolio management

Retail Products

- Deposits
- Mortgages
- Credit cards
- Personal loans

How we generate returns

We earn net interest income on loans and deposit products, fee income on financing solutions, advisory and other services, and trading income from providing risk management in financial markets.

Income
Net interest income
Fee income and commissions
Trading income

→

Profit after tax
Income gained from providing our products and services minus expenses, impairments and taxes

→

Return on capital employed
Profit after tax generated relative to total shareholders' funds

Business model
continued

What makes us different

Our purpose is to drive commerce and prosperity through our unique diversity - this is underpinned by our brand promise, here for good. Our Stands – aimed at tackling some of the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation challenge us to use our unique position articulated below.

Client focus

Our clients are our business. We build long-term relationships through trusted advice, expertise and best-in-class capabilities.

Distinct proposition

Our unique understanding of our market and our extensive international network allow us to offer a truly tailored proposition to our clients, combining global expertise grounded in local knowledge.

Robust risk management

We are here for the long term. Effective risk management allows us to grow a sustainable business.

Sustainable and responsible business

We are committed to sustainable social and economic development across our business, operations and communities.

The sources of value we rely on

We aim to use our resources in a sustainable way to achieve the goals of our strategy.

How we are enhancing our resources

Human capital

Diversity differentiates us. Delivering our purpose rests on how we continue to invest in our people, enhance the employee experience and strengthen the culture.

- Upskilling and reskilling our people continues to be a priority. Our colleagues undertook learning in 2023 to build future-ready skills, including in sustainable finance, data and analytics, digital, cyber security, and leadership.
- We continue to strengthen a work environment that supports inclusion, innovation, and high performance, with an ongoing focus on wellbeing. This includes further embedding flexible working, providing enhanced benefits, and building the capabilities of our people leaders.

International network

Our network is our unique competitive advantage and connects companies, institutions and individuals to, and in, some of the world's fastest-growing and most dynamic regions.

- We are investing in capabilities such as digital channels and client experiences to access new high-growth segments, grow our share of wallet with existing clients and create new business model opportunities.
- We are strengthening our Transaction Banking, Financial Markets and Sustainable Finance solutions in CCIB and Wealth Management offerings in CPBB to meet the needs of our cross- border clients across our network.

Expertise

We have a deep knowledge of our market and a holistic understanding of real economic drivers, offering us insights that can help our clients achieve their ambitions.

- We continue to enhance our product, advisory and digital capabilities to serve our individual clients.
- We have enhanced our overall wealth proposition by introducing lending solutions in Kenya Shillings as well as other major currencies like US Dollar (USD), Euro (EUR) and Pound Sterling (GBP).

Strong brand

We are part of a leading international banking group with over 112 years of history in Kenya, making us a household name.

- In 2023, we continued to invest in our brand through various campaigns. The 'Possibilities are Everywhere' global advertising Campaign, run by our parent company, highlighted our distinctive brand promise to be here for good and showcases how we help people, companies and communities grow and prosper across our international network.

Technology

Our strong digital foundations and leading technological capabilities continue to enable a data-driven digital bank that delivers world-class client service.

- We are accelerating automation to optimise our technology stack and enhancing the end-to-end delivery from requirements to deployment via a new, single platform that enables our colleagues to collaborate on technology projects in a consistent and efficient manner.
- We have continued delivering value to our clients by improving speed to market, as enabled by more efficient and scalable technology development and delivery processes

Financial strength

With over KShs 429 billion in assets on our balance sheet, we are a strong and trusted partner for our clients.

- We remain highly liquid with a liquidity ratio at 66.3 per cent against a regulatory threshold of 20 per cent.
- Total capital ratio at 17.84 per cent is above the regulatory minimum of 14.50 per cent.

Business model continued

The value we create

We aim to create long-term value for a broad range of stakeholders, in a sustainable way.

Clients

We deliver banking solutions for our clients both digitally and in person. We help individuals grow their wealth while connecting corporates and financial institutions to opportunities across our network.

Total active digitally enabled clients

76%

Suppliers

We engage diverse suppliers, locally and globally, to provide efficient and sustainable goods and services for our business.

Total active diverse suppliers

30%

Employees

We believe a great employee experience drives a greatclient experience. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career enabled by great people leaders.

Females in seniour roles

41%

Regulators and governments

We play our part in supporting the effective functioning of the financial system and the broader economy by proactively engaging with public authorities and by paying our taxes.

Enriching Kenya's green cover

384k

Trees planted in line with government ambtion

Society

We strive to operate as a sustainable and responsible company, working with local partners to promote social and economic development.

Emploees volunteering for community events

81%

Investors

We aim to deliver robust returns and long-term sustainable value for our investors.

Growth in earnings per share

15%

Our strategy

Over the past year, we have executed strongly against our strategy

We continue to focus on:

- Four strategic priorities: Network business, Affluent client business, Mass retail business and Sustainability.
- Three critical enablers: people and culture, ways of working and innovation.

While the macroeconomic and industry environments continue to evolve, we believe the strategy remains fit for the Bank. Our strategic priorities and enablers will continue to be supported by our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation.

Critical enablers

People and Culture

We invest in our people by building future-ready skills, providing a differentiated employee experience and strengthening our inclusive and innovative culture. We do this by:

- Embedding our refreshed approach to performance, reward and recognition that puts greater focus on ambition, collaboration, and innovation.
- Increasing reskilling and upskilling towards future roles and work, aligned with our business strategy and our workforce's aspirations.
- Strengthening leadership capability through modernised development programs and measurement platforms.
- Focusing on wellbeing to enhance resilience, productivity and performance, as well as offering progressive, purpose-led benefits.
- Further embedding flexible working practices.

Ways of Working

We drive client-centricity with a focus on speed to value for our clients. We are improving our operating rhythm and organisational agility while empowering our people to continuously improve the way we work.

We continue strong progress on:

- Simplifying and transforming the way we invest, operate and execute.
- Harnessing operational efficiencies to help us continue driving commerce and prosperity in the market.
- Enhancing the way we deliver and manage change across the Bank, anchored around simplifying our processes end-to-end.

Innovation

We embed innovation through digitising our core, leveraging partnerships to drive scale and extended reach.

We continue to focus on:

- Modernising and strengthening our technology environment and data management.
- Exploring and experimenting to enhance client experience, develop new platforms and improve operational resilience.
- Leveraging partnerships to access new clients and strengthen our capabilities.

Our Strategy continued

Strategic priorities

Network

Through our unique network, we enable global trade and investment through financing, payments, asset origination and risk management, with an increasing focus on Sustainable Finance.

Our unique footprint with on-the-ground presence and capabilities in more than 50 markets gives us an advantage in advice and deal execution for corporates and financial institutions by:

- Helping our clients seize opportunities in shifting supply chains, tapping into existing and emerging trade and investment corridors.
- Continuously improving client experience with market leading digital platforms that allow seamless onboarding, client servicing and application programming interface (API) connectivity.
- Developing differentiated propositions in high-returning, high growth sectors such as Technology, Media and Telecommunication (TMT), Healthcare, Cleantech and Electric Vehicles.

Mass Retail

Mass Retail is strategically important to our client continuum. It demonstrates our expertise, commitment to and relevance in our market. Besides providing a continuous stream of clients who become more affluent over time, Mass Retail underscores our commitment to lifting participation in the communities we serve.

Our focus is on:

- Continuing the pivot towards a digital-first model to become more personalised, relevant and real-time.
- Sharpening our onboarding and engagement capabilities through digital sales and marketing, advanced analytics capabilities and straight-through self-service.
- Launching and developing new business models with leading global partners to leverage synergies in distribution, digital capabilities and risk management to serve customers at scale.

Affluent

We offer comprehensive solutions, personalised advice, and exceptional client experiences to help our Affluent clients manage and grow their wealth, at home and abroad. As a leading international wealth manager, we are strengthening our competitive advantage by:

- Value of our network, leveraging our wealth hubs in Hong Kong, Singapore, UAE and Jersey to deliver a seamless global proposition and client experience with wealth, advisory and digital capabilities.
- Maximising synergies across our client portfolios and the Bank by nurturing clients up the Affluent client continuum with our expertise and differentiated propositions.
- Delivering expert advice and digital-first wealth solutions via an open architecture approach, supported by investments in innovation and scalable platforms.

Sustainability

We aim to support the sustainable economic and social development of our markets, helping people to thrive long-term.

In line with our Stands, we are committed to accelerating the transition to net zero, lifting participation in the economy and resetting globalisation. Our focus includes:

- Continuing to scale our sustainable and transition finance business by integrating sustainability as a core component of our value proposition and enhancing our suite of Sustainable Finance products and solutions across CCIB and CPBB.
- Progressing on our pathway to achieve net zero financed emissions by 2050, including setting interim 2030 targets for additional high-emitting sectors and enhancing our existing climate risk governance and management processes.
- Contributing our skills, experience and networks to initiatives and coalitions that aim to further develop the global sustainability ecosystem.
- Seeking to partner with our clients and communities to mobilise social capital and drive economic inclusion and entrepreneurship through our Futuremakers global initiative.

Our Stands

The severe impacts of climate change and stark inequality impact everyone. We are taking a stand and setting long term ambitions for our role on these issues where they matter most. This works in unison with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.

Accelerating Zero

The world must reach net zero carbon emissions by 2050 to limit the worst effects of climate change. This will require efforts across stakeholder groups to accelerate the transition to a low-carbon, climate-resilient economy. Policymakers, corporates and financial institutions must play a substantial part in this to ensure that finance is an enabler of change. The need for a just transition that addresses environmental challenges, while ensuring inclusive economic and social development is a priority for us.

Lifting Participation

Inequality, along with gaps in economic inclusion, mean that many young people, women, and small businesses struggle to gain access to the financial system to save for their futures and to grow their businesses. We want to increase access to financial services and make them available at low cost. We strive to expand the reach and scale of accessible banking and to connect clients and our wider communities to the skills and educational opportunities that promote and sustain access to finance and economic opportunity.

Resetting Globalisation

Globalisation has lifted millions out of poverty but left many behind. We advocate for a new model of globalisation based on transparency to build trust, renew confidence and promote dialogue and innovation. We connect the capital, expertise and ideas needed to drive new standards and create innovative solutions for sustainable growth. We work to shape a new understanding of growth; one that is based on inclusivity, sustainability and our ambition to support people and communities for the long term.

Client segments review

Corporate, Commercial & Institutional Banking

Profit before taxation

KShs 9,565m

Segment overview

CCIB supports clients with their transaction banking, financial markets, corporate finance and borrowing needs. Our clients include government, banks, investors, and local corporates with regional footprints to global subsidiaries that have footprints stretching across the world. Our strong and deep local knowledge enables us to help co-create bespoke financing solutions enabling them to move capital, manage risk and invest to create wealth. Our clients represent an important part of the Kenyan market. CCIB is at the heart of our purpose to drive commerce and prosperity through our unique diversity.

CCIB contributes 47 per cent of the Group's operating income facilitating investment, trade and capital flows leveraging on our international footprint and digital capabilities to serve our clients as they operate in multiple markets.

Digital and innovation remains at the heart of our strategy. Our clients on Straight2Bank actively use the platform to access channels for collections, payments, tax, payroll, mobile wallet, trade finance, custody, and foreign exchange (FX) services with convenience and safety. During the year, we increased the penetration and utilisation of our Straight2Bank digital platform to 90 per cent and 81 per cent respectively.

Financial Markets is an essential part of the CCIB business. The business combines an in-depth knowledge of local markets with global products expertise to offer financial solutions and efficient risk management strategies. The team offers capabilities across origination, sales, structuring, trading and research.

In 2023, we focused on building momentum on client discussions to better understand their transition plans and explore areas of collaboration. We started by optimising on the climate risk assessments that we built into our credit applications last year by engaging clients on transition finance and having conversations around building Environmental Social and Governance (ESG) frameworks for their business. We rolled out key sustainable finance products on the deposit side to allow our customers to deploy their cash balances towards sustainable lending linked through the Bank.

On the sustainability front, Standard Chartered acted as the sole global coordinator, sole sustainability coordinator as well as mandated lead arranger and bookrunner for Safaricom PLC's KShs 15 billion Sustainability Linked Loan (SLL). The proceeds of the SLL are based on a list of Key Performance Indicators ("KPIs") which align with the Company's long term sustainability objectives. The funding will help Safaricom PLC achieve its sustainability commitments by setting baseline targets in the long run including emissions to reach Net Zero targets, gender diversity, and social equality. This aligns with the Company's global Sustainability Development Goals ("SDG") strategy. The deal is the first Kenya Shilling denominated SLL and the largest Kenya Shilling ESG financing done in the market to date which paves the way for further sustainability financing in the region as companies look to minimise their environmental impact.

Strategic priorities

- Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital, and investment flows.
- Generate high-quality returns by improving funding quality, driving 'capital-lite' income, and driving balance sheet velocity while maintaining risk management.
- Be the leading digital banking platform, providing integrated solutions to cater to our clients' needs and enhance client experience, and partnering with third parties to expand capabilities and access new clients.
- Accelerate our Sustainable Finance offering to our clients through product innovation and enabling transition to a low carbon future.

Performance highlights

- Operating income up 42.4 per cent to KShs 19 billion driven by growth in non funded income (NFI) and net interest income (NII).
- Net interest income (NII) was up 48.6 per cent from 2022 due to growth in the loan book as well as improved margins.
- Non Funded Income (NFI) grew by 34.8 per cent largely driven by increased transactional volumes.
- Credit impairment increased during the year on account of tough economic conditions as well as an increase in the loan book.
- Loans and advances grew by KShs 19.3 billion to KShs 90.7 billion driven by closure of pipeline deals and higher utilisation of limits by clients.
- Customer deposits grew by KShs 41.0 billion to KShs 175.3 billion driven by new mandates and increased transactional flows from key relationships.

Consumer, Private and Business Banking

Profit before taxation

KShs 9,651m

Segment overview

Consumer, Private and Business Banking (CPBB) serves a diverse client base comprising individuals and small businesses, with a focus on affluent, emerging affluent and mass retail banking. We provide digital banking services with a human touch to our clients, with services spanning across transaction solutions, borrowing solutions, investments and protection solutions. In addition, we support business banking clients and facilitate access to Business working Capital, our Straight2Bank digital platform, trade and foreign exchange solutions.

CPBB contributes 48.7 per cent of the Group's operating income and provides a source of high-quality liquidity for the Group. We aim to elevate client experience, improve productivity by optimisation of our digital capabilities and simplify our processes to improve business efficiency.

Digital Capability

We have optimised our digital capability to better serve our clients with ease and efficiency. We continue to strategically and purposely migrate client and product acquisition, servicing, investing, and transacting through our SC Mobile and Online Banking channels.

97 per cent of all transactions are processed via digital channels due to straight through processing capability 24/7 and added layers of security. In addition, we have over 75 service journeys on the mobile platform with Debit Card activation and PIN setup/reset being the most commonly used service journeys. We have augmented investment services on our digital platforms. Our clients are able to invest in money market funds both onshore and offshore, trade both local and corporate bonds and explore a myriad of general insurance options including motor insurance, home insurance, travel insurance and last respect plans.

Strategic priorities

- To be a leading international Affluent franchise known for outstanding personalised wealth advice and exceptional client experience.
- To create a single wealth continuum platform with distinctive value propositions to maximise client relationships.
- To create a profitable mass retail business enabled by partnerships, data and digital infrastructure.
- To grow our Business Banking segment to offer comprehensive solutions to SMEs.
- To pursue digitally-led, personalised and contextual client engagement augmented by seamless omnichannel experience.
- To provide unique, sustainable solutions to our individual and SME clients.

Performance Highlights

- Operating income, at KShs 19.9 billion represented a 33.6 per cent increase year-on-year. The performance was driven by a solid performance from Retail products coupled with Wealth Management business momentum.
- The Non-Funded Income (excluding Wealth) increased by 73 per cent. This is driven by improved transaction volumes.
- A single wealth continuum platform with distinctive value propositions to maximise client relationships.
- Creating a profitable mass retail business enabled by partnerships, data and digital infrastructure.
- Growing our Business Banking segment to offer comprehensive solutions to SMEs.
- Digital-led, personalised and contextual client engagement augmented by seamless omnichannel experience.
- Providing unique sustainable solutions to our individual and SME clients.
- We continue to cement our leadership in Wealth Management which saw the assets under management close at KShs 185.5 billion up from KShs 148.2 billion.

Product Groups

Transaction Banking

Transaction Banking is at the forefront of developing essential cash, treasury management, trade and working capital solutions for our clients using new technologies and partnerships. Our clients value our deep local market expertise and our ability to provide trade services across borders through our extensive global network. We pride ourselves in being able to provide secure digitally enabled solutions complemented by rich data insights that spur sustainable growth and profitability for our clients' businesses. At the heart of everything we do, we are committed to service excellence and building deep client relationships that are anchored on value creation.

Cash Management and Digital Banking

We understand the unique banking needs of clients and are committed to providing them with competitive cash management services that are suitable for both the local and global context.

As a trusted partner to Corporate, Commercial & Institutional Banking (CCIB) clients, our continued focus is rooted in the development of unique value propositions through investments in product innovation and digitisation, whilst carefully managing risk as market dynamics and regulations evolve.

With the fast-changing information and cyber security landscape, we continuously enhance our solutions by building them on platforms with best-in-class digital protection and cyber security tools. These measures provide our clients with the highest levels of security, transparency and real-time visibility of their daily treasury and cash management activities on Straight2Bank, our online banking platform.

Our cash management and digital banking capabilities include:

- Account services (including escrow services).
- Payments services.
- Collections or Receivables services.
- Mobile Wallet payments and collections.
- Liquidity management solutions.
- Straight2Bank, our online banking platform.
- Straight2Bank Pay, our digital collections e-commerce gateway.
- Application Programming Integrations (APIs) and Host-to-Host integrations.

Trade and Working Capital

Trade is in our DNA. Our Trade business continues to evolve to meet the unique and sophisticated business requirements of our clients within the global environment. We offer our clients a full suite of trade finance propositions to meet their underlying business needs through documentary and flow trade to open account trade solutions including structured trade solutions. Financing our clients' end-to-end ecosystem value chain is Standard Chartered's strategic response to supporting Small and Medium Enterprises in Kenya. We provide integrated solutions that help grow our client's business by meeting the financing, transactional and information needs of their company, and its suppliers, sales channels, and customers. We also provide foreign currency clearing and trade finance to Tier 1 and 2 banks in Kenya allowing them to continue to service their clients and more specifically provide liquidity to SMEs.

In line with the evolving global focus on sustainability, the Bank continues to support the Sustainable Trade and Working Capital approach which is embedded in our Trade and Working Capital Business. This approach accelerates our clients' adoption of sustainable trade finance as a business enabler and plays an important role in helping our clients in key transitioning industries to build more sustainable business models. We are also committed to making trade financing simpler and faster via our digital capabilities, on Straight2Bank, our online banking platform.

Our Trade and Working Capital offering and capabilities include:

- Documentary and Flow Trade – Letters of Credit, Documentary Collections and Bonds and Guarantees.
- Trade Loans – Receivables and Payables Financing.
- Working Capital Financing – Overdrafts and Short-Term Loans.
- Supply Chain Financing Solutions – Distributor and Supplier Financing.
- Receivables Services.
- Structured Trade Solutions to support bespoke and complex transactions.
- Straight2Bank – our online banking platform.

Thought Leadership

Leading market engagements through thought leadership initiatives is critical for our relevance as we accelerate our mission to deliver richer solutions to our clients. These are some of the key engagements we participated in 2023.

- World Financial Innovation Series Africa: The Head of Transaction Banking presented to the wider financial services industry on Diversifying and Expanding Financial Products and Services with Open Banking. This presentation focused on various models that organisations can consider adopting for their growth strategies whilst leveraging on open banking. It also highlighted the existing opportunities for organisations and regulators to build upon in preparation for a more structured open banking system in Africa.
- Connected Banking East Africa Forum: On the theme of 'accelerating financial inclusion through digital adoption', the Head of Transaction Banking participated in a panel that explored building globally relevant and competitive economies through strategic partnerships and platform ecosystems whilst ensuring fair outcomes for customers.

Product group continued

- Treasury Management Breakfast Roundtable: We held a client roundtable themed "The Corporate Treasurer of the Future", which highlighted how the role of a Corporate Treasurer has evolved from a traditional financial management role to a strategic powerhouse driving business growth. Engagements centred on how innovative solutions and ESG principles are reshaping the treasury landscape of the future.
- Global Trade Review (GTR) 2023 East Africa Conference: The Conference focussed on addressing emerging trends in Trade Finance, Commodity Finance, Trade Distribution and Trade Technology. Our focus was on Sustainable Trade and Working Capital, Supply Chain Finance and Trade Digitisation. The Head of Trade and Working Capital was a panellist in a session titled "Resetting the sustainable trade narrative with Africa-centric sustainable development goals".
- We published our Future of Trade Africa Report focusing on the "African Continental Free Trade Area" as part of a 2030 international trade outlook. This report has enriched client engagements and enabled our business to prepare our clients in their journeys towards driving purpose-led priorities while driving profitability.

Awards

- Global Finance Magazine: 2023 Best Overall Bank for Cash Management.
- GTR Leaders in Trade Awards: Best Trade Finance Bank in East Africa by the Global Trade Review for 2022 and 2023.
- The Leaders in Trade Awards highlight excellence in the Trade, Commodity Finance, Supply Chain and Export Finance and Fintech Markets.

Financial Markets

Product Overview

The Financial Markets team has expertise combined with deep market knowledge to deliver a variety of risk management, financing, and investment solutions to our clients. This team offers capabilities across origination, structuring, sales, trading, and research. Offering a full suite of fixed income, currencies, commodities, equities and capital markets solutions, Financial Markets has firmly established itself as a trusted partner with extensive on-the-ground knowledge and deep relationships.

Financial Markets remains a core part of our CCIB business supporting our clients with in depth insights into global and local macro events. Geopolitical tensions (Russia/Ukraine, Israel/Palestine) and Central Banks in the advanced economies tightening monetary policy to curb inflation, tight global financing conditions had significant ripple effects on the local macro environment; impacting fuel prices, interest rates and foreign exchange rates. On the back of this environment; our Financial Markets business leveraging on our international expertise and deep local knowledge was on hand to support clients both onshore and offshore to wade through these challenges and opportunities. We were able to support our clients meet their forex needs to keep their businesses growing, and also provided access to investment opportunities and risk mitigation solutions.

Strategic Priorities

Our strategy is framed under 5Cs:

Clients

Clients are at the centre of everything we do. Financial Markets is a franchise-led business where we provide foreign currency (FX) transaction flow and tailored solutions to our clients. We want to improve the connectivity and product set that we provide to our clients. In addition to our existing offering, we are launching new products in a bid to address specific client needs.

Credit trading

Comprises the Credit Flow, Credit Solutions, Repos and Collateral businesses, with teams in Kenya and across our global footprint. Credit Flow acts as a market maker in secondary Emerging Markets hard currency credit markets. Credit Solutions provides financing and investment solutions across fixed income, loans, equities, and funds. Repos and Collateral provide liquidity management, collateral optimisation, yield enhancement and financing trades. Credit trading is an area we want to enhance in terms of our coverage in Kenya and the spectrum and distribution of credit risk.

Currency

Our foreign currency (FX) business is core to the client offering. We continue to build on our offering by investing in people and technology. Straight2Bank (S2B), our corporate online banking platform, provides our clients with access to our FX offering through the Stand-Alone Request for Quote (SARFQ). Standard Chartered Aggregation and Liquidity Engine (SCALE) offers clients a customised product capable of managing high volumes, whilst Straight2Bank will provide clients with a low latency, sophisticated FX management system (S2BX). Each of our core platforms is continuously improved to enhance the service we offer clients.

Cross-sell

In continuously putting our clients first, we shall deepen the uptake of our product offering. We are leveraging on our rich product offering, superior and reliable systems, and deep local knowledge to provide localised consistent service.

Conduct

Conduct is of critical importance in the way we do business. It is by operating with integrity and doing the right thing for our clients, all the time, that we will succeed in achieving our business ambitions.

Wealth Management

Product overview

We offer superior investment advice, products, and services to help our clients build, manage, and protect their wealth. We serve clients under our Priority, Premium, Personal and Business Banking segments.

In today's complex investment landscape, our clients need insights that will help them respond quickly to market events and make informed investment decisions. We match their needs and risk tolerance with Wealth Management solutions from leading industry providers, guided by our investment insights and wealth product specialists.

We combine a deep understanding of our market with global reach, to provide our clients with access to the world's leading financial markets and investing opportunities like their counterparts in more advanced countries.

We recommend solutions that are most suited and relevant to each client after a thorough investment profiling. Our advisory team benefits from our open-source approach to product and fundamental research backed by a very competent and experienced investment committee that looks at a broad range of industry-leading sources and debates them thoroughly. The result is great insights that help our clients make better investment decisions.

Our world-class Wealth Management offering is classified into four key propositions:

Managed Investments

We combine our market-leading advice and funds selection to create personalised portfolios using various asset categories such as equities, bonds, commodities etc. This will help clients diversify and reduce overall volatility. We offer money market fund solutions through our fully end-to-end digital platform, SC Shilingi available on our SC Mobile platform.

Market Products

We unlock financial markets across fixed income and foreign exchange for our clients.

Clients benefit from our trading expertise to buy and sell all major currencies at branches and seamlessly though our digital platforms.

We offer our clients bonds issued by international corporations or governments, including Kenya, to benefit from regular coupon income as well as potential capital appreciation based on market conditions.

Bancassurance

Our partnerships with reputable insurance providers provide the right protection for our clients' savings, education and retirement needs through education and endowment policies, their property through home, motor and travel insurance, and their families through farewell insurance.

Wealth lending

We have enhanced our overall wealth proposition by introducing lending solutions in Kenya Shillings as well as other major currencies like US Dollar (USD), Euro (EUR) and Pound Sterling (GBP). Our clients, using their investment as a collateral, have an opportunity to access quick liquidity. This capability ensures that clients retain a long-term investment view while managing short-term liquidity needs. Further, clients are able to borrow and re-invest and maximise the value of their portfolio.

By continuously enhancing our offering for affluent and emerging affluent clients, we aspire to be increasingly relevant for our clients. To that end, we are investing in digitally delivered wealth propositions that excite our clients. Our digital Wealth Management product suite now includes motor, home, travel and farewell insurance, mutual funds, offshore fixed income and foreign exchange, all of which are available on the SC mobile app.

Chief Financial Officer's Statement

Chief Financial Officer's Review

The Bank's balance sheet remains strong, liquid and well diversified

Summary of financial performance

The Bank delivered a 15.0 percent growth in profit before tax to KShs 19.7 billion driven by a 23.5 per cent growth in revenue to KShs 40.9 billion. Net interest income was up 32.4 per cent year on year due to growth in interest earning assets , coupled with rising Global and Local interest rates.

Interest earning assets, largely customer loans and advances, government securities, and group balances increased by 7.1 per cent year-on-year to KShs 365.9 billion from KShs 341.7 billion in 2022. Group balances increased by 34.5 per cent to KShs 129.3 billion driven by deployment of excess FCY liquidity to Standard Chartered Bank subsidiaries and branches. Net customer loans grew by 17.0 per cent while government securities reduced by 34.2 per cent. There was a strong pivot towards client assets during the year with local currency loans growing by 18.5 per cent and foreign currency loans up 13.8 per cent year-on-year. Average loan balances increased from KShs 136.3 billion in 2022 to KShs 142.4 billion in 2023 in line with growth in period end balances. Overall, the NIMs increased by 160bps to 10.4 per cent.

Foreign exchange non-funded income was up 42.3 per cent year-on-year on account of growth in transactional volumes and improved margins boosted by currency volatility. Net fees and commissions income was up 33.1 per cent to KShs 6.0 billion driven by growth in transactions volumes and robust performance in the Wealth Management Business. The performance has been tempered by Mark-to-Market losses on disposal of government securities, with overall, non-interest income growing by 6.2 per cent.

Operating expenses at KShs 17.9 billion are up 18.7 per cent year-on-year driven by staff costs, increase in Group recharges, and targeted investments (digitisation). The depreciation of the currency has also negatively impacted foreign denominated costs mainly Group recharges.

The Bank achieved a 4.8 per cent positive income-to-cost jaws and the cost-to-income ratio improved by 180 bps to 43.8 per cent.

Credit impairment charge was up at KShs 3.2 billion, with cost of risk increasing by 110 bps to 2.1 per cent. This was primarily driven by specific provisions on a few CCIB legacy names. In addition, 2022 credit impairment charge included release driven by improved portfolio metrics in CPBB and COVID-19 ECL overlay releases in CCIB. Other impairment of KShs 76 million relates to impairment of equipment.

Earnings per share ('EPS') increased 14.9 per cent to KShs 36.17 on account of the strong profitability.

Summary income statement	2023 KShs '000	2022 KShs '000	Change %
Net interest income	**28,844,408**	21,782,185	32.4
Non-interest income	**12,015,598**	11,310,749	6.2
Operating income	**40,860,006**	33,092,934	23.5
Operating expenses	**(17,897,409)**	(15,074,919)	18.7
Credit impairment	**(3,217,995)**	(784,623)	310.1
Other impairment	**(76,120)**	(130,193)	(41.50)
Profit before taxation	**19,668,482**	17,103,199	15.0
Taxation	**(5,833,015)**	(5,045,264)	15.6
Profit after tax	**13,835,467**	12,057,935	14.70
Key metrics:			
Basic earnings per share (KShs)	**36.17**	31.47	14.9
NIMs (%)	**10.4**	8.8	160bps
Cost income ratio (%)	**43.8**	45.6	180bps
Cost of Risk (%)	**2.1**	1.0	110bps

*NIMs - Net interest margin

Client segments

Corporate, Commercial & Institutional Banking ('CCIB') profit before tax increased 36.0 per cent to KShs 9.6 billion. Income grew 42.4 per cent to KShs 19.0 billion driven by improved net interest margins, growth in transactional volumes, and favourable market movements. Expenses at KShs 7.4 billion were 16.4 per cent higher reflecting the impact of inflation and currency depreciation. Credit impairment charges at KShs 2.0 billion reflects continued active management of the credit portfolio.

Consumer, Private & Business Banking ('CPBB') profit before tax increased by 70.3 per cent to KShs 9.7 billion, with income up 49.8 per cent to KShs 19.9 billion, benefitting from improved margins on retail deposits income, transactions volume growth, and a robust performance in the Wealth Management business. Expenses increased 21.2 per cent to KShs 9.3 billion while credit impairment was KShs 0.9 billion, a 1.1 percent improvement versus 2022.

Central & other items (C&O) recorded a profit before tax of KShs 0.4 billion as income declined by 80.9 per cent to KShs 1.1 billion mostly reflecting the losses from disposal of government securities. Impairment losses increased to KShs 0.2 billion largely informed by the macro-economic environment.

Profit before tax	2023 KShs '000	2022 KShs '000	Change %
CCIB	**9,564,661**	7,033,891	36.0
CPBB	**9,650,887**	5,665,487	70.3
C&O	**452,934**	4,403,821	(89.7)
	19,668,482	17,103,199	15.0

Chief Financial Officer's Statement
continued

Loans and advances to customers

Gross stage 3 loans and advances to customers of KShs 11.8 billion were 9.3 per cent lower year-on-year as repayments, upgrades, and write-offs more than offset new impairments to stage 3. Credit-impaired loans represented 6.8 per cent of gross loans and advances, 200 bps decrease compared to the prior year with credit quality being resilient in a challenging macro-economic environment. Consequently, the NPL ratio reduced by 460 bps to 9.7 per cent.

The stage 3 cover ratio increased from 47.8 per cent in 2022 to 65.4 per cent even as the gross exposures reduced reflecting a prudent credit management process.

Impairment losses on loans and advances up by KShs 2.1 billion reflecting continued active management of the credit portfolio, driven largely by CCIB specific provisions on a few legacy names. Credit quality remained resilient, but we remain alert to a volatile and challenging macro-economic environment.

Gross loans	2023 KShs '000	2022 KShs '000	Change %
Of which stage 1	**154,242,459**	133,372,653	15.6
Of which stage 2	**6,871,063**	2,279,359	201.4
Of which stage 3	**11,823,094**	13,038,242	(9.3)
Expected credit loss provisions			
Of which stage 1	**(670,256)**	(1,770,521)	(62.1)
Of which stage 2	**(1,376,228)**	(1,281,355)	7.4
Of which stage 3	**(7,728,355)**	(6,225,818)	24.1
Net loans and advances to customers	**163,161,777**	139,412,560	17.0
Cover ratio of stage 3 (%)	**65.4**	47.8	176bps
NPL ratio (%)	**9.7**	14.3	460bps
Credit impairment charge	**2,968,443**	885,618	235.2
Of which stage 1 and 2	**(214,100)**	1,880,246	(111.4)
Of which stage 3	**3,182,543**	(994,628)	(420.0)

Balance sheet and liquidity

Customer deposits increased by 22.9 per cent from KShs 279.8 billion to KShs 342.9 billion.

Total assets increased by 12.5 per cent to KShs 429 billion driven by a 22.9 per cent growth in customers to KShs 342.9 billion, which in turn drove growth in customers loans and advances by 17.0 cent to KShs 163.2 billion and balances due from group growing by 34.5 per cent to KShs 129.3 billion on account of the 37.2 per cent growth in foreign currency deposits. Investments in government securities reduced by 34.2 per cent to KShs 69.6 billion with the liquidity redirected to customer loans and advances and paying off balances due to banks which reduced by 67.9 per cent to KShs 4.3 billion from KShs 13.5 billion as at 31 December 2022.

Customer deposits increased by 22.9 per cent from KShs 279.8 billion to KShs 342.9 billion with a diversified base providing opportunity for growth, and stable funding base with 96.6 per cent CASA (current accounts, and savings accounts) to total deposit ratio. Foreign currency deposits were up 37.2 per cent while local currency deposits increased by 13.1 per cent to KShs 156.5 billion, and KShs 186.4 billion respectively. The growth was driven by increase in Current & Savings Account balances across the business segments from new mandates and deepening of existing relationships.

The advances-to-deposits ratio decreased to 47.6 per cent from 50.0 per cent as at 31 December 2022 reflecting the higher growth in customers deposits, compared to the growth in loans and advances to customers.

The liquidity ratio decreased by 670 bps to 66.3 per cent as of 31 December 2023 and remains well above the minimum regulatory requirement of 20 per cent.

Summary balance sheet	2023 KShs '000	2022 KShs '000	Change %
Cash and balances with CBK	**42,901,755**	23,257,306	84.5
Government securities	**69,602,668**	105,718,093	(34.2)
Loans and advances to customers	**163,161,777**	139,412,560	17.0
Due from group companies and other related parties	**129,253,610**	96,121,186	34.5
Other assets	**24,042,365**	16,750,870	43.5
Total assets	**428,962,175**	381,260,015	12.5
Due to banks	**4,327,045**	13,480,464	(67.9)
Customer deposits	**342,853,241**	278,879,309	22.9
Other liabilities	**20,249,623**	32,763,512	(38.2)
Total liabilities	**367,429,909**	325,123,285	13.0
Equity	**61,532,266**	56,136,730	9.6
Total liabilities and equity	**428,962,175**	381,260,015	12.5
Advances-to-deposits ratio (%)	**47.60**	50.00	(240)bps
Liquidity ratio (%)	**66.30**	73.00	(670)bps

Capital

The Bank's absolute core capital increased by 21.6 per cent to KShs 51.2 billion while core capital ratio increased by 157 bps to 17.77 per cent, 727 basis points higher than the minimum statutory ratio of 10.50 percent.

Supplementary capital decreased from 5.0 billion as at 31 December 2022 to KShs 0.2 billion following the repayment of the subordinated of KShs 2.8 billion, and KShs 2.2 billion decrease in statutory credit risk reserve transferred to core capital.

Total capital increased by KShs 4.0 billion to KShs 51.4 billion driven by growth in retained earnings, reduced impact of deferred tax, partially offset by repayment of the subordinated debt. Total capital ratio increased by 56 bps to 17.84 per cent, 334 basis points above the statutory minimum ratio of 14.50 per cent, reflecting a strong capital base in line with our capital risk appetite and is adequate to support balance sheet growth.

Capital base and ratios	Statutory Minimum	KShs '000	KShs '000	Change %
Tier 1 capital		**51,217,932**	42,132,719	21.6
Tier 2 capital		**182,521**	5,271,363	(96.5)
Total capital		**51,400,453**	47,404,082	8.4
Tier 1 capital ratio (%)	**10.5**	**17.77**	15.36	157bps
Total capital ratio (%)	**14.5**	**17.84**	17.28	320bps
Tier 1 to total deposits (%)	**8.0**	**14.94**	15.11	(110) bps

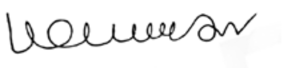
- Total Risk-Weighted Assets (RWA) increased by 5.1 per cent to KShs 288.2 billion from KShs 274.3 billion as at 31 December 2022.
- Credit risk RWAs increased by 10.9 per cent to KShs 203.4 billion from KShs 183.5 billion as at 31 December 2022. This was largely driven by growth in customer loans and advances Market risk RWA decreased by 44.2 per cent to KShs 12.6 billion driven by the decrease in government securities holding largely government bonds.
- Operational risk RWAs increased by 5.8 per cent due to an increase in average income as measured over a rolling three-year time horizon, with higher 2022 income replacing lower 2019 income.

Chief Financial Officer's Statement
continued

Risk weighted assets (RWA)	KShs '000	KShs '000	Change %
Credit risk	**203,400,248**	183,481,160	10.9
Market risk	**12,623,049**	22,606,942	(44.2)
Operational risk	**72,144,937**	68,169,220	5.8
Total risk weighted assets	**288,168,234**	274,257,322	5.1

Dividends

In November 2023, the Board approved the payment of an interim dividend of KShs 6.00 per ordinary share and an interim dividend on the 6% preference shares for the 181 days to 29 June 2023. Both interim dividends were paid in December 2023. The Board will be recommending to the shareholders a final ordinary dividend of KShs 23.00 per ordinary share for the year. This is in addition to the interim dividend of KShs 6.00 paid in December 2023, taking total dividend to KShs 29.00. The total ordinary, and preference share dividend for the year will be KShs 11,125,667,081 (80 per cent pay-out ratio), an increase of 31.8 per cent compared to 2022.



Chemutai Murgor
Chief Financial Officer
12 March 2024


futuremakers
by Standard Chartered

Risk Management

Chief Risk Officer's Review

Proactively managing our risks whilst keeping our focus on the execution of the Group's strategy

Global and Domestic Macroeconomic overview

The global economy is expected to continue slowing down. According to the World Bank, global growth is expected to slow to 2.4 per cent ; the third year of consecutive decline. This is due to a combination of factors and successive global shocks: Covid-19 pandemic, Russia-Ukraine war and more recently the Israel-Palestine war. These factors led to an increase in commodity prices, rising inflation and sharp tightening of global monetary conditions. The growth in Sub-Saharan Africa, is however, expected to accelerate from an estimate of 2.9 per cent in 2023 to 3.8 per cent in 2024.

At the domestic level, the 'Kenya Kwanza' government is in its second year and continues to implement several policy changes in line with its election manifesto. Most of these changes including the housing and health care plans are still in their formative stages with delays arising from legal challenges in the courts.

According to the Kenya National Bureau of Statistics, Kenya's gross domestic product (GDP) grew by 5.9 per cent in the third quarter of 2023, compared to 4.2 per cent in the third quarter of 2022. This growth was driven mainly by a rebound of agricultural activities which were subdued in 2022. Inflation has been brought within the target band of 5 per cent ±2.5 per cent . Inflation in December 2023 was 6.6 per cent; a slight decline from 6.8 per cent the previous month of November 2023.

The Kenya Shilling depreciated by over 30 per cent over the year starting at KShs 123 to the dollar in January 2023 to a peak of KShs 163 to the dollar in February 2024. Following issuance of the USD 1.5billion Eurobond by the Kenya Government, with proceeds used to partially settle the USD 2 billion Eurobond due to mature in June 2024, the Kenya Shilling substantially strengthened against the dollar to KShs 139 to the dollar on 12 March 2024.

The exchange rate depreciation continues to exert upward pressure on domestic prices. In order to rein in the depreciation as well as anchor inflation within the mid-point of the target band, the Monetary Policy Committee increased the policy rate (the Central Bank Rate) by 200bps in its December 2023 meeting to 12.5 per cent and a further increase of 50bps to 13.0 per cent in its February 2024 meeting.

The International Monetary Fund (IMF) completed its Sixth review under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF). On 17 January 2024, the IMF Board approved disbursement of the Kenya Government Special Drawing rights SDR 469.25 million equivalent to circa $624.5m under the EFF/ECF arrangements; and SDR 45.23 million equivalent to circa $60.2 million under the Resilience and Sustainability Facility (RSF).

Outlook

We expect to see a 'soft landing' for the world economy in 2024. The war between Ukraine and Russia continues, increasing uncertainty for nations in Europe and elsewhere. There is renewed conflict in the Middle East, bringing tragedy to many communities and disruption to the Red Sea, a key chokepoint in global supply chains. 2024 is also a year of major elections in the United States, India and probably the United Kingdom, as well as other markets in our footprint. These all have the potential to affect the economic situation.

At the domestic front, the main risks remain debt sustainability, continuing fiscal consolidation and their combined effect on the exchange rate, foreign currency liquidity, interest rates, inflation and ultimately economic growth.

Portfolio quality

Corporate, Commercial and Institutional Banking (CCIB)

Our CCIB credit portfolio remained resilient with overall good asset quality as reflected in the proportion of loans and advances held within stage 1, which remained stable at 89 per cent (2022: 88 per cent). We closely monitored vulnerable sectors and identified clients that may face difficulties on account of increased interest rates, foreign exchange movements, impact of the Finance Act 2023, commodity volatility or increased prices of essential goods and climate change impacts.

Consumer, Private and Business Banking (CPBB)

The CPBB credit portfolio remained alert to the risks of the uncertain economic outlook but continued to demonstrate resilience. The delinquencies in CPBB (90 days past due) marginally increased from 2.2 per cent as at 31 December 2022 to 2.3 per cent as at 31 December 2023 highlighting the emerging pressure on customers' debt servicing capacity, as our customers continue to adapt to the challenging macro-economic conditions. We continue to proactively manage this portfolio in the various governance committees (in liaison with clients) to ensure that appropriate actions are taken in good time.

Kenya's gross domestic product (GDP) grew by 5.9 per cent in the third quarter of 2023, compared to 4.2 per cent in the third quarter of 2022

The table below shows the key portfolio indicators;

Key portfolio indicators:

	2023			2022		
	CCIB	CPBB	Total	CCIB	CPBB	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Stage 1	87,654,054	66,588,406	154,242,460	66,881,168	66,491,485	133,372,653
Stage 2	3,346,818	3,524,244	6,871,062	201,239	2,078,120	2,279,359
Stage 3, credit-impaired financial asset	7,210,820	4,612,274	11,823,094	8,774,418	4,263,824	13,038,242
Gross balance	98,211,692	74,724,924	172,936,616	75,856,825	72,833,429	148,690,254
Total credit impairment	(6,396,045)	(3,378,794)	(9,774,839)	(4,437,364)	(4,840,330)	(9,277,694)
Net carrying value	91,815,647	71,346,130	163,161,777	71,419,461	67,993,099	139,412,560
Stage 3, coverage ratio (%)	77.6	46.3	65.4	47.5	48.2	47.8

Chief Risk Officer's Review
continued

Enterprise Risk Management Framework (ERMF)

Risk management is at the heart of banking, it is what we do. Managing risk effectively is how we drive commerce and prosperity for our clients and our communities, and it is how we grow sustainably and profitably as an organisation.

Effective risk management is essential in delivering consistent and sustainable performance for all our stakeholders and is a central part of the financial and operational management of the Bank. The Bank adds value to clients and the communities in which we operate by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

ERMF enables the Bank to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite (RA). The ERMF has been designed with the explicit goal of improving the Bank's risk management, and it is embedded across the Bank. The ERMF is reviewed annually. In revisions made in the ERMF in 2023, the concepts of Integrated Risk Types (IRTs) were discontinued. Oversight on existing IRTs, i.e. Climate Risk, Digital Asset and Third Party Risk, is achieved through the Risk Type Frameworks (RTFs) and dedicated policies.

Risk Culture

Risk culture encompasses our general awareness, attitudes, and behaviours toward risk, as well as how risk is managed enterprise wide.

A healthy risk culture is one in which everyone takes personal responsibility to identify and assess, openly discuss, and take prompt action to address existing and emerging risks.

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Bank by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations. The Risk function is separate and independent from the origination, trading, and sales functions of the businesses. The Risk function is responsible for:

- Determining the RA for approval by Bank's Executive Risk Committee and the Board.
- Maintaining the ERMF, ensuring that it remains relevant and appropriate to the Bank's business activities, and is effectively communicated and implemented across the Bank.
- Upholding the overall integrity of the Bank's risk and return decisions ensuring that the risks are properly assessed, decisions are made transparently and that risks are controlled in accordance with the Bank's standards and RA.
- Overseeing and challenging the management of principal risk types (PRTs) under the ERMF.
- Ensuring that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues through the independence of the Risk function.

Three lines of defence model

The Bank applies a three Line of Defence model to the day-to-day activities for effective risk management, governance and control environment. Typically:

- The businesses and functions engaged in or supporting revenue generating activities that own and manage the risks constitute the 1st Line of Defence.
- The control functions independent of the 1st Line of Defence that provide oversight and challenge of risk management activities act as 2nd Line of Defence.
- Internal Audit acts as the 3rd Line of Defence providing independent assurance on the effectiveness of controls supporting the activities of the 1st and 2nd lines of defence functions.

Risk Appetite (RA)

The Bank recognises the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- Risk capacity is the maximum level of risk the Bank can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements, internal operational environment, or otherwise failing to meet the expectations of regulator and law enforcement agencies.
- RA is defined by the Bank and approved by the Board. It is the approved boundary for the risk that the Bank is willing to undertake to achieve its strategic objectives and Corporate Plan.
- The Board is responsible for approving the RA Statements. These directly constrain the aggregate risk exposures that can be taken across the Bank.

The Bank's RA is reviewed at least annually to ensure that it is fit for purpose and aligned with strategy, and focus is given to emerging or new risks.

Risk Appetite Statement

"The Bank will not compromise compliance with its RA in order to pursue revenue growth or higher returns."

In addition to PRTs, there is a formal RA statement for Climate Risk defined as "The Bank aims to measure and manage financial and non-financial risks arising from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement- an international treaty on climate change."

Risk identification and assessment

Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication, we use PRTs to classify our risk exposures.

Nevertheless, we also recognise the need to maintain a holistic perspective since:

- a single transaction or activity may give rise to multiple types of risk exposure;
- risk concentrations may arise from multiple exposures that are closely correlated; and
- a given risk exposure may change its form from one risk type to another.

There are also sources of risk that arise beyond our own operations, such as the Bank's dependency on suppliers for the provision of services and technology.

As the Bank remains accountable for risks arising from the actions of such third-parties, failure to adequately monitor and manage these relationships could materially impact the Bank's ability to operate and could have an impact on our ability to continue to provide services that are material to the Bank.

Principal Risk Types

Principle Risk Types (PRT) are those risks that are inherent in our strategy and business model and have been formally defined in the Bank's ERMF. The PRT and associated RA Statements are reviewed annually and discussed below.

Credit Risk

The Group defines credit risk as potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Bank.	**Risk Appetite Statement** The Bank manages its credit exposures following the principle of diversification across products, client segments and industry sectors.

The Credit risk type framweork (RTF) for the Group is set and owned by the Board.

The Credit Risk control function is the second line of defence responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the first line of defence. In addition, they ensure that credit risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Bank's RA, credit policies and standards.

Segment-specific policies for CCIB and CPBB are in place for the management of Credit Risk. The Credit Policy for CCIB Client Coverage sets the principles that must be followed for the end-to-end credit process, including credit initiation, credit grading, credit assessment, product structuring, credit risk mitigation, monitoring and control, and documentation.

The CPBB Credit Risk Management Policy sets the principles for the management of CPBB segments, for end-to-end credit process including credit initiation, credit assessment, documentation and monitoring for lending to these segments.

The Bank also sets out standards for the eligibility, enforceability, and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools, such as collateral, credit insurance and guarantees.

Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation, and counterparty risk of the protection provider.

Collateral is valued prior to drawdown and regularly thereafter as required, to reflect current market conditions, the probability of recovery and the period to realise the collateral in the event of liquidation. The Bank also seeks to diversify its collateral holdings across asset classes.

Where guarantees, credit insurance, standby letters of credit are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

At Board level, the Board Credit Committee (BCC) oversees the effective management of Credit Risk. At the executive level, the Executive Risk Committee and the Credit Issues Committee oversees management of credit risk in CCIB and CPBB. The Credit Approvals Committee (CAC) has delegated authority from BCC to approve credits that exceed authority of individual credit approvers. Decisions made by CAC are ratified by BCC on a quarterly basis.

Credit Risk authorities are reviewed by the Board at least annually to ensure that they remain appropriate. In CCIB Client Coverage, the individuals delegating the Credit Risk authorities perform oversight by reviewing a sample of the limit applications approved by the delegated credit officers periodically. In CPBB, where credit decision systems and tools (e.g. application scorecards) are used for credit decisioning, such risk models are subject to performance monitoring and periodic validation. Where manual or discretionary credit decisions are applied, the individuals delegating the Credit Risk authorities perform periodic quality control assessments and assurance checks.

Expected Credit Losses (ECL) is determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward-looking information such as critical global or country-specific macroeconomic variables.

At the time of origination or purchase of a non-credit impaired financial asset (Stage 1), ECL represents cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continues to be determined on this basis until there is a significant increase in the Credit Risk of the asset (Stage 2), in which case ECL is recognised for

Chief Risk Officer's Review
continued

Principal Risk Types continued

Credit Risk continued

default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (Stage 3), ECL continues to be measured on a lifetime basis.

For CCIB, Stage 3 ECL is considered when an obligor is more than 90 days past due on any amount payable to the Group, or the obligor(s) has symptoms of unlikeliness to pay its credit obligations in full as they fall due. These credit-impaired accounts are managed by the Stressed Assets Group (SAG) team.

In CPBB, loans to individuals and small businesses are considered credit-impaired as soon as any payment of interest or principal is 90 days overdue or they meet other objective evidence of impairment, such as bankruptcy, debt restructuring, fraud, or death. Financial assets are written off, in the amount that is determined to be irrecoverable, when they meet conditions set such that empirical evidence suggests the client is unlikely to meet their contractual obligations, or a loss of principal is reasonably expected.

Estimating the amount and timing of future recoveries involves significant judgment and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Traded Risk

The Bank defines Traded Risk as the potential for loss resulting from activities undertaken by the Bank in financial markets.	**Risk Appetite Statement** The Bank should control its financial markets and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Bank's franchise.

The Traded RTF requires that Traded Risk limits be defined at a level appropriate to ensure that the Bank remains within RA. All businesses incurring Traded Risk must comply with the Traded RTF. The Traded Risk Policy sets the principles that must be followed for the end-to-end traded risk management process, including limit setting, risk capture and measurement, limit monitoring and escalation, risk mitigation and stress testing. Policies and standards ensure that these Traded Risk limits are implemented. Policies are reviewed and approved by the Board periodically to ensure their ongoing effectiveness.

The Bank uses a VaR model to measure the risk of losses arising from future potential adverse movements in market rates, prices, and volatilities. VaR is a quantitative measure of Market Risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcomes.

Treasury Risk

The Bank defines Treasury Risk as the potential for insufficient capital, liquidity, or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Bank's pension plan.	**Risk Appetite Statement:** The Bank should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Bank's franchise. In addition, the Bank should ensure its pension plan is adequately funded.

In order to manage Capital Risk, strategic business, and capital plans (Corporate Plan) are drawn up covering a five-year horizon which are approved by the Board annually. The plan ensures that adequate levels of capital, including loss absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Finance is responsible for the ongoing assessment of the demand for capital and the updating of the Bank's capital plan. The Bank implements various business-as-usual and stress risk metrics to monitor and manage liquidity and funding risk. This ensures that the Bank maintains an adequate and well-diversified liquidity buffer, as well as a stable funding base, and that it meets its liquidity and funding regulatory requirements.

Operational and Technology Risk

The Bank defines Operational and Technology risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).	**Risk Appetite Statement** The Bank aims to control operational and technology risks to ensure that operational losses (financial or reputational), including those related to the conduct of business matters, do not cause material damage to the Bank's franchise.

With effect from January 2024, the Bank has removed the IRT classification and formally included Third Party Risk as a sub-risk under Operational and Technology Risk. Third Party Risk is defined as the potential for loss or adverse impact due to the failure to manage the onboarding, lifecycle and exit strategy of a third party. The Third Party Risk Management Policy and Standard, in conjunction with the respective PRT policies and standards, holistically set out the Bank's minimum control requirements for the identification, mitigation and management of risks arising from the use of Third Parties.

The Operational and Technology RTF sets the roles and responsibilities in respect of Operational and Technology risk for the Bank. The Operational and Technology RTF defines the Bank's Operational and Technology risk sub-types and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the Operational and Technology RTF. The list of risk sub-types includes Execution Capability, Governance, Reporting and Obligations, Legal Enforceability, and Operational Resilience (including client service, change management, people management, safety and security, and technology risk).

The Operational and Technology RTF reinforces clear accountability for managing risk throughout the Bank and delegates second line of defence responsibilities to identified Subject Matter Experts (SMEs). For each risk sub-type, the subject matter expert sets policies and standards for the Bank to comply with, and provides guidance, oversight, and challenge over the activities of the Bank. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgment, and perspective to ensure that the Bank's risk-return objectives are met.

The Operational and Technology RTF sets out the Bank's overall approach to the management of Operational and Technology risk in line with the Bank's Operational and Technology RA. This is supported by the Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control, and monitoring of risks (applicable to all PRTs, risk sub-types and IRTs).

Financial Crime Risk

The Bank defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption, and fraud.	**Risk Appetite Statement** The Bank has no appetite for breaches of laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.

There are four policies in support of the Financial Crime RTF:

- Group Anti-Bribery and Corruption Policy.
- Group Anti-Money Laundering and Counter Terrorist Financing Policy.
- Group Sanctions Policy.
- Group Fraud Risk Management Policy.

The Country Financial Crime Risk Committee (CFCRC) is responsible for ensuring effective oversight for operational risk relating to Financial Crime Risk. Board Level oversight of Financial Crime risk is performed by the Audit Committee and the BRC.

With increased digitisation in payments, we continue to monitor evolution of Financial Crime Risk closely. Fraud (particularly phishing) remains an area of concern. The Bank has deployed several automated solutions to detect incidences of fraud resulting into a significant drop in the number of fraud incidences. This area will continue to evolve, and the Bank will continue to adapt its controls in response to the changing environment.

Chief Risk Officer's review
continued

Principal Risk Types continued

Compliance Risk

The Bank defines Compliance Risk as the potential for penalties or loss to the Bank or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.	**Risk Appetite Statement** The Bank has no appetite for breaches of laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.

All activities that the Bank engages in must be designed to comply with the applicable laws and regulations. The Conduct, Financial Crime and Compliance (CFCC) function provides second line of defence oversight and challenge of the first line of defence risk management activities that relate to Compliance Risk. Where Compliance Risk arises, or could arise, from failure to manage another PRT or sub-type, the Compliance RTF outlines that the responsibility rests with the respective RFO or control function to ensure that effective oversight and challenge of the first line of defence can be provided by the appropriate second line of defence function.

Each of the assigned second line of defence functions have responsibilities, including monitoring relevant regulatory developments from Non-Financial Services regulators, policy development, implementation, and validation as well as oversight and challenge of first line of defence processes and controls.

Information and Cyber Security (ICS) Risk

The Bank defines ICS Risk as the risk to the Bank's assets, operations, and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.	**Risk Appetite Statement** The Bank aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that whilst incidents are unwanted, they cannot be entirely avoided.

ICS Risk is managed through the ICS RTF, comprising a risk assessment methodology and supporting policy, standards, and methodologies. These are aligned to industry recommended practice. Through the Bank's parent we undertake an annual ICS Effectiveness Review to evaluate ICS Risk management practices in alignment with the ERMF.

Reputation and Sustainability Risk

The Bank defines Reputational and Sustainability Risk as the potential for damage to the franchise (such as loss of trust, earnings, or market capitalisation), because of stakeholders taking a negative view of the Bank through actual or perceived actions or inactions, including a failure to uphold responsible business conduct as we strive to do no significant environmental and social harm through our client, third party relationships or our own operations.	**Risk Appetite Statement** The Bank aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.

Reputation and Sustainability Risk continued

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Bank deems Reputational and Sustainability Risk to be driven by:

- negative shifts in stakeholder perceptions, including shifts as a result of greenwashing claims, due to decisions related to clients, products, transactions, third parties and strategic coverage;
- potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Group; and
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group.

The Bank's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk. The assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities is based on explicit principles including, but not limited to, human rights and climate change. The assessment of stakeholder perception risk considers a variety of factors. Whenever potential for stakeholder concerns is identified, issues are subject to review and decision by both first and second lines of defence.

The Bank's Sustainability Risk policy sets out the requirements and responsibilities for managing environmental and social risks for the Bank's clients, third parties and in our own operations. This includes management of greenwashing risks through the ongoing monitoring of Sustainable Finance products and transactions and clients throughout their lifecycle, from labelling to disclosures in line with emerging local and international regulatory obligations.

Model Risk

The Bank defines Model Risk as potential loss that may occur because of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation, or use of such models.

Risk Appetite Statement
The Bank has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting some model uncertainty.

The models in use by the Bank are centrally managed by the parent company. The Chief Risk Officer has the responsibility to ensure compliance with the model risk policy.

Climate Risk

Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

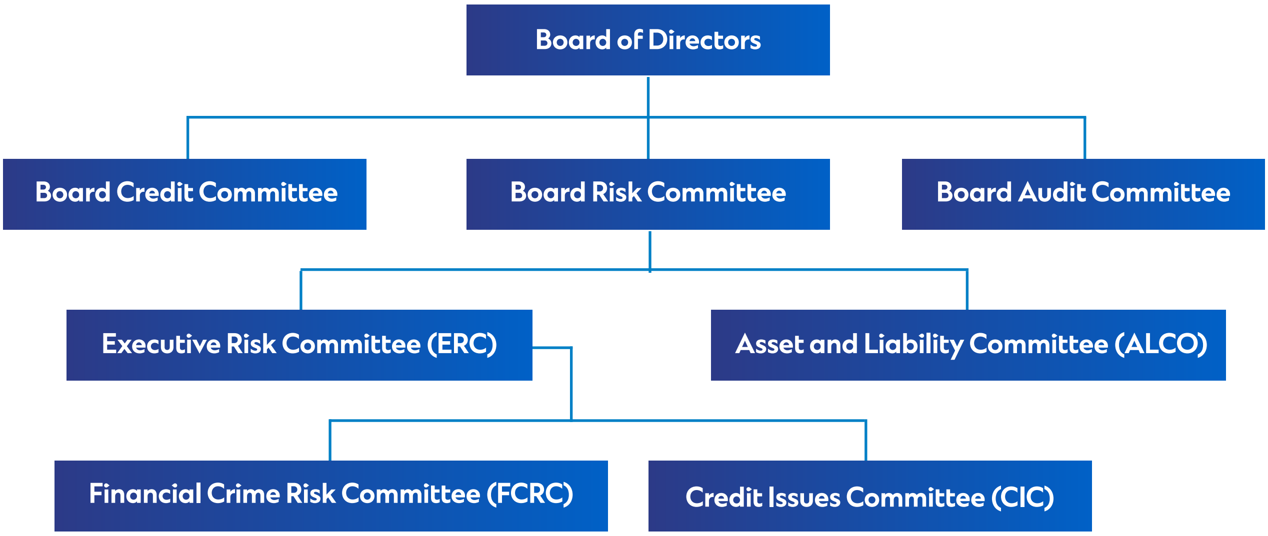
Risk Appetite Statement
The Group aims to measure and manage financial and non-financial risks arising from climate change, and reduce emissions related to our own activities and those related to the financing of clients.

With effect from 1 January 2024, the Bank has removed the IRT classification. We are developing methodologies to identify, measure and manage the physical and transition risks that we are exposed to through our own operations, our suppliers, our clients, and the markets we operate in. The Bank is in the process of implementing Climate Risk in line with the Climate Risk implementation plan submitted to the Central Bank of Kenya.

Chief Risk Officer's review
continued

Executive and Board risk governance structure

The Board has ultimate responsibility for risk management and is supported by the Board committees and Management committees. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Risk Appetite Statement. The Committee governance structure below presents the view as of 2023.



The Board Risk Committee has oversight of the Bank's overall risks. The Committee determines the ERMF for the Bank, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees. The committee receives regular reports on risk management, including the Bank's portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

The Board Credit Committee has oversight of the Bank's credit policy and all lending undertaken by the Bank in line with the approved risk appetite.

The Board Audit Committee has oversight and reviews the Bank's financial audit and internal compliance issues.

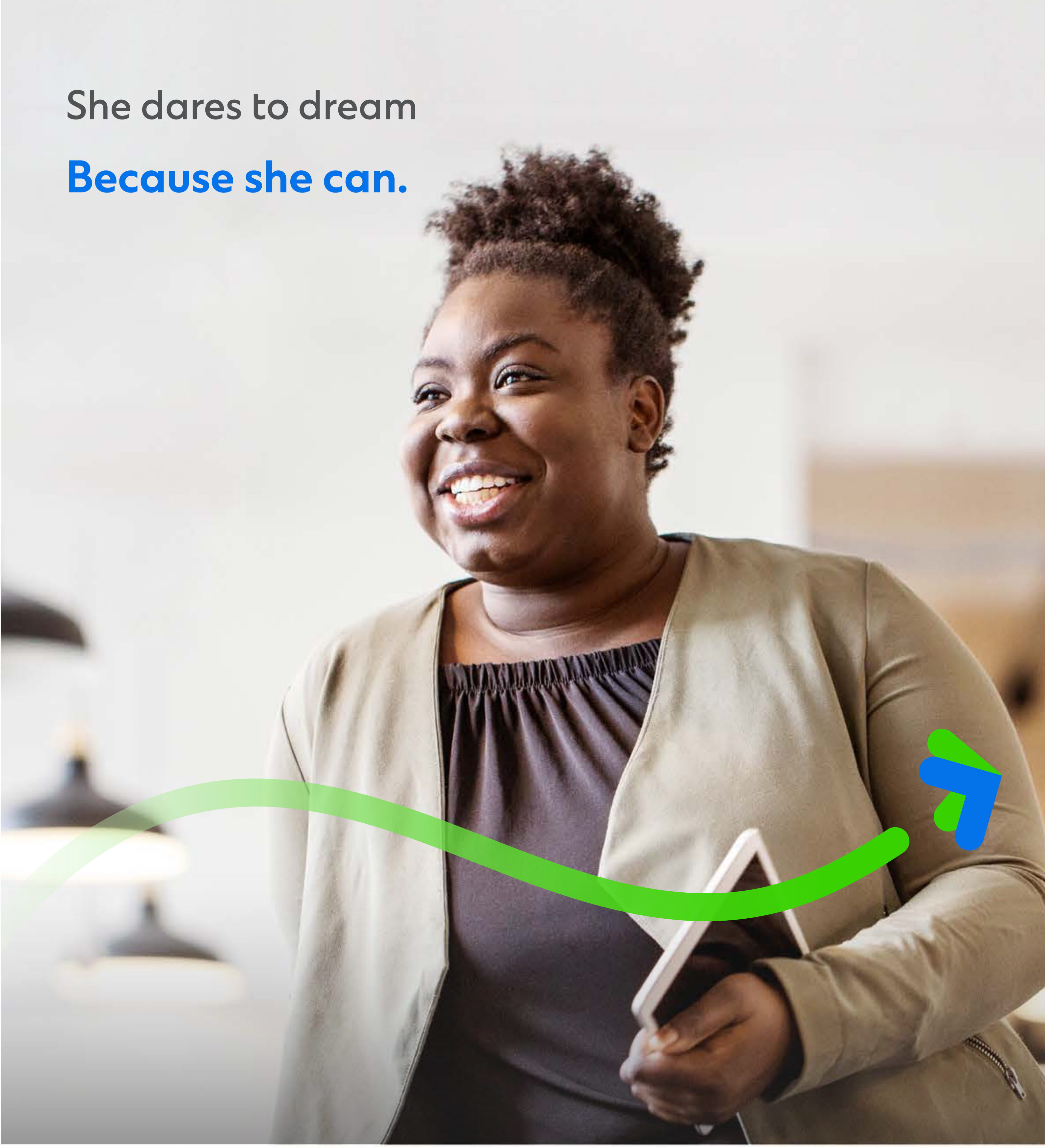
The Asset and Liability Committee (ALCO) is responsible for determining the Bank's approach to balance sheet management and ensuring that, in executing the Bank's strategy, the Bank operates within internally approved Risk Appetite and external requirements relating to capital and liquidity risk. It is also responsible for policies relating to balance sheet management, including management of our liquidity and capital adequacy, interest rate and tax exposures.

The Executive Risk Committee is responsible for monitoring management information to evidence that the Bank's risk profile is within the approved Risk Appetite. It is responsible for providing assurance to the Board that the overall framework is complying with the approved Risk Appetite statements. The Committee also ensures effective management of inherent non-financial principal risks. The non-financial principal risk types in scope are operational and technology risk, compliance risk, information and cyber security risk and, reputational and sustainability risk that is consequential in nature arising from the failure of all other principal risks. The Committee also reviews and challenges the adequacy of the internal control systems across all principal risk types.

The Credit Issues Committee ensures credit issues and adverse trends in the lending undertaken are identified and addressed through appropriate actions.

The Financial Crime Risk Committee, provides oversight of the effectiveness of the Bank's policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor, prevent and/or detect money laundering, non-compliance with sanctions, bribery, corruption, tax crime by third parties and frauds.

James Mucheke
Chief Risk Officer
12 March 2024



futuremakers
by Standard Chartered

Strathmore University
@iBizAfrica Incubation Centre

Connecting Women to Opportunity Across our Network

SC Women's International Network (SC WIN) was officially launched in Kenya in July 2023.

SC WIN aims to provide female entrepreneurs with tailored financial solutions, business education and opportunities to connect with like-minded entrepreneurs so they can successfully grow their businesses.

Read more at **sc.com/SCWin**

Stakeholders and responsibilities

Engaging Stakeholders

We aim to create long-term value for a broad range of stakeholders in a sustainable way.

We understand that by engaging our stakeholders frequently and transparently, we can build more trust and form a deeper understanding of various perspectives which can deepen our ability to effectively serve the market.

Our stakeholders

- Clients
- Regulators and governments
- Investors
- Suppliers
- Society
- Employees

By enhancing our relationships with the stakeholders that shape our operating environment, we have been able to fulfil our Purpose and deliver on our brand promise: here for good.

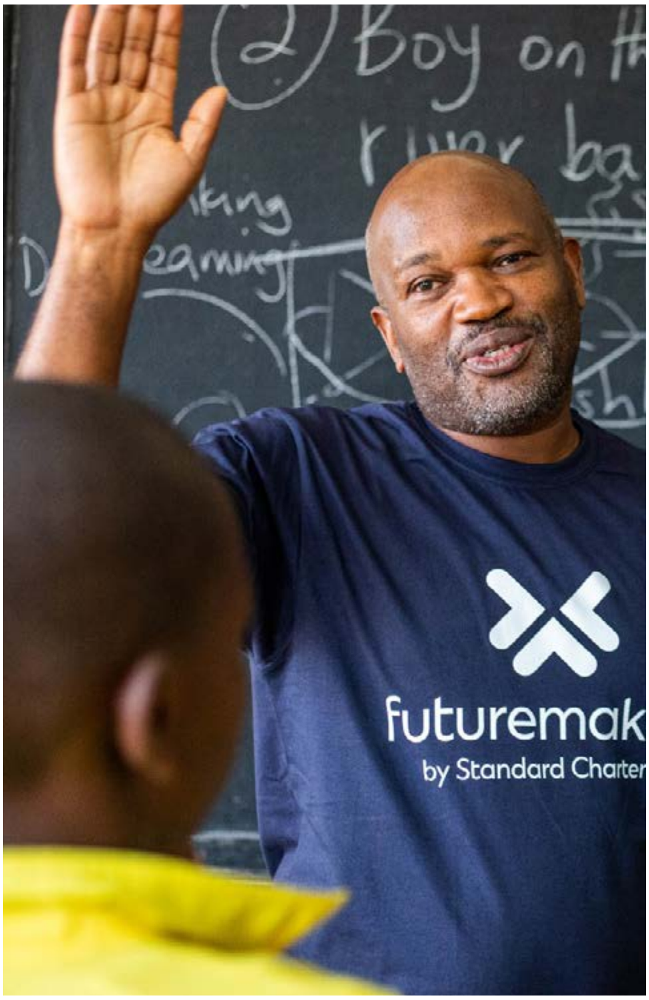
We strive to maintain open and constructive relationships with a wide range of stakeholders including the media, regulators, lawmakers, clients, investors, civil society and community groups.

We believe that by partnering and working with our stakeholders, we can form more representative engagements across our ecosystem.

We undertake these engagements through one-on-one meetings, conferences, consultative forums, collaborations, industry working groups, partnerships and capacity building that aligns with our ambition to build and maintain genuine relationships with stakeholders.

We use a variety of channels to communicate to our stakeholders, including our website, established social media platforms, and this report.

Transparent, multi-lateral and frequent stakeholder engagement is crucial in ensuring we can build a sustainable business informed by the context and frameworks that shape our operating environment.



Clients

How we create value

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way with tailored and bespoke client experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest and expand. We provide banking support for a variety of public sector and development organisations as well as financial institutions including banks.

How we serve and engage

Clients are at the heart of everything we do. We recognise the existence of significant and disruptive influences that are shaping client behaviour and preferences. The rapid adoption of digital technology has increased client expectations for real-time gratification. We build and foster long-term relationships with our clients helping us to better understand their needs and develop innovative solutions to help them achieve their goals.

In 2023, we used client engagements, regular surveys, experience forums, focus groups and digital channels to strengthen our ability to understand and meet emerging client needs. We participated in the Kenya Bankers Association (KBA) Customer Surveys to gauge our performance against that of other financial institutions.

In Consumer, Private and Business Banking (CPBB), we take our responsibility to support our more vulnerable clients. We have put in place a global framework to ensure the fair treatment of vulnerable clients during product development and throughout the client journey. We provide training to frontline colleagues across our branches, contact centres and digital channels to equip them to identify and appropriately handle vulnerable clients. We have also implemented an educational training program for those clients who require assistance in navigating online and mobile channels.

To act in the best interests of our clients, we use client insights, alongside our robust policies, procedures and the Group's Risk Appetite, to design and offer products and services. This is in addition to ensuring that we meet client needs, regulatory requirements and Group performance targets while contributing to a sustainable and resilient environment.

In 2023, we rolled out SC Dollar funds. This is a 100 per cent digital only platform offering offshore money market funds to provide for diversification of investments across various foreign currencies. This was in line with client needs that arose on the back of a depreciating local currency and the investor demand for investments in hard currency. The solution offers convenience as it is available 24/7 on the SC Mobile application and is also available on partner platforms.

We launched the Signature Chief Investment Officer (CIO) portfolio funds including Signature CIO income fund, Signature CIO conservative fund, Signature CIO balanced fund and Signature CIO growth fund. This range of funds is designed to provide our clients with access to Standard Chartered's Chief Investment Officer's views through a global diversified multi-asset fund of funds portfolio aimed to cater to different risk and income profiles. The product is suited to investors who are looking to build a diversified Foundation portfolio.

SC Shilingi funds, our small ticket money market fund platform, surged to new highs in 2023 as it celebrated its second year. Clients further embraced the convenience of being able to invest through the SC Mobile App whilst enjoying the power of monthly compounding and access to unlimited withdrawals anytime, at no cost. As at the end of 31 December 2023, SC Shilingi funds had crossed the KShs 5 billion Assets Under Management (AUM) mark. Clients have the option and flexibility of investing through a weekly or monthly recurring plan or a one-off lumpsum anytime on this platform. We were recognised for this innovative product receiving the Outstanding Digital CX for Financial Inclusion in Wealth Management Award from The Digital Banker 2022.

Our clients want to have a positive impact on sustainability. In 2023, we continued to help them bridge this gap by offering them avenues to invest in Environmental and Social Governance (ESG) Offshore Mutual Funds. We currently have a total of twenty nine sustainable Funds on our Mutual Funds' platform on SC Mobile. We adhere to our sustainable investing approach including investing in environment, water and energy funds e.g., Allianz Global Sustainability Fund, Ninety-One Global Environment fund among others. In addition to this, we plant a tree on behalf of every client who invests in an ESG fund occasionally inviting our clients to join in our tree planting activities. We continue to strengthen our digital transformation and innovation capabilities through differentiated product and service offerings, positive experiences and sustainable finance. We keep clients engaged by leveraging on our data analytics and digital marketing.

Deploying our agile working practices has enabled us to increase our speed of decision-making and change delivery to meet client needs faster. We accelerated the rollout of our Digismart current account supporting our ambition to expand our reach and scale within the mass market segment via a digital-first approach, underpinned by digital acquisition and new partnership models. In 2024, we will continue to strengthen our digital transformation and innovation capabilities.

CCIB clients

The CCIB business has further simplified the way we work. We have kept our distinctly local client focus by having a less complex organisation and a single team to partner with our clients. Our strong and deep local presence allows us to work with our clients in creating bespoke financing solutions. We connect our clients multilaterally to investors, suppliers, buyers and sellers, enabling them to move capital, manage risk and invest to create wealth. This approach also allows us to bring the full suite of our products and network to a broader spectrum of clients. We are working closely with our clients to help them transition to net-zero through launching sustainable finance products and providing expertise, advice and capital. We are committed to sustainable finance, delivering on our ambition to increase support and funding for financial products and services that have a positive impact on our communities and the environment and support sustainable economic growth.

Stakeholders and responsibilities
continued

Investors

How we create value

We aim to deliver robust returns and long-term sustainable value for our investors.

How we serve and engage

Our operating footprint, along with a commitment to sustainable and responsible banking, uniquely connects investors with opportunities in emerging markets. In this context, we believe that an integrated approach to Environmental Social and Governance (ESG) issues and a strong risk and compliance culture provide a competitive advantage.

Using the capital that we receive from investors; we execute our business model with a focus on delivering sustainable value for all shareholders. Whether they have a short or long-term investment horizon, we provide all investors with information about all aspects of our financial and sustainable performance.

By maintaining a robust and resilient financial position, we ensure the long-term stability and growth of the Company, thereby safeguarding the interests of our investors. Our strategic focus on prudent risk management, customer-centric solutions, and technological innovation has allowed us to consistently generate strong financial performance and returns for our investors, even in challenging economic environments. We continuously strive to uphold the highest standards of corporate governance and ethical conduct, underpinning the trust and confidence our shareholders place in us.

In the year, we interacted with shareholders and financial analysts through briefing events and publication of our results in the media. We also engaged with shareholders and market analysts during our virtual Annual General Meeting held on 25 May 2023. Our Board and Management provided shareholders with a comprehensive overview of our financial results, offering insights into our performance and articulating the strategic direction of the business. They welcomed the opportunity to directly address shareholder inquiries and concerns, providing transparency and accountability in our decision-making processes. Additionally, we are proud to have delivered on our promise of value creation by paying a competitive dividend, reflecting our confidence in the Company's financial strength and performance.

As we navigate an evolving financial landscape, we remain dedicated to executing the strategy, capitalising on opportunities, and delivering on our promise to create enduring value for our shareholders. For more information about Board engagement with shareholders in 2023, please see page 82 in the corporate governance section of the Annual Report.

Suppliers

How we create value

We are dedicated to engaging with suppliers who offer value-adding goods and services across our network, and we work closely with them to support global environmental and social standards. Our suppliers are expected to be ethical, respect human rights, diversity and inclusion, and the environment to support our colleagues, clients, and communities.

How we serve and engage

We must effectively manage, monitor, and mitigate risks in our supply chain. We do this through our Third-Party Risk Management Policy. This, in conjunction with the Principal Risk Type Policies and Standards, set out the Group's minimum control requirements for the identification, mitigation and management of risks arising from the use of suppliers. Our Supplier Charter sets out our principles in relation to ethics, human rights, diversity and inclusion, and environmental performance. All newly onboarded suppliers are expected to agree with these principles. We seek to reinforce this through the terms of our standard contract templates where possible, and we further encourage alignment by sending an annual letter to all active suppliers. This includes guidance regarding our stance on ethics and conduct, sustainability aspirations, payment processes and other relevant principles such as Anti-Bribery and Corruption. Our Charter covers all geographies and categories of suppliers, and we plan to refresh the Charter in 2024.

We are dedicated to fostering strong, collaborative relationships with our suppliers. As part of this commitment, in 2023 we held training and awareness sessions with our suppliers on key areas such as Cyber Security, Business Resilience and Data Protection.

Supporting a diverse and inclusive supply chain

We recognise the value of supply chain diversity to our business and society. In 2023, we continued to integrate supplier diversity into our business strategy and make efforts to include diverse suppliers in sourcing activities and improve spending levels with diverse suppliers as appropriate. As a result, Standard Chartered Bank Kenya attained the 30 per cent target of diverse suppliers out of our directly influenceable suppliers with an associated spend of 7.3 per cent.

We have continued to collaborate with non-governmental organisations (NGOs), and others to help build and develop our diverse and talented supplier pool. In 2023, this included joining member-buyer events, local procurement networking activities and best practice sharing events with partners like WEConnect International – a global network supporting women-owned businesses to connect with larger companies.

We have continued to work with our larger non-diverse suppliers to drive strong diversity and inclusion plans in their operations and embrace supplier diversity in their supply chains. In 2023, we collaborated with one of our top tier suppliers, G4S Kenya Limited contracted to provide guarding services to the Bank and implemented diversity through ensuring that the guard force deployed to the Bank comprises of 18 per cent female guards. We continued to build capacity with our own colleagues through online training on supplier diversity and inclusion.

Employees

How we create value

We recognise that our workforce is a significant source of value that drives our performance, productivity with the diversity of our people, cultures and networks setting us apart. To lead the way in addressing the evolving needs of our clients and the advances in technology, the Bank continues to safeguard and optimise its commitment and investment made for and in our people.

Our focus in the year continued to create an engaged workforce maintaining a robust performance culture, which inspires colleagues to perform at their best.

Employee Value Proposition (EVP)

Our EVP is a key differentiator and to ensure everyone has the same understanding, we have provided tools that simplify and clarify our offering in 2023. This has given the Bank an edge with our employee advocacy journey that is enabling recruitment and retention of the best people.

The following areas were enhanced in the year:

a) Flexible Working Model

The Bank has over the last three years embraced flexible (hybrid) working. This model has enabled colleagues to enjoy an inclusive, collaborative, innovative, and future fit work experience. In 2023, the Bank formalised with colleagues the employee driven work pattern that covered work hours and location desired by colleagues. In doing this, the Bank took a bold step to embed flexibility, enabling all to combine virtual and office-based working models. The feedback received reveals that hybrid workers feel 'most positive' about their productivity and are great promoters of overall employee experience at the Bank.

(b) Parental Leave and Menopause Benefits

The Bank launched and implemented a revised parental leave benefit. The time off when one welcomes a child to their family was equalised for both female and male colleagues. The benefit therefore entitles all colleagues a minimum of 20 weeks of paid Parental Leave.

The intention is to move away from being informed by societal norms and traditional roles and look at workforce participation and provide options to those who want to take up shared childcare responsibilities. This change has positively impacted families' financial wellbeing and created a more inclusive workplace that supports everyone's family planning choices.

Additionally, the Bank introduced a comprehensive menopause cover for all employees. This initiative reflects a deep commitment to addressing the challenges faced by women navigating the often-overlooked transition of menopause, a crucial phase that significantly impacts both personal and professional aspects of their lives.

(c) Network as a Talent Incubator

Our talent proposition is centred on growth within Kenya across Standard Chartered. In 2023, eleven colleagues moved into other Standard Chartered offices across the world. These movements brought the total number of Kenyans in the franchise to 56, spread across 15 countries.

In Kenya, we have 29 inbound assignees from 15 countries. These movements continue to be an avenue for career paths for our people, and a great retention tool for growth beyond the traditional boundaries.

(d) Engagement and Wellbeing Initiatives

In 2023, we increased the engagement opportunities between colleagues, focusing on conversations relating to our EVP and demystifying opportunities for career growth and development.

Our engagement and learning series dubbed Engage to Elevate and My Health My Wealth continued to bring relevant topics to all colleagues. These sessions enabled colleagues to listen to career options and manage some accentuating circumstances in their personal lives.

The results of the 2023 My Voice staff engagement survey were positive, with a general increase in most scores, and recorded the best employee net promoter score (eNPS) in the last 5 years at 35.64, reflecting a +23-point increase as compared to 2022.

(e) Gender Pay Gap

The Gender Pay Gap compares the pay for all male and female employees, regardless of role and grade.The Bank looks at the Equal Pay (or the Adjusted Pay Gap) principle, which compares pay for females and males at the same hierarchy level and in the same business area.

Stakeholders and responsibilities
continued

Society

How we create value

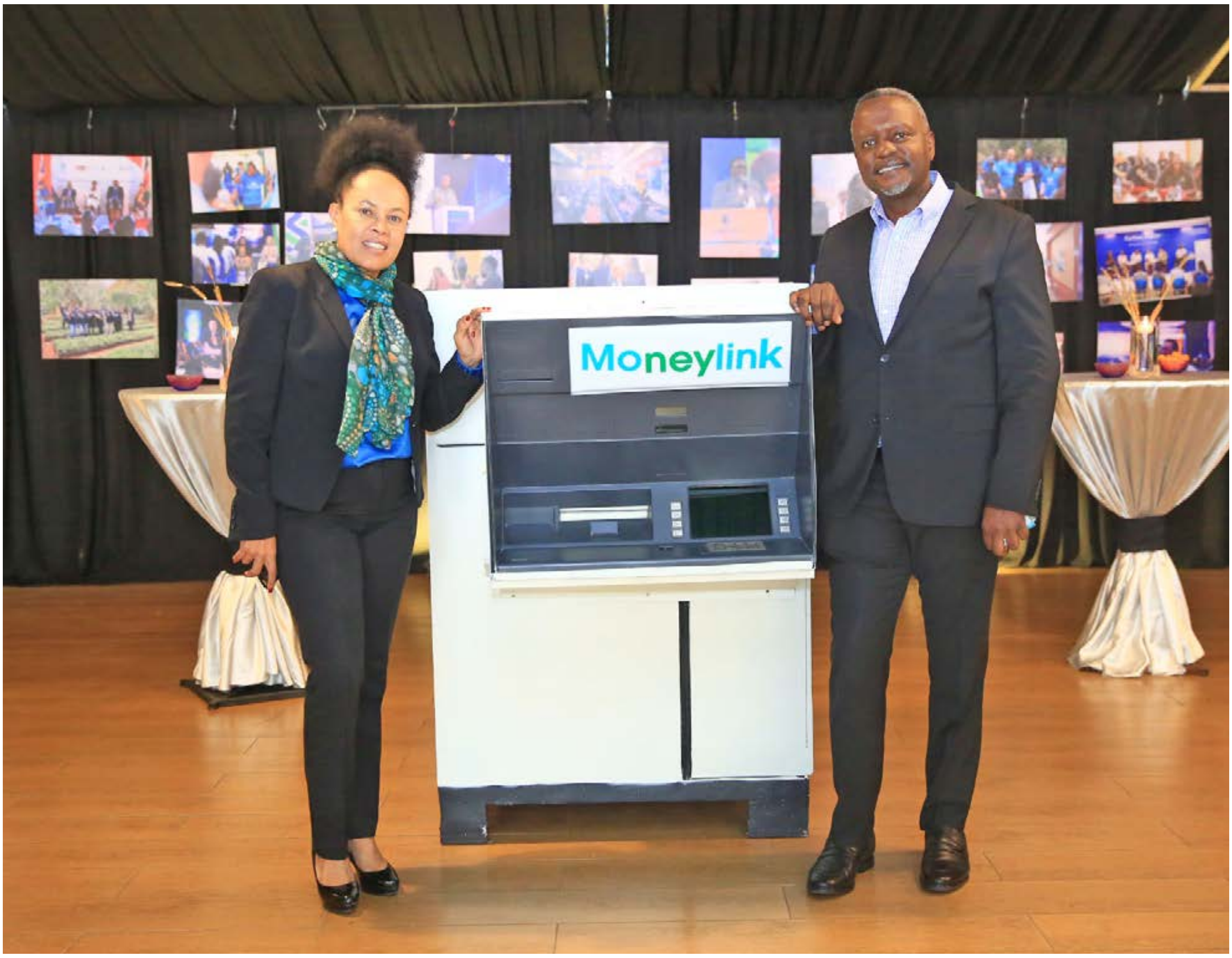
We believe that we can fulfil our Purpose – to drive commerce and prosperity through our unique diversity without people being left behind, without the planet being negatively impacted, and without creating divisions that diminish our sense of community.

We are committed to sustainable social and economic development across our business, operations and communities including achievement of net zero emissions and the UN Sustainable Development Goals. We have taken a bold stand towards Accelerating Zero journey with two commitments; to achieve net zero emissions from our operations using renewable energy sources by 2025 and to achieve net zero in our financed emissions by 2050.

We are committed to sustainable social and economic development through our business, operations, and communities by delivering against our three sustainability pillars – Sustainable Finance, Responsible Company and Inclusive Communities.

This is underpinned by our three bold stands i.e.

- **Accelerating Net Zero** - we are helping our markets to reduce carbon emissions, putting us on a sustainable path to become a key player in the race to reach net zero with two commitments i.e., to achieve net zero emissions from our operations using renewable energy sources by 2025 and to achieve net zero in our financed emissions by 2050.
- **Lifting Participation** – we are improving the lives of people and their communities by unleashing the full potential of women and small businesses by accelerating the provision of quality financial services to women across our footprint, purposefully connectingSMEs to international markets and building partnerships to expand the reach and scale of financial services.
- **Resetting Globalisation** – we are supporting companies to improve working and environmental standards. We are giving everyone a chance to participate in the world economy, so that growth becomes fairer and more balanced.



Sustainable Finance

Sustainability is a moral imperative and an opportunity. Our Sustainable Finance capabilities are not only making a difference where it matters the most; they are also representing a growing source of income.

We have developed our approach to sustainability within the two client business segments - Corporate Commercial and Institutional Banking (CCIB) and Consumer, Private and Business Banking (CPBB) with the aim of having 6 per cent of our revenue being generated from sustainable sources by 2024.

CPBB Sustainability initiatives

Our clients want to have a positive impact on sustainability. In 2023, we helped them bridge this gap by offering them avenues to invest in ESG Offshore mutual funds. With over twenty nine Mutual Funds in the portfolio, the funds are regularly reviewed by our Central Group Team to mitigate risks of greenwashing to ensure all the funds fully comply to the set ESG standards and sustainable product framework.

Despite the market volatility witnessed in 2023, we continue to realise gains on the ESG mutual fund portfolio. Further, we have engaged in partnerships with key industry players to support our clients in the drive towards sustainable living.

The partnerships provide our clients, both individual and SME clients with access to clean water and energy solutions, at discounted prices. Among the partners include Davis and Shirtliff Group, IClear Services Company Limited and Chloride Exide (K) Limited. The solutions offered include domestic/small water heating systems, water dispensers and solar panels. We have witnessed an increase in the card spend on both debit and credit cards on these. The number of card transactions across the three partnerships surged 14 per cent year on year with the value of the transactions also inching up 13 per cent year on year. We continue engaging our clients to create more awareness on the partnerships and the value of leveraging the solutions to live more sustainably.

We continue to strengthen our digital transformation and innovation capabilities through differentiated product and service offerings, positive experiences and sustainable finance. We keep clients engaged by leveraging on our data analytics and digital marketing. We remain adequately positioned to service our clients digitally even as the future of Banking continues gravitating towards a digital model.

CCIB Sustainability initiatives

In 2023, we focused on building momentum on client discussions to better understand their transition plans and explore areas of collaboration.

Client Priorities

In 2023, we focused on leveraging on all the global solutions deployed such as sustainable loans and bonds (green, blue and sustainability linked). This has helped us build a pipeline of Sustainable Finance (SF) products that support our flow business: sustainable supply chain finance, sustainable letters of credit and invoice financing and sustainable deposits. Standard Chartered Kenya acted as the Sole Global Coordinator, Sole Sustainability Coordinator as well as Mandated Lead Arranger and Bookrunner for Safaricom Plc's KShs 15 billion Sustainability Linked Loan (SLL).

The proceeds of the SLL are based on a list of Key Performance Indicators ("KPIs") which align with the Group's long term sustainability objectives. The funding will help Safaricom PLC achieve its sustainability commitments by setting baseline targets in the long run including emissions to reach Net Zero targets, gender diversity, and social equality. This aligns with the company's global Sustainability Development Goals ("SDG") strategy. The deal is the first Kenya Shilling denominated SLL and the largest KShs ESG financing done in the market to date which paves the way for further sustainability financing in the region as companies look to minimise their environmental impact. We are cognisant that our market still lacks sufficient data and knowledge on sustainable finance products. This landmark deal allows us to highlight our capabilities and create more interest from our client base.

People

We continue to build our teams capabilities through training and exposure to the green and transition frameworks that we have developed globally. These frameworks allow the coverage team to identify more Sustainable Finance opportunities during client engagements.

Our internal learning platform, DiSCover continues to offer sustainable finance trainings for our colleagues. We also got the opportunity to host two client events during the Africa Climate Summit week hosted by the government in Nairobi. These events allowed us to engage with key stakeholders on the side-lines of the Africa Climate Summit and brought together our internal teams including Sustainable finance experts from London and Dubai.

Tackling food insecurity with micro-loans

In 2023, through Futuremakers by Standard Chartered - our flagship community initiative dedicated to helping the next generation learn, earn, and grow – we helped young entrepreneurs by providing micro loans and business acceleration programmes. Funded by the Standard Chartered Foundation, we partnered with Youth Business International and its member Somo in Kenya, to help Ivy (pictured) kickstart her now thriving mushroom farming business, tackling food insecurity in her area.

+ Read more at **sc.com/IvyKenya**

Responsible Company

Financial Crime Risk Management

The Bank remains committed to fighting financial crime and has a deep belief that fighting financial, and cybercrimes is necessary for the sustainability of our business and the economies we operate in. The Bank's ambition is to tackle the most damaging financial and cybercrimes by making the financial system a hostile environment for the criminals. During the year we have taken steps to ensure that our financial crime awareness, and controls remain robust and evolve to meet emerging threats.

The Bank acknowledges that for this to happen, it is critical to adopt a concerted effort and partnerships amongst regulators, industry players, law enforcement, non-governmental bodies and others. The Group has embraced partnerships and participated in various strategic partnerships to demonstrate the critical importance of partnerships and intelligence sharing in disrupting financial crime. This validates the adage "it takes a network to bring down a network." The Bank partnered with the Basel Institute in a workshop held in March 2023 covering Southern and Eastern Africa to discuss and share AML knowledge across to members of the law enforcement community who are working on Money Laundering investigations across our markets. This was aimed at better equipping our law enforcement partners on money laundering investigations.

Our Financial Crime Compliance team continues to proactively identify andprevent potential fraud, terror financing and money laundering activities using next-generation surveillance, financial crime monitoring infrastructure and machine learning. This is in addition to having the right governance and policy framework; robust training and awareness, an independent monitoring, detection, reporting and assurance framework. Money laundering crimes and cyber enabled frauds remained our greatest threats in the year.

The enablers for this dynamic risk assessment of Financial Crime Risk are threat analysis, network analysis, leveraging on data, advanced analytics augmented by Money Laundering and Artificial intelligence tools, as well higher skilled teams with deep subject matter expertise and a stronger risk management culture thus are more responsive to risks and better able to support our businesses to grow by putting clients at the heart of how we manage risk.

At the back of the Bank being one the Institutions selected by the Financial Reporting Centre (FRC) to represent the Country during the Mutual Evaluation of Kenya, there have been a number of industry wide engagements in 2023 championed by Kenya Bankers Association, Central Bank of Kenya and the Financial Reporting Centre. Standard Chartered Kenya has not only actively participated in these industry engagements but also provided feedback as part of the consultative process that informed the amendment of the Kenya Anti-Money Laundering, Counter-Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) related Acts and Regulations.

Management of financial crime within the Bank is the responsibility of all colleagues who are divided into three lines of defence. We are focussed on strengthening our three lines of defence and in 2023 saw delivery of the most financial crime classroom styled trainings which complement our self-learning modules to make our first line teams more capable of risk identification at the earliest. The Bank takes financial crime risks seriously and the relationships that are deemed to pose such risks are terminated.

Together we to continue make the financial system a hostile environment for financial criminals and terrorists.

Stakeholders and responsibilities
continued

Responsible Company continued

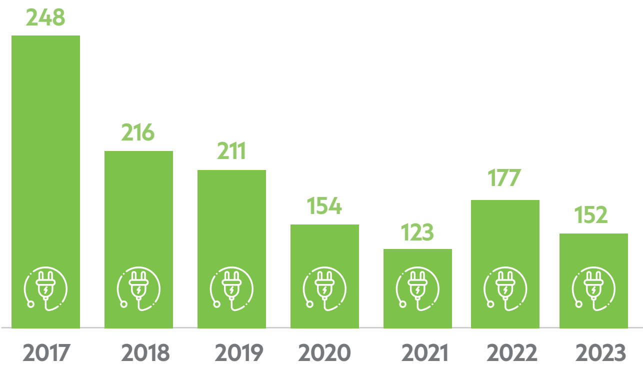
Accelerating zero in our operations

As a company committed to sustainability, we have taken decisive steps towards minimising our environmental footprint. Our 'Accelerating Zero' program underscores our role in the global push towards net-zero emissions, with two major goals: achieving net zero emissions from our operations by 2025 and reaching net zero in our financed emissions by 2050.

Our strategic focus areas:

Energy Usage Intensity

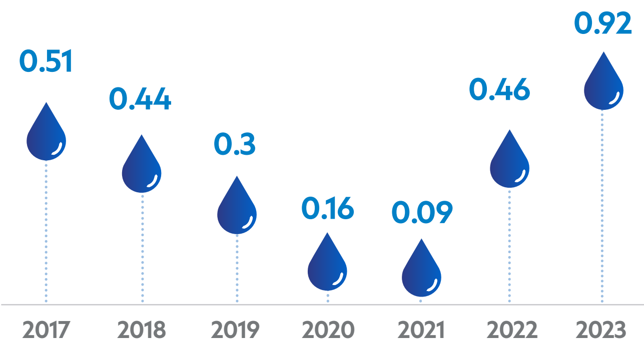
Energy Usage Intensity (EUI) -kwh/m2/year



We achieved a 39 per cent reduction in energy usage (electricity, diesel, solar), from 2017 - 2023, demonstrating our commitment to sustainability in our operations. Our energy usage decreased from 177 units in 2022 to 152 units in 2023. The solar carport project at our Westlands Road Head Office is set for completion in the first quarter of 2024. Additionally, solar panels installed at three branches and seven offsite ATMs last year are integral to our strategy to further reduce our energy consumption from scope 1 (direct emissions) and 2 (indirect) emissions in line with our 2025 goals.

Water Use

Water Use Intensity



Our water usage rose to 0.92 units in 2023 attributed to a wastewater system issue. This has now been resolved and we anticipate improved efficiency in water usage going forward. We installed rainwater harvesting systems in three branches in 2023, bringing the total to four. These systems will be fully operational in 2024 and are expected to significantly reduce our water consumption.

Paper Usage Reduction

Deployment of new printers across more sites has enabled better monitoring and reduction of paper usage. In 2023, we reduced paper usage by 20 per cent versus 2022.

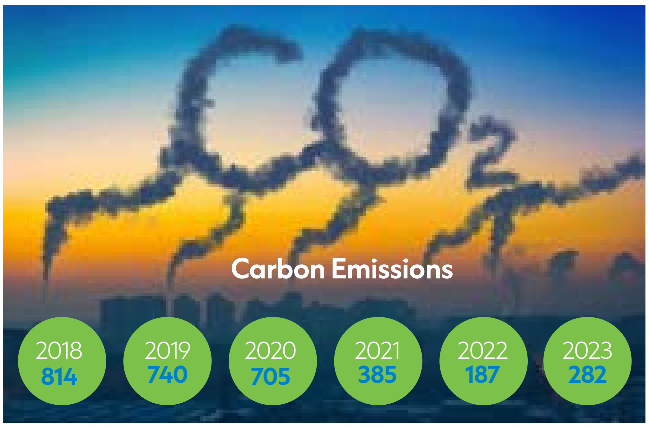
Effective Waste Management

In 2023 we recycled 97 per cent of our waste at Chiromo Head office and Kenyatta branch, totalling approximately 48,400kg. Plans are underway to extend these recycling activities to Treasury Square, Mombasa, with the process expected to be completed by the first half of 2024.

Single-Use Plastic Free Certification

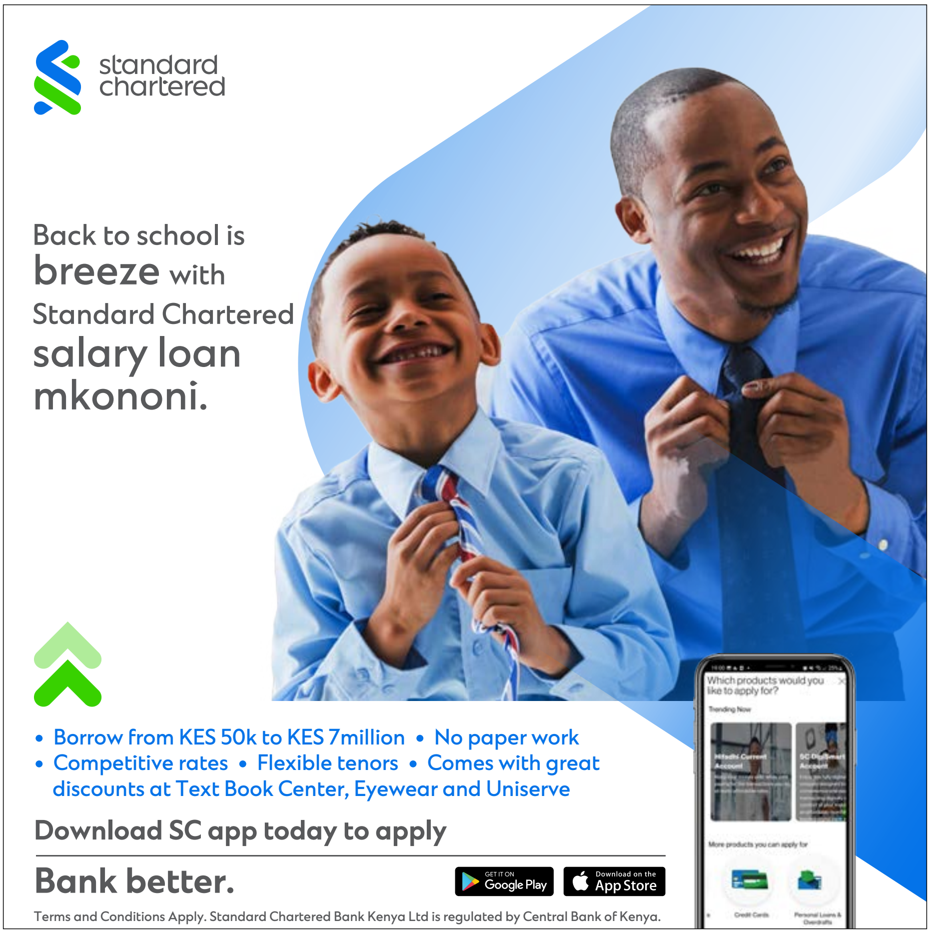
Our journey to eliminate single-use plastics began in 2019. By 2023, all branches had attained single-use plastics free certification. Continuous education with our colleagues and branch reviews are ongoing to create awareness on eliminating single-use plastics.

Carbon Emission Reduction



In 2023, our carbon emissions stood at 281.5 tons (scope 1: 177.8 tons and scope 2: 103.7 tons). This represents, an increase from 187 tons from 2022. However, this marks a significant decrease from 814 tons recorded in 2018, demonstrating a strong long-term reduction in our carbon footprint. Our objective is to optimise our portfolio to enhance energy efficiency, focusing on scope 1 (direct emissions) and scope 2 (indirect emissions) as part of our sustainability strategy.

Measurement and Verification: Our carbon metrics are derived from scope 1, scope 2, and scope 3 emissions, with a concentrated focus on scope 1 and scope 2 for our operations. Data is collated monthly and consolidated into a central database for accurate tracking of carbon emissions, water usage, energy usage, and waste management. This data undergoes annual verification by independent assessors.



Inclusive Communities

Empowering the Next Generation

Young people across the world: women, girls and people with disabilities continue to face barriers to economic inclusion. Social and economic inequality limits individual and collective potential, stifling growth and creating disharmony. It significantly affects disadvantaged young people who cannot access the skills and opportunities needed to close the income gap. Many fall short of their potential and become stuck in low-income (poverty). By 2030, it is estimated that one per cent of the world's population will own two-thirds of its wealth.

We believe everyone should be able to contribute to, and benefit from, sustainable economic growth in their community. We are committed to bridging social economic inequality through Futuremakers, our global initiative to tackle youth inequality and promote economic inclusion of disadvantaged young people, especially girls and young people with disabilities. Futuremakers empowers young people to learn, earn, and grow. Alongside our partners, we are implementing four transformative programs including: the Futuremakers Inclusive Employability Program; Goal; Access to Finance; and Women in Tech (WIT).

In 2023, we impacted a total of 21,491 beneficiaries through our various Futuremakers programs. 14 per cent are persons with disabilities while 86 per cent are women.

Employability - Preparing young people to be job-ready

We believe everyone deserves the opportunity to realise their potential. Globally, more than 282 million young people are not in education, training, or employment. Many disadvantaged young people lack the skills they need to get a job or to improve their circumstances or how to manage their financial future.

According to the Federation of Kenya Employers, although the overall unemployment in Kenya is at 12.7 per cent, youth (15–34-year-olds), who form 35 per cent of the Kenyan population have the highest unemployment rate of 67 per cent. Over one million young people entering the labour market annually without any skills some having either dropped out of school or completed school and not enrolled in any college. We recognise that young Persons with Disabilities (PWDs) yearn for the opportunity to work, to enjoy the benefits and dignity that come from working.

We launched Futuremakers Inclusive Employability program in 2022 to provide vocational training, mentoring, career planning, upskilling and reskilling opportunities that support young people to become job ready.

Our Employability program helps young people become job-ready by building employment-related knowledge and skills, increasing their confidence, self-esteem and aspirations through training, career mentoring and job placements.

This includes intensive training and career mentorship sessions in 5 universities, technical institutions, special and integrated high schools reaching 5,725 students. 3,061 (81 per cent) are young people with disabilities and 48 per cent are female students. Over 1,500 of the beneficiaries under went intensive training where over 1,200 participants (80 per cent) reported improved knowledge 297 received internship and 237 entered decent employment

Stakeholders and responsibilities
continued

Inclusive Communities continued

Entrepreneurship - Nurturing small business owners to succeed

More individuals and businesses have greater access to financial services than ever before. However, many entrepreneurs in low and middle-income markets lack the financial tools and knowledge they need to manage and grow their business. We offer support to develop broader business skills, build financial knowledge, and provide access to finance and networks to young entrepreneurs through Women in Tech (WiT) and Access to Finance programs.

The WiT Incubator was launched in 2017 targeting women using technology to build small and medium enterprises. The program provides technical business training, mentoring and seed funding. We have successfully graduated six cohorts who undertake a 12-week incubation program. Women in Tech Cohort 6 graduated 14 entrepreneurs. Seven entrepreneurs were rewarded KShs 1.4 million each. We have also launched a catalyst fund for Women in Tech alumni globally where our alumni can access further funding to grow their business. One of our alumni is among the first alumni to receive funding of KShs 10.5 million. To date, we have successfully completed six cohorts where 64 women led businesses have participated in the program. 32 of these businesses have been awarded grants totalling KShs 44 million.

We launched Access to Finance program in 2022 to support 80 women led small and micro businesses to access small ticket loans of KShs 250K to KShs 2.5 million. In 2023, we awarded 85 women with loans amounting to KShs 26 million. The revolving fund attracts a 5 per cent interest rate. Under the entrepreneurship pillar, over 340 jobs were created in 2023.

Education - Unleashing the economic potential of girls

Investing in girls can result in increased prosperity and diversity. Giving girls the tools to shape their own future has an incredible multiplier effect on communities and societies. Goal is our Futuremakers flagship education program that equips adolescent girls with the confidence, knowledge, and skills they need to be economic leaders in their families and communities. Through sport and activity-based learning, Goal delivers modules on financial education; communication skills; health and hygiene; and self-confidence i.e., Be yourself, Be Healthy, Be Empowered, Be Money Savvy and Be Independent. We rolled out the Goal program in 2015. In 2023, we impacted over 15,627 beneficiaries through our Goal Program through Goal events. These included Traditional Goal, Goal Home Activity book in schools and out of school community interventions. To mark International Women's Day, our Women Forum supported Goal Girls through mentorship and a medical camp.

Accelerating zero in our communities

Partnerships for Purpose

We continue to implement with our three-year partnership with the Nairobi Arboretum Park to promote urban green spaces through the rehabilitation and beautification of running paths, support education and creating awareness on conservation of the environment in the community. We target to upgrade 50 signages, label 100 trees and support a one-million seedlings nursery. We have developed a digital application which will be used as an education tool to create awareness on conservation, and climate change. To date, we have planted over 384,000 seedlings in the nursery. In addition, we have planted over 48,400 trees from the nursery country wide in partnership with communities and our clients. We also support the nursery though volunteering where our colleagues have volunteered their time in nursery preparation. We have set an ambition to grow and plant 10 million trees seedlings in the next five years.

Sustainable Marathon

The 20th edition of the Standard Chartered Marathon (SCNM) was held on 29 October 2023. We registered a total of 22,187 participants from 94 nationalities. 44.2 per cent were women and 200 were persons with disabilities. 2023 SCNM was accredited by the World Athletics meaning that athletes can now use the SCNM to qualify for the World Athletic Series. We held a sustainable marathon by distributing 250ml water packs using biodegradable material. All the waste collected was recycled. This translates to a total of 2,713 Kilogrammes of greenhouse gas emissions saved. We distributed over 20K tree seedlings to each marathon participant. We had a total of 1,028 volunteers of which 350 were colleagues from the Bank. We activated the ongoing acquisition campaign and opened a total of 219 accounts. We raised KShs 43 million from the SCNM towards our Futuremakers program.

Employee Volunteering - Supporting communities through Volunteering

Volunteering has a positive impact on our communities, our colleagues and our broader business. It provides an opportunity for our colleagues to share their time, skills and expertise on issues that matter in their communities. It also promotes the mental and physical health of our colleagues. We offer every colleague three days paid leave to volunteer in an activity of their choice.

In 2023, 81 per cent of our colleagues (845) volunteered 1,507 days in Futuremakers mentorship programs, supporting Nairobi Arboretum nursery, tree planting and Standard Chartered Nairobi Marathon exceeding our target of 55 per cent participation.

Futuremakers draws on our colleagues' unique skills and expertise to support young people through mentorships and career talks. We build the capacity of young people to access jobs and economic opportunities that will help close the inequality gap.

Awards

Our efforts in Sustainability and Community engagement are bearing fruit and have been recognised. In Gender Mainstreaming Awards, we were recognised for:

Investing in Young Women in East Africa (overall winner)

We were the overall winner and got the first place amongst listed companies. We received the award for our Women in Cyber program that is designed to shift mentalities and tackle systemic barriers that prevent broader inclusion in cybersecurity, encourage women to take on leadership roles, and promote knowledge sharing of best practices and Goal, Futuremakers flagship education program that equips adolescent girls with the confidence, knowledge, and skills they need to be leaders.

Empowerment of Women in the Community - Overall winner

This was in recognition of our Futuremakers Women in Tech program that aims to support the economic and social development of women through innovation and technology led entrepreneurship aligning with calls for more diversity in technology and for more opportunities for women to develop entrepreneurial and leadership excellence.

Gender Mainstreaming Champion – Overall East Africa winner

We were recognised regionally for our remarkable policies put in place to embed a culture of inclusion which is a profound lever to our business success, systems that empower everyone to challenge gender stereotypes and call out discrimination, hybrid working policy, 20 weeks paid maternity and paternity leave, development of women talent in the Bank through the AI-powered 'Talent Marketplace' and gender parity. Women make up 53.6 per cent of our colleagues and 46 per cent of the Executive Management team.

KBA Catalyst Awards: Best Client Service Award-Promoting Gender Inclusivity –Runners up KBA Catalyst Awards 2023

We were recognised for launching programs such as the IGNITE Coaching program, which develops our women and aims to build systems that empower everyone to challenge gender stereotypes, our hybrid working policy globally, which focuses on embedding and enabling new ways of working, twenty weeks paid maternity and paternity leave and growing our current base of women, youth suppliers from 17 per cent to 25 per cent. We were also recognised for our Futuremakers programs, Women in Tech and Access to Finance Program, empowering women entrepreneurs.

KBA Catalyst Awards: Best Client Service Award-Promoting people with disabilities accessibility – Runners up

We were recognised for having a diverse workforce and promoting the People with Disabilities (PWDs) agenda in our employee value proposition, our Futuremakers programs that support PWDs. We promote participation and inclusion of persons with disabilities in the Standard Chartered Nairobi Marathon.

Conclusion

Our approach to stakeholder engagement is firmly underpinned by our desire to put our purpose into action by connecting us with the big economic and social shifts in Kenya. This approach defines how we engage with our customers and society by aligning our activities with these shifts and enable us to shape the forces driving growth.

These commendable efforts are being recognised by a wide range of influential stakeholders, as evidenced by the over 30 awards and accolades that our business received in the last year.

We were also recognised as one of the foremost banks offering Client Service to Persons With Disabilities, as well as one of the leading banks promoting gender inclusivity through our Client Service in the Kenya Bankers Association Catalyst Awards.

In addition, our Chief Executive Officer, Kariuki Ngari, and Consumer Personal and Business Banking Head, Edith Chumba were recognised several times as being amongst Kenya's most transformative Chief Executive Officers and Business Leaders, as was our Chairperson, Kellen Kariuki.

There is still a lot to be done for us to meet the commitments we have made to fully embed sustainability in our client value proposition, operations and community programs. We will determine our progress and impact by continually measuring our social economic impact of our sustainability initiatives in our operations and communities where we do business.

Our Purpose is to drive commerce and prosperity through our unique diversity, and this guides our strategy and everything we do. The businesses we serve, and with which we connect and partner, are the engines of trade and innovation, and central to the transition to a fair, sustainable future.

Board of Directors

Kariuki Ngari,
Chief Executive Officer

Appointed: Kariuki was appointed to the Board in March 2019.

Experience

Kariuki has 30 years of banking experience. He was instrumental in transforming the Consumer Banking divisions of Standard Chartered Bank Kenya and the Africa Region. Prior to his current role, he was the Global Head, Retail Distribution for Standard Chartered Bank in Singapore. He was influential in formulating global strategies in building the future of Retail Branch and Voice and Virtual landscapes through digitisation of the physical channels.

Kariuki was the Regional Head of Retail Clients, Africa between 2013 and 2015, and an Executive Director of Standard Chartered Bank Kenya Limited from 2009 to 2013. He has also held senior positions at Absa Bank Kenya PLC. Kariuki serves as a non-executive director on the board of Standard Chartered Bank Uganda and as a director on the boards of Tawi Fresh Kenya Limited and Solvezy Technology Kenya Limited. He sits on the Board of the UN Global Compact and is a director on various other Standard Chartered Bank Kenya subsidiary Boards.

Chemutai Murgor
Chief Financial Officer

Appointed: Chemutai was appointed to the Board in March 2007.

Experience

Chemutai has been with the Bank for over 21 years and has wide experience in finance having worked previously as the Head of Finance as well as Head of Business Finance. Chemutai has also held various senior positions at Deloitte and Touché both in Kenya and the United Kingdom. Chemutai is a director on various other Standard Chartered Bank Kenya subsidiary Boards.

Peter Gitau
Chief Technology and Operations Officer

Appointed: Peter was appointed to the Board in April 2020.

Experience

Peter has over 28 years' experience in operations, technology, risk management and internal and external audit. He has held senior roles in Standard Chartered including Chief Information Officer (East Africa), Group Head of Controls for Wholesale Banking Technology and Operations (Singapore) and Head of Audit (Africa). In his early career, Peter was part of the Assurance Services Practice in Price waterhouse Coopers.

Birju Sanghrajka
Head, Commercial, Corporate and Institutional Banking (CCIB)

Appointed: Birju was appointed to the Board in July 2021.

Experience

Birju has 23 years of corporate banking experience, having started as a Graduate Trainee in Standard Chartered Bank, Kenya. His career has seen him work in corporate banking, corporate finance and transaction banking, across Kenya, the United Kingdom, South Africa and the United Arab Emirates. Birju currently leads the CCIB Client Coverage business across Kenya and the wider East Africa region. The business supports the banking and investment requirements of multi-national corporates, public sector entities, development organisations and institutional clients by leveraging the Bank's innovative product offering, industry expertise and cross border network.

Judy Nyaga
Company Secretary

Appointed: Judy was appointed as Company Secretary in December 2020.

Experience

Judy has over 21 years legal and corporate governance experience in the banking industry having worked at both Standard Chartered Bank and other banks in Kenya. She has gained extensive knowledge and experience leading teams of company secretaries across various markets in Africa, Middle East, ASEAN and South Asia.

Richard Etemesi
Non-Executive Director

Appointed: Richard was appointed to the Board in June 2017.

Experience

Richard is a past Managing Director and Chief Executive Officer of Standard Chartered Bank Kenya Limited a position he held until March 2014. Richard then moved on to become Chief Executive Officer for South Africa and Southern Africa and later on became the Vice Chairman of Standard Chartered Bank, Africa. After a career spanning more than 28 years Richard retired from Standard Chartered Group in April 2021. Richard has experience in Banking, Finance and Compliance and has vast knowledge from different African markets. He currently serves as the Chairperson of the Board of Standard Chartered Bank Tanzania and as a Non-Executive Director on the Boards of Standard Chartered Bank in Nigeria, Angola and Mauritius.

Board of Directors
continued

Nivedita ("Nivi") Sharma
Independent Non-Executive Director

Appointed: Nivedita Sharma was appointed to the Board in July 2021.

Experience

Nivi is an expert in innovation, impact, and scale-up strategies in ascending markets. She is currently the CEO of Bridges to Prosperity, the global leader in rural infrastructure development, which uses technology for needs assessment, impact assessment, and engineering to aid rural infrastructure investments. Previously, she was the Chief Operating Officer of BRCK, a connectivity company that provides free public Wi-Fi. Nivi has dedicated her career to access for children, youth, and adults. She co-founded eLimu, the first company to digitize the Kenyan Primary School curriculum content for revision and literacy. Nivi is driven by learning, development, access, and impact. She serves on the boards of Software Technologies Ltd and The Open Institute Trust. Nivi holds a B.A. (Hons) degree in Economics from Ithaca College, New York, USA. She is a 2014 East Africa Acumen fellow and a member of the Fast Forward Leaders' Circle.

Dr Catherine Adeya
Independent Non-Executive Director

Appointed: Catherine was appointed to the Board in January 2016.

Experience

Dr. Catherine Adeya is a Senior Digital Transformation & Governance Specialist, with over 20 years working in technology and development. She has a rich experience across academia, civil society, government, and the private sector. She is an expert in bilateral and multilateral agency operations with consolidated expertise and excellent skills in research, project planning and execution, finance management and policy development. A strategic thinker with proven management and leadership skills, she has vast global exposure. Dr. Adeya most recently served as the Director of Research at the World Wide Web Foundation. She has worked at the United Nations University/Institute of New Technologies in the Netherlands; as a Director at the Ministry of ICT in Kenya; and was the founder CEO of Konza Technology City. Dr. Adeya is a Non- Executive Director at UAP Old Mutual Holdings Limited, Standard Chartered Investment Services Limited and Adrian Kenya Limited. Dr. Adeya has a PhD in Information and Development from Edinburgh, Scotland. She has pursued further education such as the Yale University 'Executive Education – Women's Leadership Program' and Stanford University 'Executive Education – Cybersecurity and Executive Strategy'.

David Ong'olo
Independent Non-Executive Director

Appointed: David was appointed to the Board in January 2020.

Experience

David is an experienced private sector and development specialist with a demonstrated history of working in the economic development industry. He is skilled in Program Management, Policy Analysis, Sectoral Analysis, and Strategic Planning. He was until February 2019, the Chairman of Competition Authority of Kenya. His early career included working as Deputy Chief Economist in charge of the Trade and Industry Division of the then Ministry of Planning and National Development, and Credit Specialist with the SDSR regional program of the International Labour Organisation. He was previously the Senior Policy Adviser (Economics) at the Embassy of the Kingdom of Netherlands, Nairobi, Kenya and is currently, the Managing Director of Matrix Development Consultants Limited. David is a Director on the Boards of Netherlands Business Hub Kenya Limited, CUTS Centre for International Trade, Economics and Environment, Jitegemee Trust Limited and Jabali Microserve Limited. He is also the Chairperson of Standard Chartered Kenya Pension Fund and Standard Chartered Kenya Staff Retirement Benefits Scheme, 2006. David holds a Master of Science degree in Industrial Economics from Lancaster University, UK and a bachelor's degree in Economics from the University of Nairobi.

Executive Committee

Kariuki Ngari
Chief Executive Officer

Chemutai Murgor
Chief Financial Officer

Peter Gitau
Chief Technology and Operations Officer

Judy Nyaga
Company Secretary

Birju Sanghrajka
Head, Commercial, Corporate and Institutional Banking

Edith Chumba
Head, Consumer, Private and Business Banking (CPBB)

Edith was appointed Head, Retail Banking in 2019. She brings to the role over 21 years of retail banking experience, having started her career at Barclays Bank of Kenya before joining Standard Chartered Bank Kenya in 2015. Prior to her current role, Edith was the Head of Distribution Channels. She has been instrumental in leading the transformation of the CPBB business and in overseeing the delivery of turnaround strategies for the business in Kenya.

Makabelo Malumane
Head, Transaction Banking

Makabelo's financial services experience spans over 19 years across various markets including Europe, the Middle East and Africa. In her previous roles, Makabelo was instrumental in curating differentiated cash management value propositions for the Bank. She has leveraged evolving technologies and new partnerships to strengthen the Bank's relevance to multinational and local corporate clients in the market.

Executive Committee
continued

Evans Munyori
Head, Human Resources

Evans was appointed to the role in 2018. He joined the Bank in 2004 as a generalist working in HR Service Delivery. He has built a wealth of experience in human resources management having worked for nine years as a human business partner in Kenya and Malaysia. Prior to his appointment, he was the Human Resources Business Partner for Technology in Malaysia.

David Mwindi
Head, Conduct, Financial Crime and Compliance

David was appointed to the role in 2023. David joined the Bank in 2011 having previously worked for Barclays Bank, KPMG Kenya, PricewaterhouseCoopers and Strathmore University. He has over 18 years' experience in the finance sector. He is a Certified Public Accountant of Kenya and a Certified Internal Auditor. He previously served as a member of the Professional Standards Committee of the Institute of Certified Public Accountants of Kenya (ICPAK).

Dr. Davidson Mwaisaka
Head, Legal

Davidson joined the Bank in 2014 as Country Senior Legal Counsel and Assistant Company Secretary and was promoted to his current role in 2020. He has over 15 years of experience gained from working with law firms Kaplan & Stratton Advocates, Oraro and Company Advocates, Equatorial Commercial Bank (now Spire Bank) and Britam. He is a certified Company Secretary (CPS(K)), Associate Chartered Arbitrator (ACArb) and Advocate of the High Court of Kenya.

Dedan Muugi
Head, Audit*

Dedan has over 25 years' experience in audit and accounting. He joined the Bank in 2014 in finance operations having previously worked for PricewaterhouseCoopers Kenya, Uganda and the United Kingdom providing clients with assurance and business advisory services. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Masters of Business Administration from the United States International University Africa and a Bachelor of Commerce degree from Kenyatta University.

*subject to regulatory approval

Tanveer Nandhra
Head, Financial Markets

Tanveer is a seasoned banker with over 15 years' experience in Global and African Financial Markets. She joined the Bank as an International Graduate in 2005 and has worked across various markets. Tanveer returned to the Kenya business in 2022 from her previous role as Head of Financial Markets, Standard Chartered Bank Mauritius.

Joyce Kibe
Head, Corporate Affairs, Brand and Marketing

Joyce joined the Bank in 2021. Her strong commercial acumen, skilful stakeholder engagement and ability to transform insights from data into award-winning marketing strategies has led to her achieving extraordinary business results throughout her career. Joyce has 22 years of experience in marketing, communications, consumer insights, innovation and strategic planning having worked for British American Tobacco and East African Breweries. She has held various leadership roles in Kenya, Nigeria, UK and Zimbabwe.

James Mucheke
Chief Risk Officer

James was appointed to the role in 2021. He is a seasoned banker, with 25 years of banking experience. He has held senior leadership roles in Kenya and other countries within the Group. Prior to his current role, James was the Head of Credit for Kenya and East Africa and held a similar role in Nigeria and West Africa from 2013 to 2019. He successfully managed these portfolios through very turbulent periods. He has held other senior roles within the Group.

Directors, Officials and Administration

DIRECTORS

K. Kariuki	Chairperson
K. Ngari	Chief Executive Officer
C. Murgor	Chief Financial Officer
C. Adeya	
I. Khan*	
D. Ong'olo	
N. Sharma	
R. Etemesi	
J. Browne**	
P. Gitau	
B. Sanghrajka	

* Resigned from the Board effective 31 December 2023
**British

SECRETARY

Judy Nyaga
(CPS No. 1279)
StandardChartered@Chiromo
48 Westlands Road
P.O. Box 30003
00100 Nairobi GPO

AUDITOR

Ernst and Young LLP
Certified Public Accountants
Kenya Re Towers, Off Ragati Road,
P.O. Box 44286
00100 Nairobi GPO

REGISTERED OFFICE

StandardChartered@Chiromo
48 Westlands Road
P.O. Box 30003
Nairobi, Kenya

Report of the Directors

The directors are pleased to submit their annual report together with the audited financial statements for the year ended 31 December 2023 in accordance with Section 22 of the Banking Act and the Kenyan Companies Act, 2015 which govern disclosure of the state of affairs of Standard Chartered Bank Kenya Limited the 'Company' or the 'Bank' or 'Standard Chartered') and its subsidiaries (together referred to as the 'Group').

1. Activities

The Group is engaged in the business of banking and provision of related services. It is licensed under the Banking Act and the Capital Markets Authority Act and is regulated by the Central Bank of Kenya (CBK) and the Capital Markets Authority (CMA).

2.Results

The results for the year are set out in the attached financial statements on pages 119 - 221.

3. Dividends

The Board has resolved to recommend to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of KShs 23.00 for every ordinary share of KShs 5.00 on the issued share capital of the Company in respect of the year ended 31 December 2023 (2022: KShs 16.00). One interim dividend of KShs 6.00 was declared on 22 November 2023 and paid on 29 December 2023 (2022: KShs: 6:00).

The Board has also resolved to recommend to the shareholders at the forthcoming Annual General Meeting the payment of a final dividend of KShs 84,690,411.00 on the non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares (2022: KShs 84,690,411.00). An interim dividend of KShs 83,309,589.00 was declared on 22 November 2023 and paid on 28 December 2023 (2022: KShs 83,309,589.00).

Dividends on the preference shares are paid at the rate of 6 per cent per annum on the issue price of KShs 50.00 per share.

The dividends will be payable to shareholders registered on the Company's Register at the close of business on 19 April 2024 and will be paid on or after 30 May 2024.

4. Directors

The directors who served during the year up to and including the date of this report are set out on page 65. The directors are subject to periodic re-appointment and the following directors will be seeking re-election:

- Mr. David Ong'olo, Mr. Richard Etemesi, and Mrs. Nivedita Sharma retire from office by rotation and will offer themselves up for re-election at the forthcoming Annual General Meeting in accordance with Section 107 (a) of the Articles of Association.

5. Property

Details of the movements in property are shown on note 26 to the financial statements.

6. Business review

Strategy

The Company has continued to make good progress in the execution of our strategy. Our purpose: to drive commerce and prosperity through our unique diversity – is underpinned by our brand promise, Here for Good. We have noted significant momentum in delivering tangible progress towards our four strategic pillars: Network, Affluent, Mass Retail and Sustainability. Our solid financial results align with our ambition to be a strong digital player, who continuously innovates to meet the evolving needs of our clients, even as we strengthen shareholder value.

Our strategy is supported by our Stands, specific focus areas where we have set long-term ambitions – these include Accelerating Zero, Lifting Participation and Resetting Globalisation (see page 22 for more). Our Stands challenge us to use our unique position to build a responsible business that is actively working towards uplifting our communities. Further details regarding progress against our strategic priorities are detailed in the Chief Executive Officer's statement on pages 11 to 13.

Performance and position

Details of the Group's performance, financial and capital position are included in the Chief Financials Officer's statement on pages 29 to 33.

Principal risks and uncertainties

Effective risk management is essential in delivering consistent and sustainable performance for all stakeholders and is a central part of the financial and operational management of the Company. The Company adds value to clients and the communities in which it operates by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

The Company's principal risks that are inherent in the banking business include credit, traded, treasury, operational and technology, reputational and sustainability, compliance, information and cyber security, model, climate and financial crime.

The Board has ultimate responsibility for risk management and there exist various Committees set up by the Board where the above risks are discussed, and prompt mitigating actions are taken.

The Board has adopted an Enterprise Risk Management Framework (ERMF) which enables the Company to closely manage enterprise-wide risks with the objective of maximising risk-adjusted returns while remaining within the Risk Appetite. In 2023, the Board implemented approved material enhancements to the ERMF which are detailed in the report of the Chair of the Board Risk Committee on pages 90 to 92. A dynamic risk-scanning process is maintained for risk identification and assessment, with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives, thus enabling a proactive approach to risk management. An inventory of the Principal Risk Types and risk sub-types that

Report of the directors
continued

are inherent to the strategy and business model; and emerging risks that include near-term as well as longer-term uncertainties is maintained.

We continue to be on the look out for emerging risks and collaborate with internal and external partners to proactively mitigate risks as they are identified.

Risk culture

The Board champions a healthy risk culture which is the ability to identify and assess current and future risks, openly discuss and take prompt actions at all levels of the organisation. All colleagues who are engaged in, or supporting, revenue generating activities are expected to demonstrate the highest level of integrity by being transparent and proactive in disclosing and managing all types of risks. Colleagues in control functions adopt a constructive and collaborative approach in providing oversight and challenge over risk management activities and take decisions in a clear and timely manner. The directors expect all staff to be accountable for their decisions and feel safe using their judgment to make these considered decisions.

The directors acknowledge that banking inherently involves risk taking and there will be instances of undesirable outcomes from time to time. These exceptions however present opportunities to learn from experience and implement change or lessons into the operational systems for better outcomes. The directors expect all staff to demonstrate a high degree of awareness in risk and control approach by self-identifying risks and managing them in a manner that will deliver lasting change.

Outlook

Our operating environment in 2023 continued to present opportunities for growth and we demonstrated our continued resilience in a rapidly changing business landscape. Our sustainable progress towards executing our strategy has ensured that we are able to swiftly meet the shifting needs of our clients and stakeholders. By leveraging our strategic focus on our key priorities, we have built the foundations for a strong business that is able to thrive in a challenging operating environment.

Community impact

Our commitment to be a thought leader and affirm our brand promise, here for good in the community is demonstrated through our Futuremakers Initiatives. We are working with disadvantaged young people – especially girls and persons with disabilities to gain new skills and expertise to improve their chances of getting a job or starting their own business. Futuremakers programs empower the next generation to learn, earn and grow. Futuremakers programs implement Goal, Women in Tech, Access to Finance and Inclusive Employability programs under three pillars – Education, Entrepreneurship and Employability. In 2023, we invested a total of KShs 130 million and impacted 21,491 young people to learn, earn and grow.

7. Directors' interests in ordinary shares

No director holds shares in the Company as at the date of this report.

8. Disclosure of information to auditor

With respect to each director at the time this report was approved:

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

9. Auditors

Ernst & Young LLP have indicated their willingness to continue in office in accordance with Section 721 (2) of the Kenyan Companies Act, 2015 and Section 24 (1) of the Banking Act.

The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 25,262,153 has been charged to profit or loss in the year as disclosed in note 12 to the financial statements.

10. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 12 March 2024.

BY ORDER OF THE BOARD

Kellen Kariuki
Chairperson
12 March 2024

Statement of corporate governance

Leadership and Culture

The Board of Standard Chartered Bank Kenya Limited ("the Company") recognises its responsibility to practise high standards of corporate governance and to contribute to the promotion of an environment where such standards are upheld and practised by all industry players.

Exemplary governance is key to the Company's long-term success, enabling the delivery of sustainable shareholder value.

The Company has an integrated approach to governance which ensures that the Company is effectively managed and controlled, in line with the strategy, and with regard to the requirements of key stakeholders. The Company's culture and values are deeply embedded within the organisation and are regularly reinforced through induction of new staff, continuous learning, and as part of annual performance management. The Code of Conduct and Ethics review and recommitment by staff is an annual requirement to ensure that the key principles underpin the conduct of all employees in their dealings with one another, customers, suppliers, and other stakeholders.

The valued behaviours are embedded as guidelines for the expected behaviour of all employees and also form part of the contractual obligations for all the main suppliers of the Company in the conduct of business in as far as it relates to the Company but also as expected of all ethical businesses.

Our Approach to Governance

Standard Chartered has been in existence for over 100 years in Kenya. It is a public company incorporated in the Republic of Kenya and was listed on the Nairobi Securities Exchange in 1989. Standard Chartered endeavours to fully comply with all the provisions of the Kenya Capital Markets Authority Code of Corporate Governance for Issuers of Securities to the Public, 2015 (CMA Code of Governance), the Central Bank of Kenya Corporate Governance Guidelines and the Companies Act of Kenya.

Further, the Company remains committed to achieving exemplary corporate governance by striving for substantive compliance with all applicable regulations, including the Nairobi Securities Exchange Listing Rules as well as Standard Chartered Group minimum governance standards for subsidiaries. The Company has a comprehensive range of policies and systems in place designed to ensure that it is well managed, with effective oversight and control.

The Board aims to promote the Company's long term success, deliver sustainable value to shareholders, and promote a culture of openness and debate. As the ultimate decision making body for all material matters within the Company, the Board led by the Chairperson is responsible for, among other matters:

- Establishing and approving the Company's strategy and objectives, and monitoring the alignment of the Company's purpose, strategy, and values with the desired culture;
- Setting the Company's risk appetite and monitoring the Company's risk profile;
- Ensuring a sound system of internal controls and risk management, delegation and monitoring of authorities for expenditure and other significant commitments;
- Approving and monitoring capital and operating plans for achieving strategic objectives;
- Approving the appointment of directors, including Board roles; and
- Reviewing the Company's overall corporate governance arrangements.

The Board's mandate is set out in its Charter and in the Terms of Reference of the Board. The Board Terms of Reference and the Board Charter are reviewed by the Board periodically and are publicly available to investors through the Company's website at https://www.sc.com/ke/investor-relations/

The Board discharges some of its responsibilities directly and delegates other functions to its Committees. The Board also delegates authority for the operational management of the Company's business to the Chief Executive Officer/Managing Director for further delegation by him in respect of matters which are necessary for the day to day running of the Company. The Board holds the Chief Executive Officer accountable for the effective discharge of the delegated responsibilities.

Statement of corporate governance
continued

The Board Composition

This section outlines the key diversity and inclusion metrics for the Board composition as at 31 December 2023.

The Board, which seeks to promote the Company's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate, comprises diverse, high-calibre members who have broad experience in the market. It has an appropriate mix and diversity of skills, knowledge, and experience to perform its role effectively. The areas of expertise, gender and independence status of the directors is as follows:

	Areas of expertise	Independent/Non-Executive/ Executive	Gender	Date of Appointment
K. Kariuki	Banking, Financial Management and Human Resources	Independent Non-Executive	Female	10 February 2020
C. Adeya	Information Technology	Independent Non-Executive	Female	1 January 2016
I. Khan*	Financial Management and Investments	Independent Non-Executive	Male	22 August 2018
D. Ong'olo	Economics	Independent Non-Executive	Male	28 January 2020
N. Sharma	Technology, Innovation and Digital Strategies	Independent Non-Executive	Female	22 July 2021
R. Etemesi	Banking and Financial Management	Non-Executive	Male	25 September 2017
J. Browne	Banking, Credit and Risk Management	Non-Executive	Female	15 December 2020
K. Ngari	Banking and Financial Management	Executive	Male	4 March 2019
C. Murgor	Banking and Financial Management	Executive	Female	1 March 2007
P. Gitau	Operations, Technology and Risk Management	Executive	Male	30 April 2020
B. Sanghrajka	Banking and Financial Management	Executive	Male	22 July 2021

*Imtiaz Khan resigned from the Board with effect from 31 December 2023

Board Diversity Policy

The Board Diversity Policy describes the approach the Board takes to ensure that diversity in its broadest sense remains a central feature of the Board. The Board believes that diversity enhances its decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operations and enhancing shareholder value. The Company has a long history of diverse Board membership. All Board appointments are based on merit with each candidate assessed against objective criteria, with the prime consideration of maintaining and enhancing the Board's overall effectiveness. This notwithstanding, the Board strives to maintain diversity recognising the benefits of a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attributes, skills, experience as well as diversity of thought. This diversity provides a mix of perspectives which we believe contributes to effective Board dynamics.

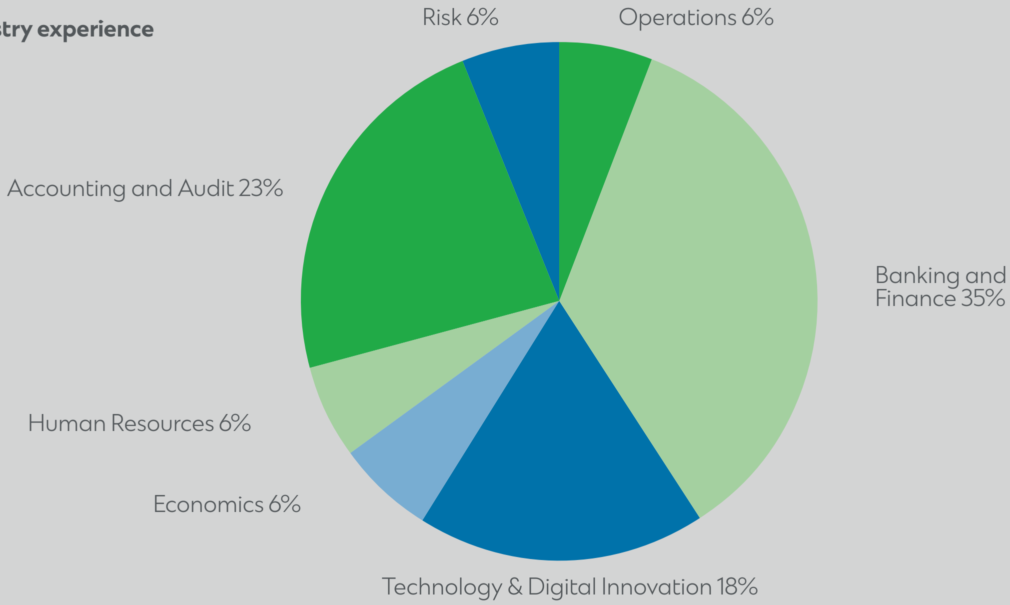
Diversity and mix of skills

The Board has 10 members majority of whom are non-executive directors. It is comprised of six non-executive directors including the Chair, four of whom are independent non-executive directors, and four executive directors. The Company Secretary is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) whilst the Finance Director is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

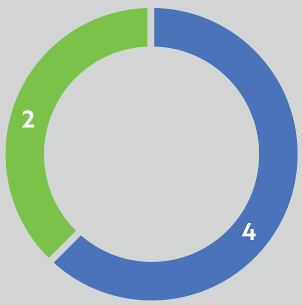
The Board has a good mix of skills and experience to drive the business forward whilst maintaining a tight control on risk management and good corporate governance. Through its Nomination, Evaluation and Remuneration Committee, the Board regularly reviews the skills and experience it requires to effectively discharge its responsibilities. A skills matrix, which is a key tool used by the Board to inform its succession planning discussions, is reviewed at least annually by the Board. An extract of the skills matrix, showing a selection of the current skills and experience of the non-executive Directors, is shown below:

There exists a cordial working relationship between the non-executive and executive directors, characterised by a healthy level of challenge and debate. The executive team ensures that the non-executive directors receive comprehensive reports on the business as well as on the economic and competitive landscape.

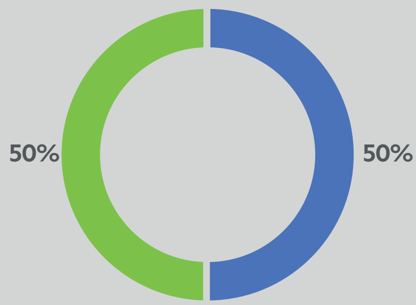
Industry experience



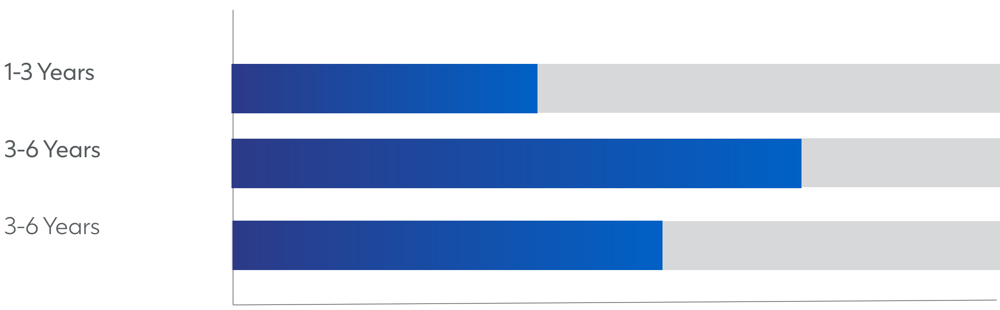
Banking, finance, audit risk experience amongst Independent and Non- Executive Directors



Gender representation



Independent Non-Executive Directors and Non-Executive Directors Tenure



Statement of corporate governance
continued

Conflict of Interest

The Board members are obligated to steer clear of any situations that could create a conflict between their personal interest and the Company's. They are required to promptly disclose any potential area of conflict that could jeopardise or undermine their directorship.

The Board has formal procedures to manage compliance with the conflict of interest provisions outlined in the Companies Act, 2015 and the CMA Code of Governance. The Directors must at the time of their appointment and on an ongoing basis, thereafter, disclose any circumstances that could potentially lead to a conflict of interest. The declaration of a conflict of interest is a standard agenda item at all Board and Committee meetings, preceding discussions of the substantive agenda. Directors with a vested interest in a matter are not included in the quorum and are restricted from voting on it. Notably, no material conflict of interests were reported by the directors in 2023.

Moreover, each Director is responsible for promptly notifying the Chairperson and the Company Secretary of any actual or potential conflict of interest situations as soon as it arises. Situational conflicts may be authorised by the Board under the Company's Articles of Association.

Board selection and appointment principles

Pursuant to the CMA Code of Governance, the Board has a formal and transparent procedure for the appointment of Board members based on a set of broad principles:

- the Board should have sufficient independence of mindset to challenge the executives as well as an appropriate balance of skills, knowledge, diversity (this includes diversity of gender and perceptions) and experience relevant to the Company's business;
- at least one third of the Board members must be comprised of independent directors;
- prospective independent directors are interviewed by the Board Nomination, Evaluation and Remuneration Committee, who assess their suitability and whether their values and behaviours are aligned with the Company's culture and values.
- independent directors should not serve longer than nine years. Where the Board considers the value and experience of an independent director, who is serving his/her ninth year, outweighs the nine-year term requirement, reasons for an extended term are clearly documented;
- in accordance with the Company's policy, due diligence/screening checks must be completed prior to the appointment of any independent director to ensure there is no undue risk posed to the Company in relation to integrity, financial soundness, conflicts of interest and related party relationships;
- independent director candidates must not have political appointments;
- all directors should have the capacity to devote sufficient time and commitment to attend all Board, Board Committee meetings, as well as engage in other Company events;
- the Nomination, Evaluation and Remuneration Committee, in conjunction with the other independent directors, has periodic discussions to ensure the Company maintains a diverse pool of talented leaders as prospective directors;
- a key consideration for an appointment from within the Standard Chartered Group is the candidate's ability to bring broad knowledge of the Group to the Board's deliberations and provide context, so that the independent directors fully understand the Group's strategic direction and key priorities;
- the Board has established and maintains robust succession plans to ensure sound planning and a balance of knowledge and skills as well as appropriate continuity;
- a list of prospective independent directors is maintained by the Company Secretary and reviewed at least annually by the Nomination, Evaluation and Remuneration Committee; and
- all directors must receive a tailor-made induction upon joining the Board or any Board Committee and should regularly update and refresh their skills and knowledge.

The Board Charter wholly adopts the recommendations of the CMA Code of Governance with respect to multiple directorships. The CMA Code of Governance recommends that there should be a limit to the number of directorships Board members hold at any one time. In particular, the CMA Code of Governance recommends that directors of listed companies should not hold directorships in more than three listed companies at any one time. The directors of the Company follow this recommendation and are also in compliance with requirements of the Central Bank of Kenya Prudential Guidelines relating to other directorships. The Board fully endorses the principle that each director must be able to give enough time and attention to the affairs of the Company but does not restrict the number of directorships as a general rule. The Board is satisfied that the directors devoted sufficient time and attention to the affairs of the Company during 2023.

Independent non-executive directors

The majority of the non-executive directors are independent and free of any business relationship or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining the independence of a non-executive director, the Board considers each individual against the criteria set out in the CMA Code of Governance, the Central Bank of Kenya Prudential Guidelines on Corporate Governance as well as their contribution and conduct at Board meetings, including how they demonstrate objective judgment and independent thinking. The Board considers all of the independent non-executive directors to be independent of the Company and has concluded that there are no relationships or circumstances likely to impair any individual non-executive director's judgment.

The role of the independent non-executive directors is to support the development of proposals on strategy, hold management to account and ensure the executive directors are discharging their responsibilities properly, while creating the right culture to encourage constructive challenge. Non-executive directors also review the performance of management in meeting agreed goals and objectives. The

Chairperson meets with the non-executive directors without the executive Directors in attendance periodically as necessary.

Non-executive directors are appointed for an initial term of three years with an option for renewal. The Board is made aware of the other commitments of the individual non-executive directors and is satisfied that largely, these do not conflict with their duties and time commitments as directors of the Company.

Roles of the Chairperson and Chief Executive Officer

The separate roles of the Chairperson and the Chief Executive Officer are clearly defined in the Board Charter which has been approved by the Board. Except for direction and guidance on general policy, the Board has delegated the conduct of the day-to-day business to the Chief Executive Officer and the Executive Committee.

Succession planning

The Company has in place a succession plan for the directors which is updated regularly and a plan to maintain a balance of critical skills on the Board of Directors. In 2023, the Board refreshed the Board succession plan. The Board continued to focus in detail on succession readiness and plans for the executive directors, the Management team, and other senior executives, as well as initiatives underway to develop talent internally. Following the Board Effectiveness Review conducted in 2023, the Board has enhanced its succession plan to map out successors for Board Committee chairs and membership to augment readiness for change.

Access to information

Directors have unrestricted access to information and Management. They are provided with timely information and comprehensive reports on material operational, risk management and financial matters of the Company to facilitate informed discussions during meetings.

All the directors have access to the advice of the Company Secretary, who provides support to the Board and is responsible for advising the Board on governance matters. Directors also have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors.

Director induction

Prior to taking up their respective Board and committee positions, new directors are provided with comprehensive induction sessions to ensure a smooth transition into their roles and positive contributions from the outset. The induction typically covers the Company's business operations, risk and compliance functions, as well as the legal, regulatory, and other personal obligations of a director of a listed company.

The Company Secretary works with the Chairperson to oversee appropriate induction and ongoing training programs for the Board. On appointment, new Directors are provided with tailored and comprehensive induction programs to fit with their individual experiences and needs, including the process for dealing with conflicts.

The induction program is delivered through formal briefings and introductory sessions with Board members. Each new director receives a briefing on various aspects of the business from the Executive Directors, the Company Secretary, Business Heads and other senior executives.

Topics covered include but are not limited to purpose and values; culture and leadership; governance and stakeholder management; Directors' legal and regulatory duties; anti-money laundering and antibribery; technical and business briefings; and strategy. The directors are advised of the legal, regulatory, and other obligations of a director of a listed company on an ongoing basis. The directors also receive training on corporate governance and have access to independent professional advice to enable them to discharge their duties. Prior to taking up their respective Board and Committee positions, new directors are provided with comprehensive induction sessions to ensure a smooth transition into their roles.

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An early focus on induction allows a new Board member to contribute meaningfully from the outset. The structure of the induction supports good information flows within the Board and its Committees, as well as between senior management and non-executive Directors, providing a clear understanding of our culture and way of operating.

A key part of the induction program is to ensure that the directors have a good understanding of the governance environment, including a comprehensive understanding of their statutory duties, obligations, and responsibilities as directors of a Company carrying on banking business.

The programs are regularly reviewed and consider directors' feedback to ensure continuous development and improvement.

Statement of corporate governance
continued

Director induction continued

The induction process entails:	
Constitution and Governance Structure	The director undertakes a review of the constitutional documents and governance structure as follows: • Memorandum and Articles of Association; • Board and Management structure; • Governance structure (Committees); • Board Charter; • Board and Committee Terms of Reference (TORs); • Executive Committee/Management Committee TORs; • Any other Committee TORs as applicable; • Board and Committee meeting dates; • Rolling agenda for Board and Committee meetings; and • Board Diversity Policy.
Directors' duties	A director receives information tailored to maximise their knowledge and understanding of the following critical aspects: • Key legal and regulatory provisions such as the Central Bank of Kenya Prudential Guidelines, CMA Code of Governance, and the Companies Act; • Directors' roles and responsibilities; • Summary rules on disclosing insider information; • Summary of the directors' and officers' liability insurance; • Stakeholder engagement; and • Conflicts of interests including all directorships and personal interests.
About the business	The induction is designed to ensure a director receives essential information regarding the business in the areas below: • Various policies of the Company including Enterprise Risk Management Framework, Credit, Audit, Cyber Security, Conflict of Interest etc; • History of the Standard Chartered Group; • A brief about the business; • Company organisation chart; • Directors' induction and continuous education program; and • Key meetings to be attended.
Other areas	A director also receives the following additional information necessary for their understanding of the Company's business, operations, and values: • Company Code of Conduct and Ethics; • Annual Report and Accounts; and • Delegated Authorities Manual.

Directors ongoing development

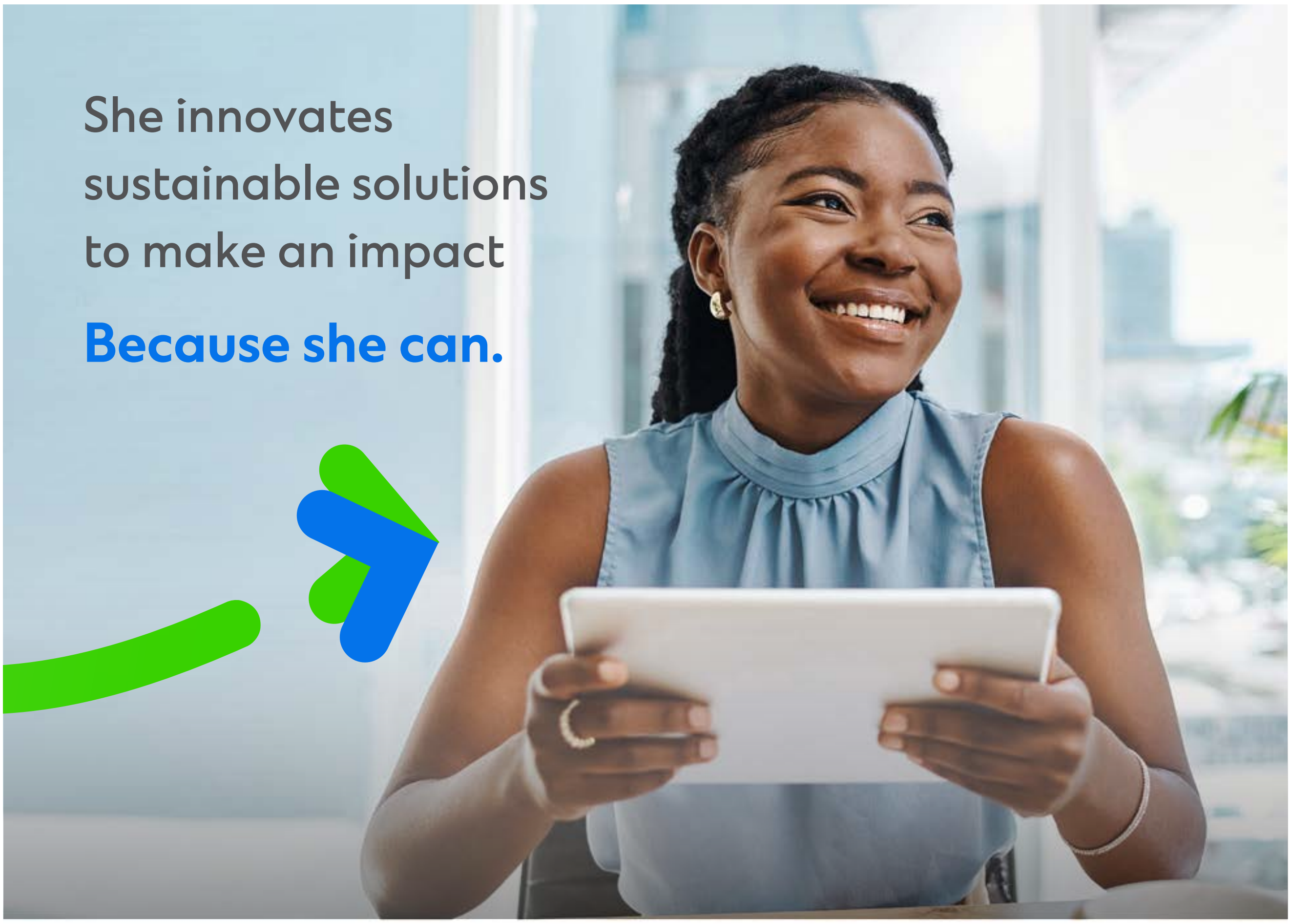
The Company believes that ongoing development of the Board members is necessary to ensure that the directors have the requisite knowledge and understanding of the Company and the market that it operates in for them to effectively carry out their roles. Continuous training and development beyond a director's induction plan is essential to maintaining a highly engaged, effective and well-informed Board. Ongoing development plans also help ensure directors lead with integrity and promote the organisation's culture, purpose and values.

In view of the changing business environment, continuous directors' development is undertaken to enhance governance practices within the Board itself and in the interest of the Company. The continuous development program is needs-based and is designed for individual directors or for the whole Board to facilitate competence up-skilling of the directors. We ensure that directors secure at least twelve hours of development per year on areas of governance from credible sources.

From the annual evaluation exercise, the Directors identify areas that require further consideration by the Board and individual Directors, and these are addressed through training and Board presentations. The Board Committees also receive specialist presentations and training relevant to the work of their Committees as may be required. The Company Secretary makes appropriate arrangements for any additional training needs identified using internal resources, or otherwise, at the Company's expense. Directors may take independent professional advice at the Company's expense. Board Directors who serve on principal subsidiary Boards also receive training relevant to those Boards.

2023 Director training overview

During the year, directors received a combination of mandatory learning and training, internal and external briefings, presentations from guest speakers and papers on a range of topics. The training covered a variety of topics throughout the year, the majority of which were held virtually. The table below gives further details of the training sessions delivered. The Board also held virtual engagements and trainings with other Standard Chartered Directors globally which enhanced the Board's understanding of the Bank's strategy and linkages with Standard Chartered Group and its subsidiaries. In addition, the Board joined the East Africa Board members for a joint session in June 2023 where discussions were held on the business opportunities in the region, common challenges faced and the various levers that drive shareholder returns.



futuremakers
by Standard Chartered

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@iBizAfrica Incubation Centre

Statement of corporate governance
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Directors Training Sessions Held in 2023

Training	C. Adeya	K. Kariuki	I. Khan	D. Ongolo	N. Sharma	R. Etemesi	J. Browne	K. Ngari	C. Murgor	P. Gitau	P. Sanghrajka
Global Economic and Geopolitical Outlook	√	√	√	√	√	√	√	√	√	√	√
Managing Country Risk - Lessons from Pakistan & Ghana	√	√	√	√	√	√	√	√	√	√	√
Refresher on Conduct Risk Management"	√	√	√	√	√	√	√	√	√	√	√
Board Information and Cyber Security Risk Awareness	√	√	√	√	√	√	√	√	√	√	√
Legal Perspectives on Sustainability-ESG Related Risks and Litigation: What Boards Need To Know	√	√	√	√	√	√	√	√	√	√	√
Financial Markets Deep Dive	√	√	√	√	√	√	√	√	√	√	√
Finance Principles for Directors	√	√	√	√	√	√	√	√	√	√	√
Harnessing Africa Carbon Markets	√	√	√	√	√	√	√	√	√	√	√
Key Development in Financial Crime Compliance	√	√	√	√	√	√	√	√	√	√	√
Corporate Governance Overview							√	√			
Oversight on Anti-Money Laundering and Sanctions							√	√			
Core Principles of Islamic Banking							√	√			
Director's Oversight Responsibilities in relation to the use of Cloud						√	√				
Climate Risk Management						√	√				

√ -Director attended the session
√-Director did not attend the session but received accompanying material
√- Sessions attended by virtue of Directorship on the Board of SCB Group affiliate companies

Directors Individual Development Plans

In the year, individual directors identified and attended externally facilitated executive development programs as shown below:

Development Programs	
K. Kariuki	The Fast Forward Leadership Circle Program
I. Khan	Annual Seminar by the Institute of Certified Public Accountants
	Theme: Leading From The Front - Accounting Profession as a Catalyst for Economic Growth
N. Sharma	The Fast Forward Leadership Circle Program
R. Etemesi	Leadership Coaching and Change sessions offered by Career Connections

Board effectiveness

2023 Board Effectiveness Review

The Board recognises that good corporate governance is an essential pillar for building the Company's future and has embedded a comprehensive corporate governance framework that instils best practice in the structuring and running of its Board. A key component of this framework is the regular self-evaluation conducted by the Board, the results of which are used to improve its performance.

This year, the Board commissioned an external Board Effectiveness Review facilitated by Carol Musyoka Consulting Limited (CMCL). In line with the provisions of the CMA Code of Governance, an independent evaluation of the performance of the Board, its Committees, the Chairperson and each individual Director and the Company Secretary was undertaken. This aimed at enabling the Board, the Committees and their respective members to gauge their performance and identify areas of improvement. The role of the facilitator was confined to providing a technical framework for the exercise, collating results, interviewing Directors to seek clarifications, validating responses and eventually consolidating conclusions and making recommendations.

Board Effectiveness Review Format

A comprehensive brief was provided to the assessment team at CMCL by the Company Secretary. The review took the form of questionnaires and detailed interviews with every Board member. A report was compiled by the evaluation team based on the information and views supplied by those interviewed. Draft conclusions were discussed with the Company Secretary. The report was thereafter presented to the Nominations, Evaluation, and Remuneration Committee and subsequently to the whole Board on 28 March 2023 to consider the results and determine credible actions emanating from the evaluation. Following the Board discussion, CMCL provided the peer review report to each director and to the Chairperson which was used to support the individual performance feedback conducted with directors. Key observations were discussed by the Nomination Evaluation, and Remuneration Committee ahead of the Board finalising the 2023 action plans.

Outcome

The evaluation enabled the Board to identify opportunities for refinement of certain processes and to build on its existing strengths. The insights derived from the process have ensured that the Board's governance strategies remain robust and reflective of best practices.

The key recommendations from the Board effectivenes review are set out below

- Enhance the Board succession plan by strengthening skills assessment and building a more targeted pool of potential directors that align with the Company's needs.
- Facilitate better consideration of agenda items through timely submission of information packs.
- Consider opportunities for more in-person engagements between the Board and its stakeholders
- Review the mechanism for Board engagement in the CEO's goal setting and succession planning.
- Increase focus on senior management succession planning.

Statement of corporate governance
continued

Directors' performance

The Chairperson led the evaluation of individual director performance during 2023. These one-to-one sessions provided an important opportunity for each of the directors to discuss with the Chairperson, among other things:

- their performance against core competencies and their individual effectiveness;
- their time commitment to the Company, including (where relevant) the potential impact of any outside interests;
- their ongoing development and training needs; and
- the current and future committee membership and structure.

The outcome of the reviews confirmed that the performance of each director was effective and that each had met their time commitments during the year.

Chairperson's performance: The Board Evaluation included a review of the Chairperson's performance. The feedback was collated, and consolidated feedback was shared with the Chairperson. This review confirmed that the Chairperson effectively discharges her mandate and provides leadership to the Board.

Chief Executive Officer's performance: As part of the Board evaluation all directors agreed that the CEO executed his role effectively. The feedback was collated and provided to the CEO.

Company Secretary's performance: Overall, the Board rated the support provided by the Company Secretary as working well.

Director independence

The Board Nomination, Evaluation, and Remuneration Committee reviews the independence of each of the independent non-executive directors as part of its governance responsibilities undertaken on behalf of the Board, taking into account any circumstances likely to impair, or which could impair, their independence including financial relationships with the Company, their engagement in outside activities that may pose conflicts of interest, and their relationships with significant company stakeholders. Recommendations are then made to the Board for further consideration.

During the Board Effectiveness Review process, independent non-executive directors completed a questionnaire to enable the Board to assess their independence and freedom from any conflicting interests. In determining the independence, the Board considers each individual against the criteria set out in the CMA Code of Governance and also considers their contribution and conduct at Board meetings, including how they demonstrate objective judgment and independent thinking. In view of the self-assessments completed by the independent non-executive directors, their objectivity and challenge to Management among other factors, the Board considers all of the independent non-executive directors to be independent of the Company, concluding that there are no relationships or circumstances likely to impair their judgment.

This exercise is instrumental in promoting good governance as it helps in safeguarding the Board's independence, ensuring transparent decision-making, and enhancing stakeholder confidence in the Company's operations. It showcases the dedication to upholding the highest standards of corporate governance and reinforces our commitment to ethical and responsible leadership.

Board meetings and attendance

The Board meets regularly, with at least four formal meetings a year. The Board held a separate strategy session in November 2023 to review, discuss and agree the Company's strategy. There was sufficient time to examine the emerging risks and opportunities in detail.

The directors receive appropriate and timely reports to enable them exercise full and effective control over strategic, financial, operational, risk, compliance, and governance issues.

A careful balance of formal and informal meetings throughout the year exists and there is an atmosphere of cordial relations. This creates an environment that encourages challenge, consultation, information sharing, innovative thinking, and openness in communication. The Board also has opportunities to interact with the staff. During the year, the Board held one private session without executive Management being present to discuss the Chief Executive Officer's performance.

The directors have full access to corporate information and sufficient detail to enable productive and open discussions. There is diversity in the Board which ensures that the level of debate is both detailed and of a high technical standard.

The following table shows the number of Board meetings held during the year and the attendance by the directors:

	Meeting Attendance		
	Scheduled	Ad hoc	Responsibilities
Chairperson Kellen Kariuki	7/7	1/1	Responsible for leading the Board, ensuring its effectiveness in all aspects of its role, and developing the Company's culture in conjunction with the CEO. Promotes high standards of integrity and governance across the Company, and ensures effective communication between the Board, management, shareholders, and wider stakeholders.
Independent Non-Executive Directors			
C. Adeya	7/7	1/1	Provide an independent perspective, constructive challenge, and monitor the performance and delivery of the strategy within the risk appetite and controls set by the Board.
I. Khan*	7/7	1/1	
D. Ong'olo	7/7	1/1	
N. Sharma	7/7	0/1	
Non-Executive Directors			
R. Etemesi	7/7	1/1	Enhance the effectiveness of the Board through knowledge and experience of the SCB Plc and brings the broader Group context to Board discussions and provides the underlying rationale to facilitate the decision making of Independent Non- Executive Directors.
J. Browne	6/7	1/1	
Executive Directors			
K. Ngari	6/7	0/1	Responsible for the management of all aspects of the Company's businesses, developing the strategy in conjunction with the Chairperson and the Board and leading its implementation.
C. Murgor	7/7	1/1	Responsible for Finance, Corporate Treasury, Strategy, the Company's Corporate Development, Investor Relations, Property, and Supply Chain Management functions.
P. Gitau	7/7	1/1	Responsible for the Company's operations and technology delivery.
B. Sanghrajka	7/7	1/1	Responsible for client coverage in the Corporate, Commercial and Institutional Banking Business.

Board Operations

To enable the Board to use its time most effectively and efficiently, supported by the Company Secretary, it maintains a scheduled program of meetings and a rolling agenda which includes standing items. There is sufficient flexibility in the program for specific items to be added to any agenda to ensure that the Board can focus on the key matters at the appropriate time. The Board also schedules informal sessions and interactions, which allows Board members to discuss areas of the business, strategy, and the external environment with members of the Management Team and/or external advisers.

At the end of each year the Board reviews its key priorities for the following year and formulates its forward plan, which requires a balance between standing items, governance requirements, and areas of strategic, operational and tactical focus. Board meetings help structure Board activities and facilitate discussion and action. In addition, they provide an important forum for oversight and challenge of management in respect to aspects of the Company's operations, performance and strategy. Some of the areas detailed on the following pages formed part of the standing agenda for each meeting, while others were reviewed periodically throughout the year.

Stakeholder consideration and open interaction are central to the Board's priorities, with the need to generate and promote positive stakeholder relationships of key importance. Significant time is spent interacting with key stakeholders to better understand their views, as well as the opportunities and challenges. In addition, the Board regularly discusses the impact on stakeholders, their views and their feedback, whether in Board and Committee meetings. Directors are alert to their statutory duties and obligations, and this forms an integral part of director induction and annual training. The Board will continue to focus on considering stakeholders as part of the Board's decision-making.

In 2023, the Board held majority of its meetings virtually but held its Q2 and Q4 2023 Board and Strategy meetings in person. The Company's Articles of Association allow directors to participate in Board meetings by video conferencing or by any other audio-visual means.

Strategic Board Activities In 2023

The Board is collectively responsible for establishing the Company's purpose, values, and strategy, promoting its culture, overseeing its conduct and affairs for promoting the long-term success of the Company and for ensuring leadership within a framework of effective controls.

During 2023, the Board remained focused on the Company's strategic direction, overseeing performance, and risk. It considered performance against financial and other strategic objectives, key business challenges, emerging risks, business development, and the Company's relationships with its stakeholders. The governance framework facilitated discussion on strategy and performance which enabled the Board to support executive management with its delivery of the strategy.

Statement of corporate governance
continued

Key areas of Board discussion and activities during 2023

Strategy and Business Performance

The Company's strategy remains focused on increasing returns for investors, creating capacity for future investment and building a sustainable platform for growth. In 2023, each Board meeting featured the Company's strategic performance on its agenda, facilitating opportunities to track its delivery throughout the year, and providing opportunity to shape how it was developed. The Board reviewed progress within the businesses, as well as against its four strategic pillars of: Affluent, Mass Retail, Network and Sustainability. The key areas included:

- Discussed progress made against the Company's strategic priorities and critical enablers;
- Discussed and reviewed the Company's sustainability strategy;
- Reviewed and approved the five-year corporate plan for the year 2024-2028 as a basis for preparation of the 2024 budget;
- Reviewed and scrutinised the strategic and operational performance of the business across client segments and product groups, which included details of their priorities, progress, opportunities and response to current events. This included deep dives into various areas of focus in 2023;
- Provided oversight of major expenditures and reviewed corporate performance;
- Monitored and assessed the strength of the Company's capital and liquidity positions; and
- Maintained balance in pursuing growth opportunities in tandem with appropriate governance.

Spotlight

Providing oversight of the Company's strategy is a central role of the Board. Following approval of the corporate plan, directors participated in a two day Country Leadership Team meeting held in January 2023 which showcased their engagement and underscored their commitment to steering the strategic direction of the Company. Their involvement in distilling this strategy into actionable plans is indicative of their dedication to aligning the Company's operations with its strategic objectives and ensuring successful execution. This level of involvement ultimately fosters a more cohesive and effective organisational strategy, leading to improved performance and competitiveness.

Risk management

- Received risk reports from the Board Risk Committee;
- Approved material changes to the Enterprise Risk Management Framework including the Risk Appetite Statement;
- Received and discussed status updates on Cyber Security Risks;
- Received regular reports on the Credit Portfolio and Credit Risk Management;
- Received updates during the course of the year on the IBOR transition including the work undertaken to manage the risks associated with this transition, in particular, the financial implications, legal risks and consequences for clients;
- Approved the implementation plan for the Kenya Financial Markets Code issued by the Central Bank of Kenya; and
- Undertook horizon scanning discussions, which considered the potential risks and opportunities that the Company might be or could become exposed to.

Spotlight

Horizon Risk Scanning

The Board receives reports on the macroeconomic environment, geopolitical outlook and key risk trends, with a particular focus on Risk Appetite, potential headwinds and other market events, updates on Principal and Integrated Risk Types, and key regulatory matters. The Board deliberates on the updates provided and engages in robust review and challenge where appropriate. Directors attended a session led by the Chief Risk Officer where the Board sought to anticipate the impact of sovereign risk, discussed lessons learnt from other markets facing similar risks as a more proactive approach to business impact assessment.

Key areas of Board discussion and activities during 2023

Budget and performance oversight

- Approved the Company's budget/corporate plan;
- Monitored the Company's financial performance;
- Approved the full year and quarterly results and considered key internal and external factors in approving an interim dividend for the 2023 financial year;
- Approved the 2022 final dividend;
- Approved the Internal Capital Adequacy Assessment Process;
- Monitored and assessed the strength of the Company's capital and liquidity positions;
- Monitored the Company's competitor and market position and performance; and
- Received updates from the statutory auditor Ernst and Young LLP on the audit of the financial statements.

Spotlight Dividends

The Board has recommended payment of a total dividend pay-out of KShs 29.00 for each ordinary share. The Board sought assurance from Management that the proposed plans would not impact the Company's ability to provide sufficient support to the Company's key clients and other stakeholders. Reviewed the Board Diversity Policy Approved changes to the Group's operational resilience strategy.

Reviewed an annual report update on the operation and effectiveness of the Group's Speaking Up program.

People, culture, and values

The Board places great importance on engagement with colleagues and values its interactions at all levels. Two-way dialogue through a variety of forums helps build the Board's understanding of key issues and developments around its markets, as well as providing an insight into the hands-on experiences of colleagues. The role of the Board is distinct from management, and the directors are aware of the importance of overseeing, supporting and, where necessary, challenging management in implementing its people strategy. During 2023, the Board:

- Received and discussed regular updates on implementation of the People Strategy;
- Reviewed, considered, and approved the Company's Remuneration Approach and Human Resource Policies;
- Discussed the results of the employee engagement survey "My Voice", the Company's talent pool and leadership development programs;
- Discussed and approved the country senior management succession plan;
- Discussed the Company's culture, and the importance of a robust conduct culture throughout the Company; and
- Endorsed the new Code of Conduct and Ethics modelled around the Company's valued behaviours, conduct outcomes, and our Stands. Each director committed to the new Code.

Spotlight

Through our comprehensive employee listening program, comprising the annual My Voice survey, the Board has an opportunity to understand diverse employee perspectives. The Board received the 2023 My Voice results which showed that key measures of employee satisfaction have improved significantly. The employee net promoter score is at an all-time high and more colleagues feel that the Bank is exceeding their expectations. Aligned to this, more colleagues felt connected to the Bank's purpose and believe the strategy in place will allow the Bank to compete effectively to deliver on RoTE and achieve the shared mission to build a business that is Here for Good.

During the year, the Board visited colleagues at the head office and saw first-hand, the hard work and dedication of colleagues as they delivered for our clients and communities. The Board spent this time listening to colleagues on various issues.

Technology , Information and cyber security

Throughout the year, the Board received regular updates on technology from the Technology and Innovation (T&I) Committee, including updates on the refreshed technology strategy, ongoing T&I initiatives to improve employee experience, restructuring of the technology leadership function, the information and cyber security strategy and cyber posture of the Company scanning discussions.

Statement of corporate governance
continued

Key areas of Board discussion and activities during 2023 continued

Governance

- The Board continued to oversee the governance, smooth operation and oversight of the Bank and its subsidiaries;
- Reviewed and approved the Board succession plan for 2023-2025 together with the Board Committee composition to ensure an appropriate mix of skills, experience, and diversity;
- Considered the continued independence and objectivity of independent non-executive directors;
- Discussed and approved updates to the Board Stakeholder Engagement Policy and the Stakeholder Engagement Plan;
- Continued to ensure linkages with the Board Committees through receiving quarterly reports from the Committee Chairs on each of their key areas of focus;
- Discussed the observations and themes arising from the 2023 internal Board and Committees' effectiveness review and approved the 2023 Action Plan;
- Maintained linkages with Standard Chartered Plc, the parent company through attending calls hosted by the Standard Chartered Plc Board and Board Committees as well as other engagements;
- Reviewed, and approved updates where appropriate, to the Terms of Reference for each Board Committee;
- Received updates on the governance of its subsidiaries; and Monitored its compliance with the CMA Code of Governance, the Central Bank of Kenya Corporate Governance Guidelines and the Companies Act 2015 throughout the year.

Spotlight

Board Succession Plan

The Board Succession plan was considered and approved in the year. The Board, supported by the Nomination, Evaluation and Remuneration Committee, will continue to review the skills and experience of the Board as a whole to ensure that it comprises the relevant skills, diversity and experiences to discharge its responsibilities effectively. More details on the diversity, skills and competencies of directors can be found in pages 69 to 70.

External environment

The Board undertook the following activities:

- Received regular updates on the macroeconomic headwinds and tailwinds, including an assessment of their impact on the key drivers of the Company's financial performance.
- Received internal and external briefings and input across a range of subjects, including:
  - climate-related matters
  - environment, social and governance matters
  - net zero pathway methodology
  - developments in cloud technology, digital currencies and crypto assets
  - the global economic outlook
  - economic recovery, risks and opportunities
  - evolving geopolitical landscape and horizon scanning discussions.

Spotlight

Risks and opportunities in the macroeconomic environment

The Board received updates on a variety of matters, such as commentary on the local macroeconomic environment, global economic outlook and potential future risks. The insights provided valuable context to Board discussions on how these risks and opportunities may impact the Company, what further actions may be prudent in response to these risks, and a consideration of other external risks.

Key areas of Board discussion and activities during 2023 continued

Shareholder and stakeholder engagement

Stakeholder consideration and engagement is central to the Board's priorities. The Board recognises the importance of promoting positive stakeholder relationships and spends time interacting with them to better understand their views, as well as the opportunities, challenges and the Company's impact. In addition, the Board regularly discusses the impact on stakeholders, their perspectives and their feedback, whether in Board and committee meetings, or as part of other interactions.

- The Board continued to focus on its engagement with the Company's key stakeholders, acknowledging that this engagement is core to being a responsible business. The key stakeholders remain the same, namely our customers, employees, investors, regulators, suppliers and communities within which we operate. The Board recognises the importance of building strong relationships with our stakeholders to help broaden understanding of their needs and concerns and ultimately to help us deliver our strategy. In discharging its responsibilities, the Directors sought to understand, and have regard to, the interests and priorities of these stakeholders, including in relation to material decisions that were taken by the Board during the course of the year:
- Implemented the Stakeholder Engagement Plan with focus on effective, proactive management of stakeholders;
- Engaged shareholders at the virtual Annual General Meeting (AGM);
- Responded to retail shareholders' questions raised before and during the AGM;
- Regularly received reports regarding significant regulatory matters and deliberated on approaches to regulatory changes, expectations, compliance, and regulatory engagements throughout the year;
- Participated in Corporate Social Responsibility (CSR) projects funded by the Company including the Standard Chartered Nairobi Marathon, Women In Tech Program, and various Futuremakers initiatives;
- Received an update on and discussed the progress in regard to the community initiative, Futuremakers by Standard Chartered among other initiatives as detailed in the Stakeholders and Responsibilities section of the annual report on pages 56 to 58;
- Board members attended the investor briefing held virtually in the year;
- The Board interacted with colleagues at the CEO town hall and awards held at the end of the year enabling direct engagement with colleagues and insights on employee initiatives that culminated in the awards; and
- The Board considered and received updates from Management through our employee listening tools and My Voice survey.
- As a crucial part of its stakeholder engagement plan, the Board hosted a luncheon for key suppliers who provide efficient and sustainable goods and services for the business. This provided an opportunity for dialogue and relationship building, further strengthening the important partnership between the Bank and the suppliers.

Spotlight

Board stakeholder engagements

The Board continued to implement its Stakeholder Engagement Plan, which is aligned to the Bank's strategy. The Board held an offsite meeting and interacted with clients, staff and communities in the coastal region of the country. The Directors were extremely pleased with these engagements and would like this practice to continue. The feedback showed that the client visits are a useful exercise that has enabled the Board to better understand the Company's business from the ground up and provided a coherent base for robust engagement at Board level.

Board Committees

Structure, decisions, responsibilities, and delegation of authority

The Board delegates oversight of certain audit, risk, technology, remuneration, nomination and governance matters to its Committees. These are the Board Audit Committee, the Board Risk Committee, the Board Credit Committee, the Board Nomination, Evaluation and Remuneration Committee, and the Board Technology and Innovation Committee, all chaired by independent directors. Each Board Committee has a remit to cover specific topics in accordance with their respective terms of reference.

The respective Chairs present their reports to the Board at each scheduled meeting. The Asset and Liability Committee (ALCO) and the Executive Committee are management committees chaired by the CEO, whilst the Third Party Risk Management Committee is chaired by the Chief Risk Officer and all report quarterly to the Board.

Terms of Reference for the Board and each Committee are in place to provide clarity over where responsibility for decision making lies. These are reviewed annually against industry best practice and corporate governance provisions and guidance.

The Board places significant reliance on its Committees by delegating a broad range of responsibilities and issues to them. It therefore remains crucial that effective linkages are in place between the Committees and the Board as a whole, not least as it is impracticable for all independent directors to be members of all the Committees. Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each Committee and overlapping membership between Board Committees where necessary. Alongside interconnected Committee membership, the Board receives a written summary of each of the Committees' meetings and verbal updates at the Board, where appropriate.

Statement of corporate governance
continued

Board Committees Continued

Board Level Committees	**Board Audit Committee** Oversight and review of matters relating to financial reporting, financial controls, and internal controls, and the work undertaken by Conduct, Financial Crime and Compliance, Group Internal Audit and the Statutory Auditor, Ernst & Young LLP (EY). Read more on page 84
	Board Risk Committee Oversight and review of the Risk Appetite Statement, the appropriateness and effectiveness of the risk management systems and the principal risks to the Company's business. Furthermore, oversight and review of risks including operational and technology, compliance, financial crime, reputational and sustainability, credit, traded, information and cyber security, treasury. Read more on page 89.
	Board Credit Committee Oversight of the Company's credit policy and all lending undertaken by the Company in line with the established risk appetite. In addition, the Committee oversees the Company's governance framework for raising credit impairment provisions for all assets and ensures that timely and adequate provisions and write offs are made in order to accurately reflect the true and fair financial condition of the Company. Read more on page 93.
	Board Nomination, Evaluation and Remuneration Committee Oversight and review of the Board and executive succession, overall Board effectiveness and corporate governance issues. Further, the Committee provides oversight on remuneration, rewards and other incentives. Read more on page 96
	Board Technology and Innovation (T&I) Committee Oversight of the Company's technology and information and cyber security risks as well as the Company's approach to innovation in light of emerging technologies. Read more on page 100.

Membership of Board Committees

	Board Audit Committee	Board Risk Committee	Board Credit Committee	Board Nomination, Evaluation and Remuneration Committee	Board Technology and Innovation (T and I) Committee
K. Kariuki				Chair	
D. Ong'olo		Chair	Chair	Member	
C. Adeya	Chair			Member	Chair
N. Sharma	Member				Member
R. Etemesi					
J. Browne					

Chair ● Member ●

* Imtiaz Khan resigned as an independent non-executive director on 31 December 2023.

Board Audit Committee

Committee Composition

The Board Audit Committee is comprised solely of independent non-executive directors with the membership designed to provide a breadth of financial expertise and commercial acumen needed to fulfil its responsibilities. Mr. Imtiaz Khan served as the Audit Committee Chair until his resignation in December 2023 and Dr. Catherine Adeya was appointed as the Chair of the Audit Committee in February 2024. Ms. Nivi Sharma is the other member on the Committee. Regulatory approval is awaited in respect of a proposed new independent non-executive director expected to join the Audit Committee.

Attendance of the meetings held in 2023	Scheduled	Ad hoc
I. Khan - immediate former Chairperson	6/6	3/3
C. Adeya- Chairperson	6/6	3/3
N. Sharma	6/6	3/3

* Imtiaz Khan resigned as an independent non-executive director on 31 December 2023.

Who else attended 2023 Committee meetings?

The Chief Financial Officer; Chief Risk Officer; Head of Conduct, Financial Crime & Compliance; Head, Internal Audit; Head of Legal, Head of Property, Statutory Auditor; and the Company Secretary. Other members of Management also attend upon invitation.

C. Murgor	
J. Mucheke	
D. Mwindi	
D. Muugi	
D. Mwaisaka	
S. Gaisie	
J. Nyaga	Secretary
Ernst & Young LLP	

What are the main responsibilities of the Committee?

The Committee reviews the integrity of the financial statements of the Company and recommends the statements for approval to the Board. It considers Management's recommendations in respect of impairment on loans and advances as well as other disclosure requirements.

The Committee regularly reviews and reports to the Board on the effectiveness of the Company's system of internal control. It receives reports on findings of the internal and external audits and monitors Management's remedial actions on audit findings. The Committee also reviews the proposed work plans for the external auditor, and the Internal Audit team.

The Head, Conduct, Financial Crime and Compliance submits regular reports on regulatory, compliance, financial crime and conduct issues. The Business and Function Heads are regularly invited to the meetings to provide reports or respond to audit issues as required.

Statement of corporate governance
continued

Report of the Chair of the Audit Committee

Dr. Catherine Adeya,
Chair of the Audit Committee

I am pleased to present the Board Audit Committee report summarising the key matters and issues considered in 2023. There have been some recent changes to the Committee's composition. Mr. Imtiaz Khan stepped down as the Chair of the Committee following his resignation from the Board in December 2023. I would like to convey the Committee's gratitude to him for his leadership and significant contributions over the years. Mr. Dedan Muugi was appointed as Head of Internal Audit, subject to regulatory approval and will attend the Committee as a permanent invitee from Q1, 2024, replacing the previous incumbent, Mr. David Mwindi, who took up the role of Head Conduct, Financial Crime and Compliance (CFCC).

In the year, our commitment to robust governance and oversight led us to consistently address various critical aspects. We dedicated significant efforts to ensure the effectiveness of our internal control systems, monitoring and evaluating them to fortify the integrity of our financial operations, regulatory compliance, and operations as a whole. We received and reviewed comprehensive reports from the Head of Internal Audit, providing us with in-depth insights into ongoing audit activities and pertinent recommendations. The Committee challenged Management on remediation plans for audit findings, to ensure there was a sustainable reduction in issues.

Notably, the Committee actively participated in the selection process for a new Head of Internal Audit and Mr. Imtiaz Khan participated in the interview conducted by the Board Nomination, Evaluation and Remuneration Committee for the role. The Committee steered the transition process to ensure that the function continues to be well-equipped to uphold the highest standards of integrity and proficiency.

To ensure the accuracy and transparency of our financial reporting, the Committee conscientiously scrutinised and analysed the financial statements and disclosures, to make sure they were aligned with the highest standards of reliability and regulatory compliance. Following review, the Committee provided assurance to the Board that the financial statements had been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 thereby giving a true and fair view of the financial position of the Company and of its profit or loss. The financial statements provided the shareholders with the necessary information to assess the Company's position and performance, business model, strategy and risks facing the business.

The Committee continued to monitor the progress of resolution of tax matters with the Kenya Revenue Authority. The Committee also received updates on material litigation and claims against the Bank. It considered the status of each material litigation, external counsel opinion on the matters, and the relevant disclosures made in the financial statements. This ensured the potential risks identified were effectively mitigated.

The Committee continued to focus on the quality and reliability of non-financial regulatory reporting to strengthen the end-to-end processes and to meet regulatory expectations. Management provided updates on key themes and issues identified from engagements with the regulators. In the Financial Crime Compliance space, the Committee considered and provided assurance to the Board for approval of the Company's 2023 Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Risk Assessment. In addition, the Committee received the report on the outcome of the AML/CFT Financial Action Mutual Evaluation report issued in September 2023 and also oversaw implementation of the amendments to various AML laws and regulations that followed.

An important part of the Company's values is speaking up when something does not feel right. The Bank remains committed to ensuring colleagues have confidence to speak up and acting when they do. The Committee has continued to oversee the effectiveness of the whistleblowing arrangements under the Speak Up Program. In addition to the periodic reports received from the Head of CFCC on material Speak up cases, the Committee placed focus on the speak up arrangements to gain deeper insights and assurance that the controls in place support the Company's purpose, values and conduct approach. The Committee also considered the annual report of Speak Up cases received in 2023 as well as the actions taken to mitigate the thematic risks identified.

Management reports were considered to ensure the Company's adherence to laws and regulations in order to minimise legal and regulatory risks. In addition, the Committee monitored the implementation of the conduct program ensuring that the Company's business was conducted ethically. The Committee oversaw the well-being of employees by ensuring attention and adherence to health and safety protocols and regulations, fostering a secure and healthy work environment.

As with last year, the Committee invited the Technology and Innovation Committee to a special session held to receive the EY Information, Communication and Technology (ICT) audit report carried out in accordance with the requirements of the Central Bank of Kenya. This was in the normal course of collaboration between the Board Committees where responsibilities on certain matters may overlap. The Committee received assurance on the work under way to remediate weaknesses identified during the current and prior year ICT audits.

As a result of the Committee's work in 2023, assurance has been provided to the Board on the quality and appropriateness of the financial reporting, and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of the Company's broader stakeholders. The following pages provide insight and context into the Committee's work and activities during the year.

Principal activities and significant issues considered during 2023:

Financial reporting	The Committee: • Satisfied itself that the accounting policies and practices are appropriate. • Reviewed the clarity and completeness of the disclosures made within the published financial statements. • Reviewed the annual financial statements and quarterly financial results prior to publication. • Monitored the integrity of the published annual financial statements, reviewing the significant financial judgments and accounting issues. • The Committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place to ensure that the Annual Report had been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. This ensured that the financial statements provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and the business risks it faces.
Taxation	• Reviewed appropriateness of the financial control policies and discussed updates to the policies prior to recommending them to the Board for approval. • Monitored the financial controls environment and received updates regarding operational risk on financial controls. • Considered advice presented on the current status of significant legal and regulatory matters and considered management's judgments on the level of provisions and the adequacy of disclosure. • Provided oversight on tax risks and tax related matters. Reviewed and considered management's judgments and assumptions with respect to tax exposure risks.
Statutory Auditor, Ernst and Young (EY)	The Committee provided oversight of the work undertaken by EY and in particular: • Reviewed and discussed the external auditor's approach and strategy for the annual audit including the materiality, risk assessment and scope of the audit. • Update on the external audit plan, including observations on the control environment. • Reviewed and discussed the key audit matters and key risks identified by EY's audit planning, seeking and receiving assurance that these risks have been addressed properly in the audit strategy. • Sought and received assurance that audit work was being conducted effectively, objectively and independently. • Received a confirmation of independence from EY. • Reviewed the management letter and Management's response to the auditor's findings and recommendations. • Considered the audit fees for the audit of the financial statements as appropriate together with the external auditor's engagement letter. • Reviewed and discussed the outcomes of the information and cyber security audit carried out by EY in compliance with the requirements of Central Bank of Kenya and noted the status of technology and cyber security controls as well as the remedial actions being taken to resolve the issues reported.

Statement of corporate governance
continued

Report of the Chair of the Audit Committee continued

Statutory Auditor, Ernst and Young (EY)	• The Committee met privately with EY at the beginning of two Committee meetings, without Management being present. • The Committee is responsible for setting, reviewing and monitoring the appropriateness of the provision of non-audit services, applying the policy on the award of non-audit services to the External Auditor, while considering the relevant ethical guidance. The non-audit services are carried out in accordance with the external auditor independence policy to ensure that services do not create a conflict of interest. In 2023, the Committee reviewed and approved the non- audit services offered by EY. • In line with best practice, the Committee and relevant members of Management evaluated the performance of EY in respect of the 2023 external audit and feedback was provided to EY. • The Committee considered the re-appointment of the EY and made appropriate recommendations, through the Board, to shareholders to consider the reappointment of EY at the Annual General Meeting. The Committee also reviewed EYs engagement letter and recommended the terms of engagement to the Board for approval.
Internal Controls	The Committee discussed reports from Group Internal Audit (GIA) that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters being monitored by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention. The Committee: • Reviewed the adequacy of resourcing and proposed work plans for GIA and was satisfied that they were appropriate in light of proposed areas of focus, expertise and skills that were required. • Assessed the role and effectiveness of the GIA function and reviewed and monitored GIA's progress against its annual audit plan and the review and monitoring of post-audit actions. • Reviewed and approved GIA's 2023 audit plan. • The Committee probed and was satisfied with the independence of the GIA function. • The Committee held two private sessions with the Head of GIA without Management being present.
Compliance	• The Committee reviewed reports on the arrangements established by Management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations and was satisfied that the compliance framework and controls continue to operate effectively. • The Committee received and discussed reports on Financial Crime Compliance produced by the Company's Money Laundering Reporting Officer and any specific actions taken by senior management in relation to the report. • The Committee also reviewed and recommended the Outcome of the Bank's 2023 Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Risk Assessment for Board approval.

Whistle Blowing

- Speaking Up is the Company's confidential and anonymous whistleblowing program. The whistleblowing channels are available to anyone – colleagues, contractors, suppliers, and members of the public – to raise concerns confidentially and anonymously.
- The Committee reviewed and discussed an annual report on the operation and effectiveness of the Program which was subsequently tabled to the Board. A deeper report was provided to the Committee with assurance of the Company's ongoing compliance with the whistleblowing rules. Focus was placed on the level of colleague confidence in the program.
- Through the Compliance Report, the Committee was provided with a regular update on the whistleblowing program.

Committee Effectiveness Review

The Committee discussed reports from Group Internal Audit (GIA) that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters being monitored by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention.

The Committee:

- Reviewed the adequacy of resourcing and proposed work plans for GIA and was satisfied that they were appropriate in light of proposed areas of focus, expertise and skills that were required.
- Assessed the role and effectiveness of the GIA function and reviewed and monitored GIA's progress against its annual audit plan and the review and monitoring of post-audit actions.
- Reviewed and approved GIA's 2023 audit plan.
- The Committee probed and was satisfied with the independence of the GIA function.

Compliance

Following the conclusion of the Committee's external effectiveness review for the year 2022, the Committee dedicated time to discuss its performance. Overall, members scored favourably in all parameters related to the Committee's effectiveness. The Committee expressed satisfaction with the understanding of its mandate and responsibilities, the duration of meetings, the technical expertise within the Committee, the level of preparation by the Committee Chairperson for meetings, and the support provided by the Secretary.

- In addition, there was a general satisfaction among the Audit Committee members on the following issues:
- The level of engagement in the internal audit planning process.
- Demonstration by the external auditors of their understanding of the business risks and issues.
- Clear presentation of audit results and their impact on the overall control environment.
- The existence of a constructive and proactive working relationship with the external auditors.
- Closed session meetings with the internal auditor without management.

Dr. Catherine Adeya,
Chair of the Audit Committee

Statement of corporate governance
continued

Board Risk Committee

Committee Composition

The Risk Committee is comprised of independent non-executive directors and non-executive directors. The members collectively have wide knowledge on banking and the risk factors affecting the Company, including geopolitical, economic, IT, Financial Crime, Credit and general business risks which is needed to fulfil Committee responsibilities. Mr. Imtiaz Khan was a member of the Committee until his resignation from the Board in December 2023. Mr. Richard Etemesi and Mrs. Julie Browne are the other members of the Committee.

Attendance Attendance of the scheduled meetings held in 2023	
D. Ong'olo - Chairperson	4/4
I. Khan*	4/4
J. Browne	4/4
R. Etemesi	4/4

*Imtiaz Khan resigned from the Board with effect from 31 December 2023

Who else attended Committee meetings in 2023?

The Chief Executive; Chief Financial Officer; Chief Risk Officer; Chief Technology and Operations Officer; Head, Consumer, Private and Business Banking; Head of Corporate, Commercial and Institutional Banking; Head, Financial Markets and the Company Secretary routinely attend the Risk Committee meetings as permanent invitees. Other members of Management also attend upon invitation. The participation of our senior business leaders reaffirmed the ownership and accountability of risks in the first line of defence.

K. Ngari	
C. Murgor	
J. Mucheke	
P. Gitau	
E. Chumba	
B. Sanghrajka	
T. Nandhra	
J. Nyaga	Secretary

What are the main responsibilities of the Committee?

The Committee is responsible for exercising oversight of and reviewing prudential risk. It reviews the Company's Risk Appetite Statement and Enterprise Risk Management Framework (ERMF) and makes recommendations to the Board. These risks include, amongst others; credit, traded, treasury, operational and technology, reputational and sustainability, compliance, information and cyber security and financial crime risks. Its responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the business. The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Chief Risk Officer presents a report to the Committee at every scheduled meeting and the Committee discusses the major risks faced by the Company across the businesses. It is responsible for ensuring that there are written policies, procedures, and processes for identifying and managing all risks within the Company.

The Committee maintained a clear focus on capital and liquidity during the year. The Chief Financial Officer presents a report at every scheduled meeting and the members have an opportunity to consider the Company's capital and liquidity positions, the regulatory environment, and expectations.

Report of the Chair of the Risk Committee

Mr. David Ongolo
Chair of the Risk Committee

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2023.

There have been some recent changes to the Committee's composition following Mr. Imtiaz Khan's resignation from the Board in December 2023. I would like to convey the Committee's gratitude to him for his valuable insights and contributions over the years.

The Committee has been immersed in a broad range of financial and non-financial risk management issues pertinent to the Company, set against the backdrop of a volatile, challenging and complex operating environment. Cognisant of this evolving external landscape, the Committee has paid attention to key emerging risks, as well as key evolving regulatory themes. The Committee closely monitored the heightened geopolitical and macroeconomic headwinds throughout the year to anticipate potential impacts to the Company's revenue, capital base and continuing ability to support its customers. In addition, the Committee carefully considered the challenges posed by inflation, commodity prices, interest rates, and foreign exchange (FX). The impacts of this on sovereign risk, credit risk, and the overall business were reviewed and challenged regularly, to ensure that all associated risks were adequately managed. The Committee has also continued to seek assurances that sufficient resources are in place to manage these complex risks.

The Committee is dedicated to addressing key regulatory requirements and enhancing risk management across the Company. In the past year, the Committee reviewed and endorsed Financial Markets policies for Board approval. This was in line with the Company's implementation plan of the Kenya Foreign Exchange Code which requires the Board to satisfy itself that the controls and governance structures in place are effective for appropriate oversight of FX market activities. In addition, the Committee delved deeper into the key control metrics in the Financial Markets space, assuring the Board that the controls continued to operate effectively.

Third-party risk management remained a key area of concern. The Committee evaluated and recommended for Board approval the new Third-Party Risk Management Policy and Standards. This was crucial in safeguarding the Company from potential disruptions caused by third-party relationships. The Committee underscored the importance of strengthening the Company's resilience to external risks, thereby protecting its operations, assets, and brand reputation.

The Committee monitored the broader risk environment throughout the year, offering vital feedback on the remediation plans while making insightful recommendations to bolster risk management practices. The Committee continues to monitor Management actions being taken to mitigate technology obsolescence, a key risk for the Company. Financial crime has remained a key area of focus. On fraud risk, the Committee has maintained a vigilant stance, overseeing the deployment of digital solutions to mitigate emerging phishing, and vishing risks. This approach not only addresses current risks but also underscores the commitment to safeguard our clients' interests.

Notably, the Committee provided oversight on tax risks, an essential function that ultimately benefits the Company by ensuring compliance and effective risk mitigation. The Committee also monitored the Company's capital and liquidity positions, delivering significant advantages in terms of financial stability and resilience in an ever-changing market landscape.

To successfully deliver the sustainability strategy, it is imperative that the Company enhances its capability to measure and manage all components of environmental, social, and governance ('ESG') risk. This includes climate risk which continues to be an important area of focus for the Company and for Standard Chartered Group more broadly. In keeping with this agenda, the Committee oversaw execution of the Climate Risk Management Implementation Plan and also reviewed and endorsed the new Climate Risk policy for Board approval. In addition, the Committee proposed amendments to its Terms of Reference to specifically include its responsibility on monitoring emerging sustainability issues that require Board-level oversight.

Outside of Committee meetings, I held individual meetings with the Chief Risk Officer to keep abreast of key risks and emerging developments as they occurred. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions and inform the forward-looking agenda. The regular collaboration also helps foster a strong risk awareness culture and promotes a deeper understanding of the Company's risk profile which in turn bolsters the Committee members' decision making.

The Committee is mindful of the need to hold management directly accountable when issues have arisen and have been reported by the Chief Risk Officer. Senior management has attended Committee meetings for deeper discussions in such instances as the first line of defense.

The following pages provide insight and context into the Committee's work and activities during the year.

Report of Chair of the Risk Committee
continued

Highlights for 2023

The Committee held four meetings in the year and the areas of focus were:

Holistic enterprise risk monitoring, including the risk profile	• Geopolitical and macroeconomic risks continue to present significant challenges to revenue growth, operational resilience, and our commitment to serve clients. The Risk Committee closely monitored global geopolitical and macroeconomic risks that could impact the Company's strategy, business performance or operations. • The Committee continued to track top and emerging risks, our risk appetite and other management information metrics, as well as other early warning measures to understand sensitivities and the likelihood of the potential impact to our operations, clients and stakeholders.
Risk Appetite	• Received regular reports on the Company's risk profile from the Chief Risk Officer. • Tracked a broad range of risk metrics that are reported to the Committee periodically
Enterprise Risk Management Framework (ERMF)	• The ERMF sets out the principles and standards for risk management across the branches and subsidiaries of the Standard Chartered Bank Group globally. The Committee reviewed proposed material changes to the ERMF arising from the annual review and recommended these changes to the Board for approval.
Embedding Third Party Risk Management	• The Committee continued its focus on managing third-party risk to safeguard the Company from potential disruptions caused by third-party relationships. • The Committee evaluated and recommended Board approval of the new Third-Party Risk Management Policy and Standards.
Operations and Technology Risk	• The Committee regularly reviewed reports on the Company's technology risk profile, as well as reports on cybersecurity risks. The Committee also maintained a strong focus on monitoring obsolescence risk and mitigations to the risks arising and the remediation plans in place.
Changes to the Traded Risk Type Framework	• The Committee discussed changes to the Treasury Risk Type Framework which included transfer of Risk Framework Owner responsibilities and Treasury Risk Representative responsibilities from the Chief Financial Officer to the Chief Risk Officer and recommended the revised framework for Board approval. The changes transferred the second line risk ownership to the Chief Risk Officer while retaining the first line responsibilities with the Chief Financial Officer (responsible for regulatory obligations). The second line of defence is now responsible for review and challenge of regulatory interpretations.
Principal Risk Types	The Committee: • Discussed the Bank Risk Profile as detailed in the Principal Risk Types report presented at each scheduled Committee meeting throughout the year. • Continued to monitor measures implemented to strengthen the balance sheet to maintain adequate capital and liquidity. • Monitored the Company's risk profile and its consistency with risk appetite. • Discussed the key macroeconomic and political risks faced by the Bank. • Received updates on the tax risks and progress made in resolving legacy tax matters.

Climate Risk Management	• The Committee oversaw the continued implementation of the Climate Risk Management Guidelines issued by the Central Bank of Kenya.
Traded Risk	• The Committee endorsed the refreshed Traded Risk Type Framework as well as the Financial Markets policies and standards for Board approval. The Committee also received a report on the status of key Financial Markets control metrics for assurance on their effectiveness.
Treasury Risk	• The Committee received the reports from the Chief Financial Officer at each scheduled meeting, which covered the Company's capital and liquidity position to ensure that there was sufficient capital, liquidity or funding to support the Company's operations in line with regulatory requirements.
Committee Effectiveness Review	• During 2023, an external Board and Board Committee effectiveness review for the year 2022 was facilitated by CMCL. The Committee set aside time to discuss its performance. The session was structured around a number of themes pertaining to the Committee's effectiveness including understanding of the Committee's mandate and responsibilities; length of Committee meetings; technical expertise within the Committee; level of preparation made by the Committee Chairperson for Committee meetings; support provided by the Secretary in terms of minute taking and information circulated for Committee meetings. Overall, the Committee agreed that it was operating effectively and believed it discussed all principal and emerging risks and challenged management appropriately. • The Committee suggested that there needed to be continued focus on efficient use of time by Management through concise presentations to allow sufficient time for discussion. There was also room for the Committee to invite external speakers to offer additional insights on technical areas.

David Ong'olo
Chair of the Risk Committee

Board Credit Committee

Committee Composition

The Board Credit Committee is comprised of independent non-executive directors and non-executive directors. The members collectively have wide knowledge on banking and credit risk factors affecting the Company's credit portfolio which is imperative for execution of the Committee's mandate. Mr. Imtiaz Khan was the Chair of the Committee until his resignation from the Board in December 2023. Mr. Richard Etemesi and Mrs. Julie Browne are the other members of the Committee.

Attendance of the scheduled meetings held in 2023	
D. Ong'olo (Chairperson)	4/4
I. Khan*	4/4
J. Browne	3/4
R. Etemesi	4/4

*resigned with effect from 31December 2023

Who else attended Committee meetings in 2023?

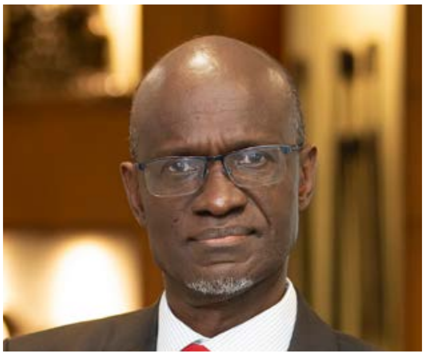
The Chief Executive; Chief Financial Officer; Chief Risk Officer; Head, Consumer, Private and Business Banking (CPBB); Head of Corporate, Commercial and Institutional Banking (CCIB); Senior Credit Officer; Country Credit Head, CPBB; Head, Stressed Assets Risk and the Company Secretary routinely attend the Risk Committee meetings as permanent invitees. Other members of Management also attend upon invitation.

K. Ngari	
C. Murgor	
J. Mucheke	
E. Chumba	
B. Sanghrajka	
S. Mwangi	Senior Credit Officer
J. Chowdhury	Country Credit Head, CPBB
S. Mburu	Head, Stressed Assets Risk
J. Nyaga	Secretary

What are the main responsibilities of the Committee?

The Committee exercises oversight on the key credit risks faced by the Company and makes recommendations to the Board on the Company's overall credit risk appetite. In particular, the Committee: reviews and oversees the Company's lending policies; ensures that there are effective procedures and resources to identify and manage irregular problem accounts, minimize credit loss and maximize recoveries; and delegates and reviews lending limits to the sanctioning arms of the Company.

Additionally, the Committee oversees the Company's governance framework for raising credit impairment provisions for all assets and ensures that timely and adequate provisions and write offs are made in compliance with requirements of the Central Bank of Kenya Prudential Guidelines. Further, the Committee reviews and provides guidance on non-credit risk issues which are considered in making credit decisions. The Committee also reviews the top country risks impacting the credit portfolio and ratifies approvals of the Credit Approvals Committee. Following each Committee meeting, the Chair presents the Committee report to the Board highlighting key areas of focus.



Mr. David Ongolo
Chair of the Credit Committee

I am pleased to present the Board Credit Committee's report for the year ended 31 December 2023.

The Committee composition changed when Mr. Imtiaz Khan stepped down from the Board with effect from 31 December 2023. I would like to thank him for his support, valuable insights and contributions to the work of the Credit Committee.

During the year, the Committee discharged its mandate by providing oversight on the credit quality and credit risk profile of the Bank's lending book and made recommendations to the Board on remedial actions or on matters that may enhance the quality of the lending book.

The Committee reviewed updates on the strategy and approach to managing credit risk and credit risk capabilities. It discussed updates on the credit portfolio for each business, reviewed and challenged, on a quarterly basis, reports detailing the composition and credit quality of the loan book, and provisioning levels. These discussions were further enhanced through deep dives into various business segments, details of which are set out in examples of deeper discussions hereinafter. In addition, there was regular review of the Company's concentration risk by industry and portfolio segments to ensure that an appropriate balance was maintained.

In respect of high-risk credit grade exposures, the Committee was briefed on business plans, including remedial actions and Management assessment of the recoveries and collateral available. The Committee continued to receive updates on exposures that may result in material credit impairment and increased risk-weighted assets. These exposures are actively managed through the Company's Early Alert process and monitored closely through the Committee.

Comprehensive discussions were held on the effect of the evolving macroeconomic environment on the Company's credit portfolio, due to among other issues, currency depreciation, rising inflation and interest rates. The Committee assessed the approach to drive stronger credit risk management practices. Deliberations were also held on various opportunities to expand the Company's asset base, considering the paramount importance of growing the top-line. The Committee also focused on identifying potential synergies and strategic partnerships to accomplish the Company's asset growth objective within its credit risk appetite.

The Committee continued its emphasis on building even stronger credit capabilities for specialty sectors, the development of stronger portfolio management capabilities and further improving the credit risk culture. To this end, the Committee reviewed and endorsed the Credit Policies and Standards to ensure the business continued to operate within regulatory requirements, while remaining adaptive to market changes and client needs.

To bolster revenue growth, the Committee continued to support Management through client visits aimed at actively engaging clients to understand their evolving needs and devise strategies to effectively respond to them.

In line with the Bank's sustainability strategy and climate risk management, the Committee amended its Terms of Reference to reflect the Committee's responsibility on monitoring the impact of physical and transition risks as well as other environmental, social and governance risks on the credit portfolios as these risks were reviewed by Management as part of the credit approval process. To bring this to life, the Committee incorporated a report on Climate-Related Financial Risks and other Environmental, Social and Governance considerations which is to be presented to the Committee twice each year.

We remain dedicated to upholding the highest standards of credit governance, risk management, and strategic decision-making for the benefit of the Company, its clients and stakeholders. The following pages set out the areas of significant focus for the Committee and its activities over the course of the year.

Report of Chair of the Credit Committee
continued

Highlights for 2023

The Committee held four meetings in the year and the areas of focus were:

Credit Portfolio Performance	The Committee: • Reviewed the quality of the loan portfolio to ensure compliance with requirements of the Central Bank of Kenya Prudential Guidelines. • Reviewed and approved delegation of lending limits to the sanctioning arms of the Bank. • Discussed the concentration risk by industry and portfolio segments and ensured an appropriate balance was maintained. • Received updates from the Stressed Assets Group and Stressed Assets Risk (previously the Group Special Assets) Management teams.
Review of Credit Policies, Standards and Portfolio Guidelines	• Reviewed the Company's credit policies, standards and portfolio guidelines aligned with regulatory requirements and aimed at ensuring continued growth in the lending book and made recommendations to the Board.
Loan Impairment	• Provided oversight on loan impairments in line with the Central Bank of Kenya Prudential Guidelines. • Received and reviewed quarterly reports on workout plans developed for problematic assets.
Deep Dive into various Topics	• The Committee considered strategies towards delivering growth of the credit portfolio in the following areas: Agri-business; Trade; and the Medium Enterprise Segment. This also aided the Committee to anticipate potential risks and opportunities within the credit portfolio. • The Committee also held deeper discussion on credit risk appetite in relation to industry concentration and regulatory requirements.
Credit Approvals Committee (CAC)	• The Committee considered material updates to the Credit Approvals Committee Terms of Reference and approved the changes. • Throughout the year, the Committee ratified decisions by the CAC and continued to monitor portfolio guideline breaches.
Committee Effectiveness Review	• During 2023, an external Board and Board Committee effectiveness review for the year 2022 was facilitated by CMCL. The Committee discussed its performance and members were satisfied with understanding of the Committee's mandate and responsibilities; length of Committee meetings; technical expertise within the Committee; level of preparation made by the Committee Chairperson for Committee meetings; support provided by the Secretary in terms of minute taking and information circulated for Committee meetings. • The Committee noted there was need to continue focusing on growth of the loan book, sustaining business momentum, and conducting deep dives. The Committee also noted it would be beneficial to get an industry view from a subject matter expert to enhance the Committee's knowledge on different sectors.

David Ong'olo
Chair of the Credit Committee

Board Nomination, Evaluation and Remuneration Committee

The Board Nomination, Evaluation, and Remuneration (NERC) Committee is comprised of independent non-executive directors. In addition to the Board Chairperson, Kellen Kariuki, David Ong'olo and Dr. Catherine Adeya are the other members.

Attendance of the scheduled meetings held in 2023	Scheduled	Ad hoc
K. Kariuki (Chairperson)	4/4	1/1
D. Ong'olo	4/4	1/1
C. Adeya	4/4	1/1

*resigned with effect from 31 December 2023

Who else attended Committee meetings in 2023?

The Chief Executive Officer; Head, Human Resources; and the Company Secretary routinely attended Committee meeting supporting the Committee to fulfil its people and governance responsibilities.

K. Ngari	
C. Murgor	
J Nyaga	Secretary

What are the main responsibilities of the Committee?

The Committee's mandate is to regularly review the structure, size, and composition of the Board, make recommendations to the Board on suitable candidates to fill Board vacancies, review and recommend the remuneration levels for the independent non-executive directors and non-executive directors for Board approval. In addition, the Committee has oversight of key management appointments.

As part of the Committee's succession planning for the Board, it considers the Company's strategy and challenges, and makes recommendations to the Board in respect of any adjustments to the Board's composition. The Committee also:

- keeps under review the leadership needs of, and succession plans for, the Company in relation to both executive directors and other senior executives;
- has oversight of the process by which the Board, its Committees and individual directors assess their effectiveness;
- keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area;
- considers any potential situational conflicts of interest declared by Board members;
- considers the impact of material changes to corporate governance regulation and legislation affecting the Company; and has oversight of the Company's approach to Standard Chartered Bank subsidiaries' corporate governance.

The Committee is responsible for setting the governance framework for the remuneration for all employees, ensuring alignment with the Company's culture and requirements of the relevant regulations. The Committee Chair reports to the Board on its key areas of focus following each Committee meeting.

Statement for corporate governance
continued

Report of the Chair of the Nomination, Evaluation and Remuneration Committee

Kellen Kariuki
Board Chair and Chair of the Nomination, Evaluation and Remuneration Committee

I am pleased to present the report which provides an overview of the work of the Committee and its activities during the year.

The Committee oversaw changes to the Board composition following the resignation of Mr. Imtiaz Khan, a longstanding and valued independent non-executive director. Mr. Khan leaves with the Board's sincere appreciation for his significant and impactful contributions in the last six years.

The Committee reviewed the Board succession plan to ensure that Board members, both individually and collectively, have the skills, knowledge and experience necessary to oversee, challenge, and support Management in the achievement of the Company's strategic objectives. The key changes to the composition of the Board and its Committees are highlighted on page 70 of the Annual Report.

The Committee closely monitored executive succession planning, in particular, the transition of the previous Head, Internal Audit Mr. David Mwindi to the role of Head, Conduct, Financial Crime and Compliance and the appointment of Mr. Dedan Muugi to the role of Head, Internal Audit, subject to regulatory approval. Several candidates were also interviewed by the Committee for senior roles in the year and the Committee is satisfied that the Company continues to develop and attract the necessary talent to deliver its strategy. The Committee will continue to oversee and enhance the succession pipeline at Board and senior leadership level through 2024.

In the course of the year the Committee paid significant attention to enhancing the effectiveness of the Board and its Committees. An externally facilitated Board Effectiveness Review was commissioned in 2023 for the 2022 financial year. It concluded that the Board continues to operate effectively and also signalled several areas for improvement, details of which can be found in page 76. The Committee oversaw the implementation of action plans from past effectiveness reviews and also spent time to consider the outcome of its own effectiveness review.

An external Governance Audit was conducted in the year to assess the Company's compliance with corporate governance requirements. The Committee oversaw this process and monitored implementation of the actions arising to ensure the Company continued to operate at the highest level of governance.

Developing Key Performance Indicators for the Board and review of the Stakeholder Engagement Plan for the year 2024 was a priority for the Committee. The Committee led the review of committees' Terms of Reference and provided assurance to the Board that the TORs were appropriate for approval.

The Committee recognises that employees are key to driving performance and acknowledge the need to build future ready teams that will continue to lead the way in addressing the evolving needs of clients while leveraging on technology. To support colleagues to build the future skills required, the Committee continued to oversee the deployment of technology that democratises access to learning content and developmental experiences.

The Committee is also clear that to sustainably attract, grow and retain desired talent, the Company must continue to invest in, and further strengthen the Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted actions. The people strategy, which was approved by the Board in 2022, continues to be relevant and future-focused. During the year, the Committee provided oversight on implementation of the people strategy. It also monitored progress on the execution of actions and interventions taken by the Human Resources team to enhance the EVP. A key intervention is the Future Workplace Now (FWN) program which formalises hybrid working. FWN has been successfully rolled out and eligible colleagues are now on flexi-working arrangements.

A strong EVP ensures work-life integration by colleagues and needs to be augmented by a competitive reward. Using the Fair Pay Charter principles and the need for appropriate and fair reward, the Committee carefully considered the framework informing employee remuneration for the year 2023/2024 and endorsed it for Board approval.

The Committee was pleased to note that CMA awarded the Company a Leadership rating of 91 per cent following a review of the progress made towards implementation of the CMA Code of Governance in the fiscal year ended 31 December 2022. The Leadership rating demonstrates the Board's commitment to uphold sound corporate governance practices. Looking ahead, the Committee will continue to oversee initiatives aimed at enhancing corporate governance standards throughout the Company.

The following report sets out the areas of significant focus for the Committee and its activities over the course of the year.

Highlights for 2023

The Committee held four meetings in the year and the areas of focus were:

People	The Committee: • Oversaw implementation of the People strategy as aligned to the business strategy. • Discussed initiatives taken to drive the strategy of Building a Future Ready workforce including accelerating introduction of digital tools and training academies. • Monitored the progress towards achieving the diversity and inclusion aspirations of the Company noting the progress made on the key performance indicators which include, the gender pay gap, representation of persons living with disabilities, and gender balance. • Reviewed the culture transformation progress across the Company towards building an inclusive, innovative culture underpinned by sustainability and conduct. • Discussed the outcome of the annual employee engagement survey 'My Voice' and probed the results to understand what was driving the scores and challenged the team on areas for improvement. • Provided oversight on the Performance and Pay process and outcomes. • Reviewed the annual increases for staff salaries and variable compensation awards for eligible staff. The Committee believes that it was appropriate to make these awards to those that contributed to the continued success of the Company. • Reviewed material human resource policies. • Received reports on the impact of the pandemic on employees and monitored implementation of actions taken to prioritise the wellbeing, safety, and security of employees. • Received reports on employee wellness as well as progress on implementation of wellness initiatives. The Committee also oversaw delivery of the Engage to Elevate series, enhanced parental leave and expanded medical cover to include a menopause and andropause cover. • Provided oversight on the transition to the new cloud-based employee management platform, the SAP Success Factors. • Reviewed Management succession plans relating to senior executive positions and the development plans. • Interviewed candidates for senior positions and made recommendations to the Board as appropriate.
Governance	The Committee undertook the following governance activities and recommended Board approval: • Reviewed and recommended the revised Stakeholder Engagement Policy for Board approval. • Reviewed the Board's succession plan and skills competency matrix and developed recommendations for presentation to the Board with regard to Board/Board Committee composition and future Board members. • Reviewed and provided input on the Board and Board Committee Effectiveness questionnaires. • Developed Key Performance Indicators for the Board for the year 2023. • Reviewed the Stakeholder Engagement Plan for the Board and Board chairperson for the year 2024. • Reviewed the Directors Report and other corporate governance disclosures included in the Annual Report. • Considered the revised Subsidiary Governance Policy and Subsidiary Governance Standard for Banking Subsidiaries and recommended their adoption for Board approval.

Statement for corporate governance
continued

Review of the Directors Remuneration Report and Remuneration Framework for the workforce	• The Committee steered the process of reviewing the Directors Remuneration Report ensuring alignment with regulatory requirements and the company's objectives. Additionally, the Committee reviewed and endorsed the remuneration framework for employees, ensuring it was fair, competitive, and aligned with the Company's goals.
Committee Effectiveness Review	During 2023, an external Board and Board Committee effectiveness review for the year 2022 was facilitated by CMCL. The Committee set aside time to discuss its performance. The review concluded that, overall, the Committee continued to operate effectively. Members were satisfied on the following: understanding of the Committee's mandate and responsibilities; length of Committee meetings; technical ability within the Committee; level of preparation made by the Committee Chairperson for Committee meetings; and support provided by the Secretary in terms of minute taking and information circulated for Committee meetings. It was noted that the Committee could benefit from hearing the perspectives of external experts on critical issues and complex matters from time to time.

Kellen Kariuki
Board Chair and Chair of the Nomination, Evaluation and Remuneration Committee

Board Technology and Innovation Committee

Committee Composition

The Board Technology and Innovation Committee is comprised of independent non-executive directors and non-executive directors. The members collectively have a wide knowledge on banking, information, technology, and digital innovation relevant to fulfil the Committee's responsibilities. Dr. Catherine Adeya, Mrs. Nivedita Sharma, and Mr. Richard Etemesi, are the members of the Committee.

Attendance of the scheduled meetings held in 2023	
C. Adeya (Chairperson)	4/4
N. Sharma	4/4
R. Etemesi	4/4

*resigned with effect from 31 December 2023

Who else attended Committee meetings in 2023?

The Chief Executive; Chief Financial Officer; Chief Risk Officer; Chief Technology and Operations Officer; Head of Corporate, Commercial and Institutional Banking (CCIB); Head, Consumer, Private and Business Banking (CPBB); Head, Country Technology Management; Head Transaction Banking; Head, Audit; Country Information Security Officer and the Company Secretary routinely attend the Committee meetings as permanent invitees. Other members of Management also attend upon invitation.

K. Ngari	
C. Murgor	
J. Mucheke	
P. Gitau	
B. Sanghrajka	
E. Chumba	
J. Mwai	
M. Malumane	
D. Muugi	
S. Kariuki	Country Information Security Officer
J. Nyaga	Secretary

What are the main responsibilities of the Committee?

The Committee's mandate is to oversee the technology risk management framework and ensure the following objectives are achieved:

- the Company's overall approach to information security supports high standards of governance;
- information security assurance framework is aligned to CBK Prudential Guidelines, the CBK guidance note on Cyber Risk and other relevant laws and regulations; and
- adequate business resilience arrangements for disaster recovery and business continuity.
- the Company's overall approach to information security supports high standards of governance;
- information security assurance framework is aligned to CBK Prudential Guidelines, the CBK guidance note on Cyber Risk and other relevant laws and regulations; and
- adequate business resilience arrangements for disaster recovery and business continuity.

Corporate Governance

Report of Chair of the Technology and Innovation Committee
continued

Dr. Catherine Adeya
Chair of the Technology and Innovation Committee

I am delighted to present the Committee's report on the key focus areas in the last year.

In the year, the Committee continued to provide oversight on the delivery of technology-related programs including the adoption of Cloud platforms, and enhancement of the IT systems. The Company is accelerating the simplification and harmonisation of its technology infrastructure to reinforce strong digital foundations, integrate platforms using the cloud where appropriate, to provide consistent, secure, and resilient technology. The Committee constructively challenged Management on the implementation of this approach and provided assurance to the Board for approval of the Technology and Innovation strategy and budget.

Information and Cyber Security (ICS) remained a key and ongoing priority. The Committee reviewed the ICS strategy and budget for Board approval. The Committee also received a report on an assessment conducted to ensure that the revised ICS Policy and Standards were aligned to applicable regulatory requirements. The revised ICS Policy and Standards and ICS Risk Type Framework were endorsed for Board approval. Upon the retirement of the ICS Board Risk Appetite Metrics for 2022, the Committee approved and received reports on the new country relevant Board Risk Appetite Metrics which measure the security and resilience of the Company's most critical systems and assets in light of ICS events and incidents. The Committee also monitored threat intelligence reports which enhance the Company's vigilance to evolving cyber threats.

The Committee is aware the Company must remain operationally resilient in order to support the business and customers. Regular reports on key business resilience activities were considered by the Committee including the Business Resilience Strategy, Pandemic Contingency Plan, Crisis Management Plan and outcome of IT resilience testing. This helped to guarantee adequate controls for business continuity in the event of significant disruption. Moreover, the Committee provided input on the development of a cyber-attack simulation exercise for the entire Board touching on various resilience scenarios. This exercise enhanced the Directors' comprehension of resilience plans, including their roles and responsibilities, and also gave them first-hand experience in dealing with real-life situations. It also facilitated valuable feedback, fostering a culture of preparedness which enabled Management to fine-tune the resilience plans even further.

The Committee continued its oversight on delivery of the value based Cloud strategy which requires the business to first determine the value that an initiative will provide for the Bank before moving to the Cloud. The Committee also continues to monitor the status of regulatory approvals for cloud applications.

Digitisation and technological developments remain key items on the Company's and wider SCB Group's strategy. The Committee is dedicated to support innovations that align to the Company's risk appetite and support business needs and development. In line with this, the Committee monitored Management's delivery of digital solutions and often challenged the strategy to ensure a positive return on investment. This approach has facilitated the implementation of advanced digital capabilities, expected to enhance the overall Return on Tangible Equity.

Moreover, the Committee actively monitored emerging technology trends, opportunities, and risks to proactively address potential implications for the Company. A comprehensive report focused on Artificial Intelligence (AI) and Machine Learning (ML) was considered in the year. It delved into various use AI and ML cases, the opportunities presented by the adoption of these technologies, and the controls in place to ensure their responsible and ethical use. The emphasis on ethical considerations underscores the commitment to harnessing the potential of these technologies while prioritising accountability and integrity in their implementation. The Committee will continue to monitor the application of these technologies within the Company.

On invitation from the Chair of the Board Audit Committee, the Technology and Innovation Committee attended a Special Board Audit Meeting constituted for purposes of receiving the Ernst & Young LLP (EY) Information, Communication and Technology (ICT) Audit carried out in accordance with the requirements of the Central Bank of Kenya. This was in the normal course of collaboration between Board Committees where responsibilities on certain matters may overlap. The interaction assured the Committee is well informed on the outcome of the ICT audit. The close collaboration of the Committee Chairs helps to ensure that there are no gaps and any potential for unnecessary duplication is avoided. The Committee continued to receive regular updates from Management and EY on the steps being taken to improve IT access controls and remediate weaknesses identified in the ICT Audit.

The following report sets out the areas of significant focus for the Committee and its activities over the course of the year.

Highlights for 2023

The Committee met virtually four times in the year and the areas of focus were:

Technology and Innovation (T&I) updates	The Committee: • Reviewed and adopted the T&I strategy. • Monitored progress on the strategy including the cloud value strategy. • Reviewed the financial costs against budget/forecast and identified action plans to meet the technology cost targets and the necessary adjustments. • Received reports from the T&I Management Forum. • Considered and monitored the Company's business resilience arrangements and received reports on Business Continuity Plans and testing. • Provided oversight on management of third-party risk relating to providers of IT services and goods. • Monitored the status of regulatory approvals for Cloud applications. • Considered updates on emerging trends and new developments, opportunities, and risks in the technology space. • Reviewed Technology policies and standards.
Information and Cyber Security	The Committee: • Considered and adopted the ICS strategy. • Reviewed the ICS budget and recommended it to the Board for approval. • Closely monitored the heightened information and cyber security risk and provided oversight on the responses implemented to mitigate the risks. • Considered and reviewed information and cyber security threat intelligence while ensuring proactive measures are taken to mitigate against the risks arising. • Monitored cyber security incidences affecting the Company. • Received a report on an assessment conducted to ensure that the revised ICS Policy and Standards are aligned to applicable regulatory requirements • Received updates on the ICS Key Performance Indicators which included quarterly outcomes of phishing simulations monitoring click through rates and reporting rates.
Deep Dive topics	The Committee reviewed and discussed a report on the application of AI and ML within the Company. The report covered the business case for these technologies and the controls in place to ensure the responsible and ethical use of artificial intelligence.
Information and Cyber Security	During 2023, an external Board and Board Committee effectiveness review for the year 2022 was facilitated by CMCL. The Committee set aside time to discuss its performance. The session was structured around a number of themes pertaining to the Committee's effectiveness including understanding of the Committee's mandate and responsibilities; length of Committee meetings; technical expertise within the Committee; level of preparation made by the Committee Chairperson for Committee meetings; support provided by the Secretary in terms of minute taking and information circulated for Committee meetings. The Committee observed that members would benefit from engagement with external subject matter experts outside of SCB Group members to provide external insights. In addition, the Committee recommended that a major incident role play covering disaster recovery be conducted for the full Board.

CAdeya

Dr. Catherine Adeya

Chair of the Technology and Innovation Committee

Management Committees

The Committee met virtually four times in the year and the areas of focus were:

Group Chief Executive	The Chief Executive Officer (CEO) is responsible for the management of all aspects of the businesses, developing the strategy in conjunction with the Chairperson and the Board, and leading its implementation. The Board delegates authority for the operational management of the business to the CEO for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the CEO accountable in discharging his delegated responsibilities.
Management Team	The Management Team comprises the Group Chief Executive and the Group Chief Financial Officer, regional CEOs, client segment CEOs, and our global function heads. It has responsibility for executing the strategy. Details of the Group's Management Team can be found on **pages 142 to 144**.

Management Committees have delegated authority from the Board and Board Committees and report to the respective Board and Board Committees.

Management Level Committees Reporting to the Board

Asset and Liability Committee	Oversight over the Company's balance sheet to ensure it is managed in line with regulatory requirements and Company policies. Reports to the Board.
Executive Committee	Support the CEO in the oversight and day-to-day management of the Company as well as implementation of the Company's strategy. Reports to the Board through the CEO.
Executive Risk Committee	Oversight of the implementation of the Company's risk management to ensure the effective management of risk throughout the Company. Reports to the Board Risk Committee.
Credit Approvals Committee	Monitoring and enforcing applicable credit policies within the Company and approving credit applications within the approved credit risk appetite. Reports to the Board Credit Committee.
Third Party Risk Management Committee	Monitoring the effective management of risks arising from outsourcing and oversight of all outsourcing arrangements. Reports to the Board Risk Committee
Information and Technology (IT) Management Forum	Management of IT resources to facilitate the achievement of the Company's strategic objectives. Reports to the Board Technology and Innovation Committee.

Asset And Liability Committee (ALCO)

Members

K. Ngari	Chairperson
C. Murgor	
J. Mucheke	

Role and function

The Committee is charged with the responsibility of ensuring the effective implementation of balance sheet management policies, receiving and reviewing reports on liquidity, market risk and capital management, and reviewing the deposit and asset pricing strategies in line with market fundamentals and regulatory guidelines.

The Committee meets once a month. The Chief Financial Officer presents the ALCO report to the Board at each scheduled Board meeting.

Executive Committee

Members

K. Ngari	Chairperson
E. Chumba	
B. Sanghrajka	
C. Murgor	
E. Munyori	
P. Gitau	
D. Mwindi	
J. Nyaga	
M. Malumane	
J. Mucheke	
D. Mwaisaka	
J. Kibe	
T. Nandhra	
D. Muugi*	

*subject to regulatory approval

Role and function

The Executive Committee is the link between the Board and Management. The Committee supports the Chief Executive Officer in the day-to-day management of the Group and Company. The Committee is responsible for general oversight and the implementation of operational plans and the annual budgets. It is also responsible for the periodic review of operations, strategic plans, ALCO strategies, credit proposals, identification and management of key risks and opportunities. The Committee also reviews and approves guidelines for employees' remuneration.

The Committee meets formally at least once a month. A report on the Executive Committee's activities is presented to the Board by the Chief Executive Officer at each scheduled meeting.

Statement of coperate governance policies
continued

Corporate governance policies

Board charter

The Board regularly reviews the Board Charter which outlines the role and responsibilities of the Board, powers of the Board, various Board Committees and their roles, separation of roles between the Board and Management and the policies and practices of the Board in respect of corporate governance. The Board Charter is available on the Company's website at https://www.sc.com/ke/investor-relations/

Internal controls

The Board is committed to managing risk and to controlling the Company's business and financial activities in a manner which enables it to maximise profitable business opportunities, manage and ensure compliance with applicable laws and regulations, and enhance resilience to external events.

The Company has a process in place to ensure that any changes in legislation are captured and monitored effectively. The Legal department reviews and undertakes a comprehensive gap analysis once the laws are in place and advises the impact of the changes to the Company. The Compliance department ensures that the business units put in place controls to ensure compliance with the various laws and regulations. As required by the Code an internal legal and compliance audit was undertaken and presented to the Board Audit Committee in 2023.

The effectiveness of the Company's internal controls system is reviewed regularly by the Board through a Management framework and the Internal Audit function.

The Internal Audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Company through its program of business audits. The work of the Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Internal Audit function reports to the Board Audit Committee.

The Company's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage the Principal Risk Types. The Board has established a management framework that clearly defines roles, responsibilities, and reporting lines. Delegated Authorities are documented and communicated.

The performance of the Company's business is reported by Management to the Board. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets.

Code of conduct and ethics

The Board had adopted a Code of Conduct and Ethics, relating to the lawful and ethical conduct of business which is supported by the Company's core values. All directors, management and employees are required to observe the Code and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators.

The Directors and Management also comply with the Central Bank of Kenya Code of Conduct as set out in the Prudential Guidelines.

Whistle blowing policy

Speaking Up is our confidential and anonymous whistleblowing program. It includes independent and secure channels for anyone – employees, contractors, suppliers and members of the public – to raise concerns. The public, employees, contractors and suppliers are encouraged to report alleged irregularities of a general, operational and financial nature in the Company to the directors or designated official through the "Speak Up" portal. All "Speak-Up" cases are investigated, and the required action taken to ensure feedback is provided as appropriate.

Anti-bribery and corruption

Anti-bribery and corruption (ABC) policies aim to prevent employees, directors or third parties working on our behalf, from participating in active or passive bribery or corruption, or from making facilitation payments. To embed the policy, the Company regularly carries out training for all staff and the Board regarding the ABC risk. Further, the Company has worked with its third parties to raise awareness on the ABC risk, embed strict requirements in the contractual documents, and share best practices on controls to manage the risk.

Related party transactions standard

The Company has established a Related Party Transactions Standard that aims to set out requirements for the creation of any new Related Party and maintaining controls to prevent or identify Non-Exempt Transactions that are entered into with existing Related Parties. Details of transactions with directors and officers and other related parties are set out in Note 39 to the financial statements.

Insider trading

The Company has a policy on insider trading which is observed and implemented through the Group Transactional Conflicts and Information Walls Standard and the Group Personal Account Dealing Standard. Directors, Management, and employees are aware that they ought not to trade in the Company's shares while in possession of any insider information not available to the public or during a closed period.

The closed period is a specified period before the publication of the Company's annual, half year and quarterly financial results. Further, directors, Management, and employees in possession of inside information must not deal directly or indirectly in any financial instruments to which the inside information relates, including Company shares. The Group Personal Account Dealing Standard requires specific staff to declare any dealings with securities or company shares all year round.

Going concern

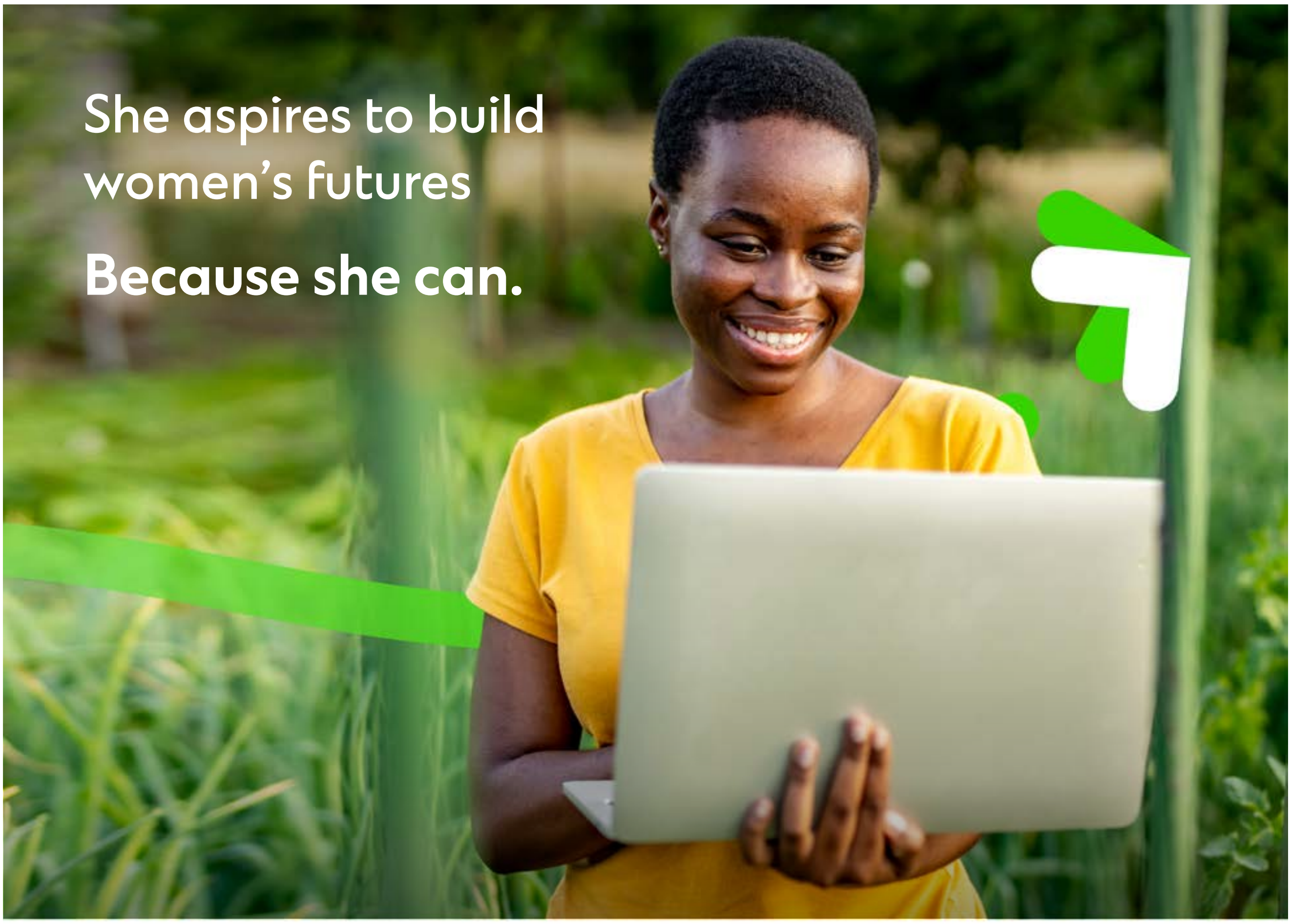
The directors have assessed the Group and Company's ability to continue as a going concern. This assessment has been made having considered the continuing geopolitical challenges and macroeconomic headwinds, and has included:

- a review of the Strategy and Corporate plan, including a review of the actual performance to date, loan book quality and legal and regulatory matters;
- consideration of the capital adequacy stress testing performed; and
- analysis of the funding and liquidity position of the Group, including a review of the Group's emerging risks.

Based on the analysis performed, the directors confirm that they are satisfied that the Group and Company have adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements. For this reason, the Group continues to adopt the going concern basis of accounting for preparing these financial statements.

Relations with shareholders

The Board recognises the importance of good communications with all shareholders. The virtual Annual General Meeting (AGM) as well as the published annual report are used as an opportunity to communicate with all shareholders. The Company always gives shareholders the 21 days' notice of the AGM as provided for in the Kenyan Companies Act, 2015 and shareholders are encouraged to submit questions and appoint proxies to represent them where they are unable to attend. Ad hoc shareholder requests for information are handled on an on-going basis and on the floor of the AGM. The Board uses electronic means to communicate with shareholders and shareholders are encouraged to visit https://www.sc.com/ke/investor-relations/ for general information on the Company as well as annual reports.



futuremakers
by Standard Chartered

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Directors' Remuneration Report

The Company presents the Directors' remuneration report for the year ended 31 December 2023. This report is in compliance with the Company's reward policy, banking regulations, the Capital Markets Authority (CMA) Code of Corporate Governance guidelines on Directors' remuneration, and the Kenyan Companies Act, 2015. A key provision of the Company's principles is that reward will directly support the business strategy with a clear and measurable linkage to business performance.

The Company's remuneration approach is aligned to market remuneration standards in Kenya. Oversight of the remuneration approach is provided by the Board Nomination, Evaluation and Remuneration Committee. It is designed to:

- reward employees for the progress made on the execution of our strategy and appropriately incentivise colleagues to deliver strong performance over the long-term whilst avoiding excessive and unnecessary risk-taking; and
- promote sound and effective risk management through our remuneration structures.

Our Fair Pay Charter

The Company's remuneration policy is designed to reflect the purpose, valued behaviours and culture ambitions of the Group and Company as well as following the principles of the Fair Pay Charter used to make remuneration decisions for all colleagues in the Company.

Our Fair Pay Charter sets out the principles we use to make remuneration decisions that are fair, transparent, competitive and strongly reflect business and individual performance, supporting us in embedding a high-performance culture. Our approach to remuneration promotes long-term focus and alignment with shareholders' interests and reflects the achievement of financial and strategic results as well as the demonstration of our valued behaviours in pay decisions. We seek to keep remuneration as simple as possible, ensure we meet all regulatory requirements and incorporate evolving best practice.

Directors' remuneration policy

The remuneration policy supports the achievement of the strategic objectives through balancing reward for both short-term and long-term sustainable performance.

The Board Nomination, Evaluation and Remuneration Committee ("Committee") reviews the implementation of the policy which provides for alignment of remuneration to the delivery of the Group's strategy and sustainable shareholder returns.

The Committee has the responsibility to review the annual remuneration of the executive and non-executive directors (NEDs) and the structure of their compensation package for approval by the Board. The Board received shareholders' authorisation to fix the directors' remuneration by a resolution passed at the Annual General Meeting held on 25 May 2023. The Committee monitors the competitiveness of directors' remuneration to ensure the Group is able to motivate and retain individuals of the appropriate calibre as directors. The remuneration of the executive directors is as per negotiated employment contracts.

In determining remuneration for NEDs, regular surveys on the market rates for NEDs and the levels of remuneration are carried out for consideration by the Committee. All the remuneration and privileges accorded to the NEDs and enumerated under the policy are competitive and reviewed according to the prevailing market trends for companies of a similar size and complexity as the Company. Compensation is set to attract NEDs who together with the Board as a whole have a broad range of skills and experience to determine the Group's strategy and oversee its implementation

The NEDs are paid an annual fee and sitting allowance for meetings attended. Fees for additional Board duties such as Chairmanship and membership of a Committee are also payable.

NEDs are also reimbursed for expenses, such as travel and subsistence, incurred in the performance of their duties. The NEDs employed within the Standard Chartered Group entities are not remunerated by the Company.

During the financial year, the Board of Directors consisted of:

- Five Independent Non-Executive directors at any one time: Dr. Catherine Adeya, Imtiaz Khan, Kellen Kariuki, David Ong'olo and Nivedita Sharma.
- Four Executive Directors: Kariuki Ngari, Chemutai Murgor, Peter Gitau and Birju Sanghrajka.
- Two Non-executive directors: Julie Browne and Richard Etemesi.
- NEDs are subject to retirement by rotation and re-election by shareholders. The Group's NEDs were appointed on the dates indicated below:

Name	Appointment Date	Retirement Date
Kellen Kariuki (Chairperson)*	31 May 2021	-
Catherine Adeya	1 January 2016	-
Imtiaz Khan	28 August 2018	31 December 2023
David Ong'olo	28 January 2020	-
Nivi Sharma	22 July 2021	-
Richard Etemesi	1 May 2021	-
Julie Browne**	15 December 2020	-

*Kellen Kariuki was appointed to the Board on 10 February 2020 and elected Chairperson on 31 May 2021.

**British

Non-executive directors' remuneration and policy

The Group has put in place a policy that defines the remuneration and related privileges received by the NEDs of the Group.

The components in the policy are directors' monthly fees, directors' sitting allowances, travel, and accommodation. The fees payable reflect the time commitment and responsibilities of a non-executive director of the Group.

The Company presents the Directors' remuneration report for the year ended 31 December 2023. This report is in compliance with the Company's reward policy, banking regulations, the Capital Markets Authority (CMA) Code of Corporate Governance guidelines on Directors' remuneration, and the Kenyan Companies Act, 2015. A key provision of the Company's principles is that reward will directly support the business strategy with a clear and measurable linkage to business performance.

The Company's remuneration approach is aligned to market remuneration standards in Kenya. Oversight of the remuneration approach is provided by the Board Nomination, Evaluation and Remuneration Committee. It is designed to:

- reward employees for the progress made on the execution of our strategy and appropriately incentivise colleagues to deliver strong performance over the long-term whilst avoiding excessive and unnecessary risk-taking; and
- promote sound and effective risk management through our remuneration structures.

Service contracts for non-executive directors

Independent Non-executive directors are appointed for fixed terms not exceeding three years, which may be renewed subject to their re-election by shareholders at annual general meetings. None are bound by letters of appointment issued for and on behalf of the Group. Other than as set out above, there are no obligations in the NEDs' letters of appointment which could give rise to payments for loss of office.

Executive directors' remuneration policy

Executive directors typically receive a salary, pension, and other benefits, and are eligible to be considered for variable remuneration (determined based on both the Group and individual performance). The Group's remuneration approach is consistent with effective risk management and the delivery of the Group strategy, underpinned by the principles of:

- a competitive remuneration opportunity that enables the Group to attract, motivate and retain the executive directors;
- a clearly defined performance management framework that ensures executive directors have clear objectives and receive ongoing feedback;
- remuneration outcomes that relate to the performance of the executive director and the Group. The Group aims to ensure the executive director is aligned to deliver long-term sustainable growth of the Group in the interest of stakeholders;
- variable remuneration and deferred options that recognises the achievement, conduct, behaviours and values of each executive director, ensuring reward is aligned to the Groups's performance. The Group takes into account both what is achieved and how it is achieved;
- an appropriate mix of fixed and variable remuneration, with the level of fixed remuneration based on each executive director's role;
- remuneration that is fair and transparent. An equal pay review is undertaken as part of the pay review process; and a core level of benefits that protects the executive directors and reflects the Group's commitment to employee wellbeing.

There were no changes in remuneration policy from the prior year.

Service contracts for executive directors

The remuneration policy provides for a combination of permanent terms and renewable fixed term employment contracts for executive directors on international assignments.

The executive directors were appointed as indicated below:

Name	Appointment Date	Contract end date
Kariuki Ngari	4 March 2019	Permanent terms
Chemutai Murgor	1 March 2007	Permanent terms
Peter Gitau	30 April 2020	Permanent terms
Birju Sanghrajka	22 July 2021	Permanent Terms

Directors' emoluments

The following table shows the directors' remuneration for services rendered for the financial year ended 31 December 2023 together with the comparative figures for 2022. The aggregate directors' emoluments are shown in Note 12 and are subject to audit.

Directors' Remuneration Report continued

Directors' emoluments continued

Year ended 31 December 2023 KShs '000	**Basic pay**	**Bonus**	**Deferred cash awards**	**Share based awards**	**Non-cash benefits**	**Pension**	**Fees retainer**	**Sitting allowance**	**Total**
Executive Directors									
K Ngari	**51,188**	**35,640**	**11,880**	**11,880**	**4,040**	**6,940**	-	-	**121,568**
C Murgor	**31,782**	**14,375**	-	-	**125**	**3,886**	-	-	**50,168**
P Gitau	**32,040**	**12,495**	-	-	**125**	**3,906**	-	-	**48,566**
B Sanghrajka	**37,133**	**26,704**	**4,293**	**4,293**	**125**	**4,420**	-	-	**76,968**
	152,143	**89,214**	**16,173**	**16,173**	**4,415**	**19,152**	-	-	**297,270**
Non-Executive Directors									
K Kariuki		-	-	-	-	-	**3,700**	**2,085**	**5,785**
C Adeya	-	-	-	-	-	-	**1,680**	**2,365**	**4,045**
I Khan	-	-	-	-	-	-	**1,680**	**1,615**	**3,295**
D Ong'olo	-	-	-	-	-	-	**1,680**	**1,610**	**3,290**
N Sharma	-	-	-	-	-	-	**1,680**	**1,965**	**3,645**
R Etemesi	-	-	-	-	-	-	**1,680**	**3,035**	**4,715**
J Browne*	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	**12,100**	**12,490**	**24,590**
	152,143	**89,214**	**16,173**	**16,173**	**4,415**	**19,152**	**12,100**	**12,675**	**322,045**

*J Browne is remunerated by Standard Chartered PLC, the parent company. She is not remunerated as a board member of the Company.

Year ended 31 December 2022 KShs '000	Basic pay	Bonus	Deferred cash awards	Share based awards	Non-cash benefits	Pension	Fees retainer	Sitting allowance	Total
Executive Directors									
K Ngari	47,585	39,824	13,275	13,275	4,069	6,443	-	-	124,471
C Murgor	29,535	14,147	798	798	125	3,590	-	-	48,993
P Gitau	29,262	13,325	524	524	125	3,548	-	-	47,308
B Sanghrajka	34,001	22,683	3,643	3,643	125	4,158	-	-	68,253
	140,383	89,979	18,240	18,240	4,444	17,739	-	-	289,025
Non-Executive Directors									
K Kariuki	-	-	-	-	-	-	3,700	1,820	5,520
C Adeya-Weya	-	-	-	-	-	-	1,680	2,365	4,045
N Sharma	-	-	-	-	-	-	1,680	1,965	3,645
R Etemesi	-	-	-	-	-	-	1,680	2,995	4,675
I Khan	-	-	-	-	-	-	1,680	1,595	3,275
D Ongolo	-	-	-	-	-	-	1,680	1,750	3,430
J Browne*	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	12,100	12,490	24,590
	140,383	89,979	18,240	18,240	4,444	17,739	12,100	12,490	313,615

*J Browne is remunerated by Standard Chartered PLC, the parent company. She is not remunerated as a board member of the Company.

Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the Company is a party to, under which directors acquired benefits by means of acquisition of the Company's shares.

Share awards

The Group's employees participate in a number of share-based payment schemes (equity-settled and cash-settled) operated by Standard Chartered PLC, the ultimate holding company of Standard Chartered Bank Kenya Limited and its subsidiaries. Participating employees are awarded ordinary shares in Standard Chartered PLC in accordance with the terms and conditions of the relevant scheme.

In addition, employees have the choice of opening a three-year or five-year savings contract under the "All Employee Share Save" plan. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares of Standard Chartered PLC. The price at which they may purchase shares is at a discount of up to twenty per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the "All Employee Share Save" plan.

The Management Long Term Incentive Plan (MLTIP) awards are granted with vesting subject to performance measures. Deferred share awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and Group regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of the grant.

MLTIP and deferred share awards are delivered through the Standard Chartered PLC Share Plan (2011 plan) which replaced the 2006 Restricted Share Scheme.

Finally, although the Restricted Share Scheme has now closed, there are outstanding shares that are still to vest. Within the 2011 plan, the grants made are differentiated to indicate the year it was made and also the type of share.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Further details are provided in Note 11.

The following details are with respect to the outstanding share awards:

	At 1 January 2023	Awarded	Exercised	Lapsed	At 31 December 2023	Vesting date
Kariuki Ngari						
2011 Deferred Restricted Share Award	31,369	13,358	(13,245)	-	31,482	14 March 2027
Management Long Term Incentive Plan	36,008	-	-	-	36,008	15 March 2024
2013 Share save plan	1,558	1530	(1,558)	-	1,530	1 December 2026
Birju Sanghrajka						
2011 Deferred Restricted Share Award	2,607	4619	(1,889)	(123)	5,214	15 March 24
2013 Share save plan	3,613	71	(1,776)	-	1,908	1 February 2026
Chemutai Murgor						
2011 Deferred Restricted Share Award	945	765	(319)	-	1,391	15 March 24
Peter Gitau						
2011 Deferred Restricted Share Award	379	497	(385)	-	491	9 March 2023

Approval of the directors' remuneration report by the Board of Directors

The directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure requirements under the IFRSs.

BY ORDER OF THE BOARD

Kellen Kariuki
Chairperson
12 March 2024

Corporate Governance

Statement of Directors' Responsibilities

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

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with 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 assessed the Company's and Group'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 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.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 12 March 2024.

Kellen Kariuki

Director

Kariuki Ngari

Director

Chemutai Murgor

Director

Financial statements

Building the basis for inclusive growth

We exist to enrich client experiences and connect our communities to opportunities and growth. We achieve this through holistic wealth advice, strategic partnerships, providing our clients with access to our deep understanding of the power of our global network. Our robust performance is underpinned by a strong focus on our winning strategy, which aligns closely with the ambitions of our clients and stakeholders .

Independent Auditors' Report

To the members of Standard Chartered Bank Kenya Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Kenya Limited ("the Company") and its Subsidiaries (together "the Group") set out on pages 119 to 221, which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 31 December 2023, and 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 and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the 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 the 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. For each matter below, our descriptions of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

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

The key audit matter	How the matter was addressed
Expected Credit Losses (ECLs) on loans and advances to customers As disclosed in Note 19 to the financial statements, as at 31 December 2023, the Group and the Company reported total impairment losses (expected credit losses) on loans and advances to customers of KShs 9,775 million (2022: KShs 9,278 million). The estimation of expected credit losses ("ECLs") on loans and advances to customers, involves significant judgment and estimates due to the significant uncertainty associated with the assumptions used in the estimation in respect of the timing and measurement of ECLs. We have therefore identified the audit of the ECLs as a key audit matter. The key areas where we identified greater levels of management judgment and assumptions include: **Significant increase in credit risk (SICR)** Allocation of assets to stage 1, 2, or 3 is dependent on criteria used in identification of SICR which is highly judgmental. Staging of assets determines whether a 12-month or lifetime ECL is assessed and can materially impact the ECLs recognised. **Expected credit loss modelling** Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECLs are inherently judgmental and can materially impact the ECLs recognised **ECL macroeconomics** There are significant judgments involved in determination of significant macroeconomic factors that correlate with historical data of the Bank's portfolios to achieve a forward-looking model.	Our procedures included, but were not limited to the following: We reviewed the appropriateness of the Group's accounting policy manual (GAPM) and other IFRS 9 Financial Instruments technical documentations on correct classification of the financial assets between IFRS 9 categories and IFRS 9 ECL model of estimation. We evaluated the design and operating effectiveness of controls relevant to the Company's processes over material ECL balances, including the judgments and estimates noted, involving EY specialists to assist us in performing our procedures to the extent they were appropriate. **Significant increase in credit risk (SICR)** We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of assets and assessed the reasonableness of staging applied by management. **Expected credit loss modelling** We performed a risk assessment on models involved in the ECL calculation to select a sample of models to test. Our EY specialists evaluated a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design and formulae used, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default. **ECL macroeconomics** We held discussions with management and involved our specialists to understand significant macroeconomic forecasts considered in the ECL model and corroborated assumptions using both internal and publicly available information.

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

Key audit matters continued

The key audit matter	How the matter was addressed
Expected Credit Losses (ECLs) on loans and advances to customers **Management overlays** Significant management judgment is applied in determining appropriateness, completeness and valuation of risk event overlays on modelled outputs. **Impairment of individually assessed assets** Measurement of individual provisions including the assessment of probability weighted scenarios, collateral valuations and time to collect involves greater levels of management judgment. The disclosures associated with ECLs are set out in the financial statements in the following notes: — Note 3 – Financial assets and liabilities — Note 4(a) – Credit risk — Note 19 – Loans and advances to customers	**Management overlays** We challenged the completeness and appropriateness of overlays used for risks not captured by the models. **Impairment of individually assessed assets** We recomputed a sample of individually assessed provisions and challenged management's forward-looking economic assumptions of the recovery outcomes identified, time to realisation and individual probability weightings applied. We evaluated the adequacy of the Company's disclosures on this matter in Notes 3, 4(a) and 19 to the financial statements.
Provisions and contingent liabilities in respect of claims and litigations The Group is subject to a number of significant claims and litigations. The amounts of claims may be significant and estimates of the amounts of provisions or contingent liabilities are subject to significant management judgment. Given the uncertainties surrounding resolution of these matters, management has to use significant judgment in order to determine the probability of an outflow of resources, its timing and the amount it will have to pay to discharge the liability. This area is significant to our audit, since the accounting and disclosure for contingent liabilities in respect of claims and litigations is complex and judgmental (due to the difficulty in predicting the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the financial statements as a whole. The disclosure associated with contingent liabilities in respect of claims and litigations is set out in Note 32 to the financial statements.	Our procedures included, but were not limited, to the following: Gained an understanding of the process of identification of claims, litigations and contingent liabilities. Held discussions with the in-house legal counsel on the nature of all significant on-going claims and legal cases and validated the status of each case and the accounting and disclosure implications. Obtained formal legal confirmations from external legal counsel for all significant litigation matters, evaluated the likelihood of an unfavourable outcome against management assessment and checked for completeness of provisions made. Reviewed the provisions to assess whether the disclosures made in the financial statements detailing significant legal procedures adequately disclose the potential liabilities.

Independent Auditors' Report continued

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

Other information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Directors are responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, except as prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information 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 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.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of 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, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 the 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.

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

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

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

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

Report on other matters prescribed by the kenyan companies act, 2015

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

(i) In our opinion the information given in the Report of the Directors on pages 66 to 67 is consistent with the consolidated and separate financial statements.

(ii) In our opinion the auditable part of the Directors' Remuneration Report on pages 108 to 110 has been properly prepared in accordance with the Kenyan Companies Act, 2015; and

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Tom Nyakoe, Practising Certificate No. P.2283

For and on behalf of Ernst & Young LLP

Certified Public Accountants

Nairobi, Kenya

28 March 2024

Consolidated and Company income statements

For the year ended 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	KShs '000	KShs '000	KShs '000	KShs '000
Interest income calculated using the effective interest method	6	32,352,169	25,473,044	32,352,169	25,473,044
Interest expense calculated using the effective interest method	6	(3,507,761)	(3,690,859)	(3,509,422)	(3,707,871)
Net interest income		28,844,408	21,782,185	28,842,747	21,765,173
Fee and commission income	7	7,586,384	6,437,058	5,902,765	4,827,036
Fee and commission expense	7	(1,632,407)	(1,963,195)	(1,632,407)	(1,963,195)
Net fee and commission income		5,953,977	4,473,863	4,270,358	2,863,841
Net gains on foreign exchange transactions	8	8,500,334	5,973,243	8,500,334	5,973,243
Net gains on financial assets at fair value through profit or loss	8	728,085	634,073	728,085	634,073
Net trading income		9,228,419	6,607,316	9,228,419	6,607,316
Dividend income	9	–	–	894,102	1,160,323
Other operating (loss)/income	10	(3,166,798)	229,570	(3,166,798)	229,570
Operating income		40,860,006	33,092,934	40,068,828	32,626,223
Staff costs	11	(8,145,029)	(7,041,047)	(8,041,077)	(6,940,762)
Premises and equipment expenses	11	(767,008)	(568,109)	(765,185)	(566,410)
General administrative expenses		(7,623,444)	(6,209,273)	(7,239,635)	(5,809,331)
Depreciation and amortisation	11	(1,361,928)	(1,256,490)	(1,361,928)	(1,256,490)
Operating expenses		(17,897,409)	(15,074,919)	(17,407,825)	(14,572,993)
Operating profit before impairment losses and tax		22,962,597	18,018,015	22,661,003	18,053,230
Impairment losses on financial instruments	19(a)	(3,217,995)	(784,623)	(3,217,995)	(784,623)
Impairment losses on property and equipment	26	(76,120)	-	(76,120)	-
Impairment losses on intangible assets		-	(130,193)	-	(130,193)
Profit before tax	12	19,668,482	17,103,199	19,366,888	17,138,414
Income tax expense	13	(5,833,015)	(5,045,264)	(5,449,658)	(4,701,490)
Profit after tax		13,835,467	12,057,935	13,917,230	12,436,924
Earnings per share:		KShs	KShs	KShs	KShs
Basic and diluted earnings per ordinary share	14	36.17	31.47	36.39	32.47

The notes set out on pages 125 to 221 form an integral part of these financial statements.

Consolidated and Company statements of other comprehensive income

For the year ended 31 December 2023

	Notes	Group 2023 KShs '000	Group 2022 KShs '000	Company 2023 KShs '000	Company 2022 KShs '000
Profit for the year Other comprehensive income/(loss)		**13,835,467**	12,057,935	**13,917,230**	12,436,924
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses) on retirement benefit obligations	**34**	**788**	(57,121)	**788**	(57,121)
Related deferred tax	**28**	**(236)**	17,136	**(236)**	17,136
Revaluation deficit on non-current assets held for sale	**25**	**(23,400)**	–	**(23,400)**	–
Related deferred tax	**28**	**2,520**	–	**2,520**	–
Revaluation deficit on property and equipment	**26**	**(237,764)**	–	**(237,764)**	–
Related deferred tax		**71,329**	-	**71,329**	-
Write -back of depreciation on revaluation	**26**	**68,987**	–	**68,987**	–
Related deferred tax		**(20,696)**	–	**(20,696)**	–
		(138,472)	(39,985)	**(138,472)**	(39,985)
Items that may be reclassified subsequently to profit or loss:					
Movement in fair value reserves					
Valuation (losses)/gains through OCI	**20**	**(3,281,903)**	(1,732,592)	**(3,281,903)**	(1,732,592)
Related deferred tax		**984,571**	519,777	**984,571**	519,777
Reclassified to income statement	**20**	**3,230,494**	(167,769)	**3,230,494**	(167,769)
Related deferred tax		**(969,148)**	50,330	**(969,148)**	50,330
Movement in expected credit loss on investment securities at FVOCI					
Net remeasurement	**4a(ii)**	**262,390**	(96,375)	**262,390**	(96,375)
Reclassified to income statement	**4 a(ii)**	**(42,789)**	(195)	**(42,789)**	(195)
Related deferred tax		**(65,880)**	28,972	**(65,880)**	28,972
		117,735	(1,397,852)	**117,735**	(1,397,852)
Other comprehensive loss for the year, net of tax		**(20,737)**	(1,437,837)	**(20,737)**	(1,437,837)
Total comprehensive income for the year		**13,814,730**	10,620,098	**13,896,493**	10,999,087

The notes set out on pages 125 to 221 form an integral part of these financial statements.

Financial statements

Consolidated and Company statements of financial position

As at 31 December 2023

	Notes	Group 2023 KShs '000	Group 2022 KShs '000	Company 2023 KShs '000	Company 2022 KShs '000
ASSETS					
Cash and balances with Central Bank of Kenya	16	**42,901,755**	23,257,306	**42,901,755**	23,257,306
Government and other securities held at FVPTL	17	**5,768,468**	986,931	**5,768,468**	986,931
Derivative financial instruments	18	**925,051**	400,494	**925,051**	400,494
Loans and advances to banks	19	**3,957,778**	428,089	**3,957,778**	428,089
Loans and advances to customers	19	**163,161,777**	139,412,560	**163,161,777**	139,412,560
Government securities held at FVOCI	20	**63,834,200**	104,731,162	**63,834,200**	104,731,162
Current tax assets	13	**1,185,327**	1,022,677	**1,052,843**	913,568
Other assets	21	**6,124,762**	3,495,946	**6,047,186**	3,439,658
Due from group companies and other related parties	22	**129,253,610**	96,121,186	**129,675,405**	96,602,123
Investment in subsidiary undertakings	23	**–**	–	**145,243**	145,243
Non-current assets held for sale	25	**198,600**	222,000	**198,600**	222,000
Property and equipment	26	**2,969,518**	2,960,732	**2,969,518**	2,960,732
Goodwill and intangible assets	27	**5,016,586**	4,103,224	**5,016,586**	4,103,224
Deferred tax assets	28	**3,664,743**	4,117,708	**3,624,168**	4,027,556
Total assets		**428,962,175**	381,260,015	**429,278,578**	381,630,646
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	29	**4,327,045**	13,480,464	**4,327,045**	13,480,464
Deposits from customers	30	**342,853,241**	278,879,309	**342,853,241**	278,879,309
Derivative financial instruments	18	**1,109,841**	319,575	**1,109,841**	319,575
Other liabilities	31	**9,333,178**	16,975,059	**9,312,375**	16,960,086
Due to group companies and other related parties	22	**9,757,711**	12,717,385	**10,368,876**	13,459,665
Current tax liabilities	13	**–**	2,655,065	**–**	2,654,111
Retirement benefit obligations	34	**48,892**	96,428	**48,892**	96,428
Total liabilities		**367,429,908**	325,123,285	**368,020,270**	325,849,638
Shareholders' equity					
Share capital and share premium	35	**9,961,680**	9,961,680	**9,961,680**	9,961,680
Other reserves		**1,976,684**	4,201,995	**1,976,684**	4,201,995
Retained earnings		**40,818,649**	35,842,755	**40,544,690**	35,487,033
Proposed dividends	15	**8,775,254**	6,130,300	**8,775,254**	6,130,300
Total shareholders' equity		**61,532,267**	56,136,730	**61,258,308**	55,781,008
Total liabilities and shareholders' equity		**428,962,175**	381,260,015	**429,278,578**	381,630,646

The financial statements set out on pages 119 to 221 were approved and authorised for issue by the Board of Directors on 12 March 2024.

....	....	....
Kellen Kariuki	**Kariuki Ngari**	**Chemutai Murgor**
Director	**Director**	**Director**

The notes set out on pages 125 to 221 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2023

KShs '000		Notes	Ordinary share capital and share premium	Preference share capital and share premium	Other reserves: Capital contribution reserve	Other reserves: Statutory credit risk reserve	Other reserves: Fair value reserve	Other reserves: Revaluation reserve	Retained earnings	Proposed dividends	Total
At 1 January 2022			7,161,680	2,800,000	1,910,996	1,249,844	526,664	889,290	33,301,033	5,374,599	53,214,106
Profit for the year			–	–	–	–	–	–	12,057,935	–	12,057,935
Other comprehensive loss			–	–	–	–	(1,397,852)	–	(39,985)	–	(1,437,837)
Total comprehensive (loss)/income			-	-	-	-	(1,397,852)	-	12,017,950	-	10,620,098
Transfers to statutory credit risk reserve			–	–	–	1,005,846	–	–	(1,005,846)	–	–
Excess depreciation transfer net of deferred tax[1]			–	–	–	–	–	(10,331)	10,331	–	–
Share option expense - 2021 paid			–	–	(87,323)	–	–	–	–	–	(87,323)
	- 2022 accrued		–	–	114,861	–	–	–	–	–	114,861
Dividends paid	- Ordinary shares - Final 2021	15	–	–	–	–	–	–	–	(5,289,909)	(5,289,909)
	- Preference shares - Final 2021	15	–	–	–	–	–	–	–	(84,690)	(84,690)
	- Ordinary shares - Interim 2022	15	–	–	–	–	–	–	(2,267,103)	–	(2,267,103)
	- Preference shares - Interim 2022	15	–	–	–	–	–	–	(83,310)	–	(83,310)
Proposed dividend	- Ordinary shares - Final 2022	15	–	–	–	–	–	–	(6,045,610)	6,045,610	–
	- Preference shares - Final 2022	15	–	–	–	–	–	–	(84,690)	84,690	–
At 31 December 2022			**7,161,680**	**2,800,000**	**1,938,534**	**2,255,690**	**(871,188)**	**878,959**	**35,842,755**	**6,130,300**	**56,136,730**
Profit for the year			**–**	**–**	**–**	**–**	**–**	**–**	**13,835,467**	**–**	**13,835,467**
Other comprehensive income/(loss)			**–**	**–**	**–**	**–**	**117,735**	**(139,024)**	**552**	**–**	**(20,737)**
Total comprehensive income /(loss)			**-**	**-**	**-**	**-**	**117,735**	**(139,024)**	**13,836,019**	**-**	**13,814,730**
Transfers from statutory credit risk reserve			**–**	**–**	**–**	**(2,255,690)**	**–**	**–**	**2,255,690**	**–**	**–**
Excess depreciation transfer net of deferred tax[1]			**–**	**–**	**–**	**–**	**–**	**(9,853)**	**9,853**	**–**	**–**
Share option expense - 2022 paid			**–**	**–**	**(114,861)**	**–**	**–**	**–**	**–**	**–**	**(114,861)**
	- 2023 accrued	15	**–**	**–**	**176,382**	**–**	**–**	**–**	**–**	**–**	**176,382**
Dividends paid	- Ordinary shares - Final 2022	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,045,610)**	**(6,045,610)**
	- Preference shares - Final 2022	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,690)**	**(84,690)**
	- Ordinary shares - Interim 2023		**–**	**–**	**–**	**–**	**–**	**–**	**(2,267,104)**	**–**	**(2,267,104)**
	- Preference shares - Interim 2023	15	**–**	**–**	**–**	**–**	**–**	**–**	**(83,310)**	**–**	**(83,310)**
Proposed dividend	- Ordinary shares - Final 2023	15	**–**	**–**	**–**	**–**	**–**	**–**	**(8,690,564)**	**8,690,564**	**–**
	- Preference shares - Final 2023		**–**	**–**	**–**	**–**	**–**	**–**	**(84,690)**	**84,690**	**–**
At 31 December 2023			**7,161,680**	**2,800,000**	**2,000,055**	**–**	**(753,453)**	**730,082**	**40,818,649**	**8,775,254**	**61,532,267**

The notes set out on pages 125 to 221 form an integral part of these financial statements.

[1] Comprises excess depreciation transfer KShs 14,076,000, net of deferred tax KShs 4,223,000 (2022: KShs 14,759,000 excess depreciation transfer net of deferred tax KShs 4,428,000 for the year ended 31 December 2022).

Company statement of changes in equity

For the year ended 31 December 2023

KShs '000		Notes	Ordinary share capital and share premium	Preference share capital and share premium	Other reserves: Capital contribution reserve	Other reserves: Statutory credit risk reserve	Other reserves: Fair value reserve	Other reserves: Revaluation reserve	Retained earnings	Proposed dividends	Total
At 1 January 2022			7,161,680	2,800,000	1,910,996	1,249,844	526,664	889,290	32,566,322	5,374,599	52,479,395
Profit for the year			–	–	–	–	–	–	12,436,924	–	12,436,924
Other comprehensive loss			–	–	–	–	(1,397,852)	–	(39,985)	–	(1,437,837)
Total comprehensive (loss)/income			-	-	-	-	(1,397,852)	-	12,396,939	-	10,999,087
Transfers to statutory credit risk reserve			–	–	–	1,005,846	–	–	(1,005,846)	–	–
Excess depreciation transfer net of deferred tax[1]			–	–	–	–	–	(10,331)	10,331	–	–
Share option expense	- 2021 paid		–	–	(87,323)	–	–	–	–	–	(87,323)
	- 2022 accrued		–	–	114,861	–	–	–	–	–	114,861
Dividends paid	- Ordinary shares - Final 2021	15	–	–	–	–	–	–	–	(5,289,909)	(5,289,909)
	- Preference shares - Final 2021	15	–	–	–	–	–	–	–	(84,690)	(84,690)
	- Ordinary shares - Interim 2022	15	–	–	–	–	–	–	(2,267,103)	–	(2,267,103)
	- Preference shares - Interim 2022	15	–	–	–	–	–	–	(83,310)	–	(83,310)
Proposed dividend	- Ordinary shares - Final 2022	15	–	–	–	–	–	–	(6,045,610)	6,045,610	–
	- Preference shares - Final 2022	15	–	–	–	–	–	–	(84,690)	84,690	–
At 31 December 2022			**7,161,680**	**2,800,000**	**1,938,534**	**2,255,690**	**(871,188)**	**878,959**	**35,487,033**	**6,130,300**	**55,781,008**
Profit for the year			**–**	**–**	**–**	**–**	**–**	**–**	**13,917,230**	**–**	**13,917,230**
Other comprehensive income/(loss)			**–**	**–**	**–**	**–**	**117,735**	**(139,024)**	**552**	**–**	**(20,737)**
Total comprehensive income /(loss)			**-**	**-**	**-**	**-**	**117,735**	**(139,024)**	**13,917,782**	**-**	**13,896,493**
Transfers from statutory credit risk reserve			**–**	**–**	**–**	**(2,255,690)**	**–**	**–**	**2,255,690**	**–**	**-**
Excess depreciation transfer net of deferred tax[1]			**–**	**–**	**–**	**–**	**–**	**(9,853)**	**9,853**	**–**	**-**
Share option expense	- 2022 paid		**–**	**–**	**(114,861)**	**–**	**–**	**–**	**–**	**–**	**(114,861)**
	- 2023 accrued		**–**	**–**	**176,382**	**–**	**–**	**–**	**–**	**–**	**176,382**
Dividends paid	- Ordinary shares - Final 2022	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,045,610)**	**(6,045,610)**
	- Preference shares - Final 2022	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,690)**	**(84,690)**
	- Ordinary shares - Interim 2023	15	**–**	**–**	**–**	**–**	**–**	**–**	**(2,267,104)**	**–**	**(2,267,104)**
	- Preference shares - Interim 2023		**–**	**–**	**–**	**–**	**–**	**–**	**(83,310)**	**–**	**(83,310)**
Proposed dividend	- Ordinary shares - Final 2023	15	**–**	**–**	**–**	**–**	**–**	**–**	**(8,690,564)**	**8,690,564**	**-**
	- Preference shares - Final 2023	15	**–**	**–**	**–**	**–**	**–**	**–**	**(84,690)**	**84,690**	**-**
At 31 December 2023			**7,161,680**	**2,800,000**	**2,000,055**	**-**	**(753,453)**	**730,082**	**40,544,690**	**8,775,254**	**61,258,308**

The notes set out on pages 125 to 221 form an integral part of these financial statements.

[1] Comprises excess depreciation transfer KShs 14,076,000, net of deferred tax KShs 4,223,000 (2022: KShs 14,759,000 excess depreciation transfer net of deferred tax KShs 4,428,000 for the year ended 31 December 2022).

Consolidated and Company statements of cash flows

For the year ended 31 December 2023

	Notes	Group 2023 KShs '000	Group 2022 KShs '000	Company 2023 KShs '000	Company 2022 KShs '000
Cash flows from operating activities					
Profit before tax	12	**19,668,482**	17,103,199	**19,366,888**	17,138,414
Adjustments for non-cash items and other adjustments included within income statement		**1,878,515**	1,424,216	**1,878,515**	1,424,216
Change in operating assets	36	**(40,571,445)**	(16,392,751)	**(40,550,157)**	(16,397,272)
Change in operating liabilities	36	**52,229,237**	23,241,932	**52,092,292**	22,907,935
Cash generated from operating activities	36	**33,204,789**	25,376,596	**32,787,538**	25,073,293
Income taxes paid		**(8,195,305)**	(3,788,921)	**(7,837,197)**	(3,316,421)
Net cash generated from operating activities	13	**25,009,484**	21,587,675	**24,950,341**	21,756,872
Cash flows from financing activities					
Purchase of property and equipment	26)	**(637,619)**	(211,242)	**(637,619)**	(211,242)
Proceeds from sale of property and equipment		**3,363**	5,916	**3,363**	5,916
Purchase of intangible assets	27	**(1,896,648)**	(1,137,471)	**(1,896,648)**	(1,137,471)
Net cash used in investing activities		**(2,530,904)**	(1,342,797)	**(2,530,904)**	(1,342,797)
Cash flows from financing activities					
Lease liability payments	33	**(157,957)**	(169,705)	**(157,957)**	(169,705)
Share based payments:					
– 2022/2021 settled		**(114,861)**	(87,323)	**(114,861)**	(87,323)
Dividends paid on ordinary shares:					
– Final 2022/2021	15	**(6,045,610)**	(5,289,909)	**(6,045,610)**	(5,289,909)
– Interim 2023/2022	15	**(2,267,104)**	(2,267,103)	**(2,267,104)**	(2,267,103)
Dividends paid on preference shares:					
– Final 2022/2021	15	**(84,690)**	(84,690)	**(84,690)**	(84,690)
– Interim 2023/2022	15	**(83,310)**	(83,310)	**(83,310)**	(83,310)
Net cash used in financing activities		**(8,753,532)**	(7,982,040)	**(8,753,532)**	(7,982,040)
Increase in cash and cash equivalents		**13,725,048**	12,262,838	**13,665,905**	12,432,035
Cash and cash equivalents at 1 January	36	**74,575,796**	62,312,958	**75,056,733**	62,624,698
Cash and cash equivalents at 31 December	36	**88,300,844**	74,575,796	**88,722,638**	75,056,733
Additional information on operational cash flows from interest and dividends					
Interest received		**25,488,614**	21,254,344	**25,488,614**	21,254,344
Interest paid		**(4,242,448)**	(4,056,854)	**(4,259,460)**	(4,084,123)
Dividend received		**-**	-	**649,883**	709,535

The notes set out on pages 125 to 221 form an integral part of these financial statements.

1. Reporting Entity

Standard Chartered Bank Kenya Limited is incorporated as a limited company in Kenya under the Kenyan Companies Act, 2015, and is domiciled in Kenya. The Company is regulated by the Central Bank of Kenya. The address of its registered office is as follows:

StandardChartered@Chiromo

48 Westlands Road

P.O. Box 30003

00100 Nairobi GPO.

2. Accounting Policies

The accounting policies used by the Group are detailed in the relevant notes to the financial statements, except those set out below. Except as explained in Note 2(d)(i), all accounting policies have been applied consistently across the Group and to all the years presented in these financial statements.

(a) Statement of compliance

The Group financial statements consolidate, Standard Chartered Bank Kenya Limited (the Company) and its subsidiaries (together referred to as the Group).

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015. For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements, the balance sheet is represented by the statement of financial position, and the profit and loss account is presented by the income statement.

(b) Basis of preparation

The Group and Company financial statements set out on pages 108 to 221 have been prepared under the historical cost convention, as modified by the revaluation of the following items:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- financial instruments at fair value through other comprehensive income are measured at fair value;
- share-based payments are measured at fair value;
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service costs and unrecognised actuarial losses subject to the International Financial Reporting Interpretations Committee (IFRIC) 14 restrictions; and
- land and buildings are measured at revalued amounts.

The consolidated and separate financial statements are presented in Kenya shillings (KShs), and all values are rounded to the nearest thousand - KShs'000, except when otherwise indicated.

(c) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the relevant disclosure notes for the following areas:

- credit impairment (Note 4)
- effective interest rate (EIR) (Note 3)
- fair value and impairment of financial instruments (Note 3)
- tax (Note 13)
- goodwill impairment (Notes 24,27)

2. Accounting Policies continued

(c) Significant accounting estimates and judgments continued

- retirement benefit obligations (Note 34)
- determination of lease term for lease contract with renewal/termination options (Note 33)
- estimating incremental borrowing rate (Note 33)
- Revaluation of land and buildings (Note 26)

(d) New standards, amendments, and interpretations

(i) New accounting standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 . The new and amended standards and interpretations effective as of 1 January 2023 are listed and discussed below. The adoption of the standard and amendments did not have an impact on the financial statements of the Group.

New standard or amendments	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	1 January 2023

(ii) New accounting standards in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements which are relevant to the Group are discussed below. The Group intends to adopt these standards, if applicable, when they become effective. These standards are not expected to have a material impact on the Group's financial statements.

New standard or amendments	Effective for annual periods beginning on or after
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
Lack of exchangeability -Amendments to IAS 21	1 January 2025
Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its associate/joint venture	Deferred indefinitely

(e) Going concern

The directors have assessed the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Group has considered the impact of climate-related matters on their going concern assessment. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Financial assets and liabilities

Classification and measurement

Accounting policy

The Group classifies its financial assets into the following measurement categories:

– amortised cost;

– fair value through other comprehensive income (FVOCI); and

– fair value through profit or loss (FVPTL).

Financial liabilities are classified as either:

– amortised cost, or

– held at fair value through profit or loss.

Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost or held at fair value through other comprehensive income (FVOCI)

Debt instruments held at amortised cost or held at fair value through other comprehensive income (FVOCI) have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). The transaction price is the fair value of the financial asset at initial recognition, but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

Factors considered include:

- how the performance of the product business line is evaluated and reported to the Group's management;
- how managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Both a hold to collect business model and a hold to collect and sell business model involve holding assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Classification and measurement continued

Accounting policy continued

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Financial assets and liabilities held at fair value through profit or loss (FVTPL)

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term; and
- derivatives.

Non-trading, including:

- instruments in a business which has a fair value business model which are not trading or derivatives;
- hybrid financial assets that contain one or more embedded derivatives;
- financial assets that would otherwise be measured at amortised cost or FVOCI, but which do not have SPPI characteristics;
- equity instruments that have not been designated as held at FVOCI; and
- financial liabilities that constitute contingent consideration in a business combination.
- Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis (accounting mismatch).

Interest rate swaps have been acquired by the Group with the intention of significantly reducing interest rate risk on certain debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these debt securities have been designated at fair value through profit or loss.

Similarly, to reduce accounting mismatches, the Group has designated certain financial liabilities at fair value through profit or loss where the liabilities either:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets.
- Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a bifurcately embedded derivative where the Group is not able to separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit losses. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

3. Financial assets and liabilities continued

Classification and measurement continued

Accounting policy continued

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at the date. The fair value of a liability includes the risk that the Group will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at FVTPL

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in the income statement unless the instrument is part of a cash flow hedging relationship.

Financial liabilities designated at FVTPL

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the income statement, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in the income statement.

3. Financial assets and liabilities continued

Classification and measurement continued

Accounting policy continued

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially through sale all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 per cent , or if less than 10 per cent, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the income statement.

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates among other factors.

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the income statement to the extent that an impairment loss has not already been recorded.

Gains and losses arising from modifications for credit reasons are recorded as part of credit impairment. Modification gains and losses arising for non-credit reasons are recognised either as part of credit impairment or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income.

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets' changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in the income statement.

For financial assets held at amortised cost that are reclassified to FVOCI, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

3. Financial assets and liabilities continued

Classification and measurement continued

Accounting policy continued

Reclassified from FVOCI

Where financial assets held at FVOCI are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement.

For financial assets held at FVOCI that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative ECL held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from FVTPL

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at FVOCI or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of ECL. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

The Group's classification of its financial assets and liabilities as at 31 December 2023 and 2022 is summarised in the following tables.

		Assets at fair value					
Group At 31 December 2023 KShs '000	**Notes**	**Trading**	**Non-trading mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Total financial assets at fair value**	**Assets held at amortised cost**	**Total**
Cash and balances with Central Bank of Kenya	16	–	–	–	–	42,901,755	42,901,755
Government and other securities held at FVPTL	17	5,740,496	27,972	–	5,768,468	–	5,768,468
Government securities		5,740,496	–	–	5,740,496	–	5,740,496
Equity shares		–	27,972	–	27,972	–	27,972
Derivative financial instruments	18	925,051	–	–	925,051	–	925,051
Loans and advances to banks	19	–	–	–	–	3,957,778	3,957,778
Loans and advances to customers	19	–	–	–	–	163,161,777	163,161,777
Government securities held at FVOCI	20	–	–	63,834,200	63,834,200	–	63,834,200
Other assets	21	–	–	–	–	5,843,046	5,843,046
Due from group companies and other related parties	22	–	–	–	–	129,253,610	129,253,610
Total assets		**6,665,547**	**27,972**	**63,834,200**	**70,527,719**	**345,117,966**	**415,645,685**
At 31 December 2022							
Cash and balances with Central Bank of Kenya	16	–	–	–	–	23,257,306	23,257,306
Government and other securities held at FVPTL	17	965,720	21,211	–	986,931	–	986,931
Government securities		965,720	–	–	965,720	–	965,720
Equity shares		–	21,211	–	21,211	–	21,211
Derivative financial instruments	18	400,494	–	–	400,494	–	400,494
Loans and advances to banks	19	–	–	–	–	428,089	428,089
Loans and advances to customers	19	–	–	–	–	139,412,560	139,412,560
Government securities held at FVOCI	20	–	–	104,731,162	104,731,162	–	104,731,162
Other assets	21	–	–	–	–	3,235,568	3,235,568
Due from group companies and other related parties	22	–	–	–	–	96,121,186	96,121,186
Total assets		1,366,214	21,211	104,731,162	106,118,587	262,454,709	368,573,296

3. Financial assets and liabilities continued

Classification and measurement continued

Company At 31 December 2023 KShs '000	Notes	Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		Assets at fair value					
Cash and balances with Central Bank of Kenya	16	–	–	–	–	42,901,755	42,901,755
Government and other securities held at FVPTL	17	5,740,496	27,972	–	5,768,468		5,768,468
Government securities		5,740,496	–	–	5,740,496	–	5,740,496
Equity shares		–	27,972	–	27,972	–	27,972
Derivative financial instruments	18	925,051	–	–	925,051	–	925,051
Loans and advances to banks	19	–	–	–	–	3,957,778	3,957,778
Loans and advances to customers	19	–	–	–	–	163,161,777	163,161,777
Government securities held at FVOCI	20	–	–	63,834,200	63,834,200	–	63,834,200
Other assets	21	–	–	–	–	5,765,469	5,765,469
Due from group companies and other related parties	22	–	–	–	–	129,675,405	129,675,405
Total assets		6,665,547	27,972	63,834,200	70,527,719	345,462,184	415,989,903
At 31 December 2022							
Cash and balances with Central Bank of Kenya	16	–	–	–	–	23,257,306	23,257,306
Government and other securities held at FVPTL	17	965,720	21,211	–	986,931	–	986,931
Government securities		965,720	–	–	965,720	–	965,720
Equity shares		–	21,211	–	21,211	–	21,211
Derivative financial instruments	18	400,494	–	–	400,494	–	400,494
Loans and advances to banks	19	–	–	–	–	428,089	428,089
Loans and advances to customers	19	–	–	–	–	139,412,560	139,412,560
Government securities held at FVOCI	20	–	–	104,731,162	104,731,162	–	104,731,162
Other assets	21	–	–	–	–	3,179,280	3,179,280
Due from group companies and other related parties	22	–	–	–	–	96,602,123	96,602,123
Total assets		1,366,214	21,211	104,731,162	106,118,587	262,879,358	368,997,945

Financial statements

3. Financial assets and liabilities continued

Classification and measurement continued

Group At 31 December 2023 KShs '000	Notes	Liabilities at fair value Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Derivative financial instruments	18	1,109,841	–	–	1,109,841	–	1,109,841
Deposits from banks	29	–	–	–	–	4,327,045	4,327,045
Deposits from customers	30	–	–	–	–	342,853,241	342,853,241
Other liabilities - bills payable	31	–	–	–	–	3,177,188	3,177,188
Lease liability	31	–	–	–	–	270,705	270,705
Due to group companies and other related parties	22	–	–	–	–	9,757,711	9,757,711
Total liabilities		1,109,841	–	–	1,109,841	360,385,890	361,495,731
At 31 December 2022							
Derivative financial instruments	18	319,575	–	–	319,575	–	319,575
Deposits from banks	29	–	–	–	–	13,480,464	13,480,464
Deposits from customers	30	–	–	–	–	278,879,309	278,879,309
Other liabilities - bills payable	31	–	–	–	–	11,342,411	11,342,411
Lease liability	32	–	–	–	–	279,806	279,806
Due to group companies and other relat-ed parties	22	–	–	–	–	12,717,385	12,717,385
Total assets		319,575	–	–	319,575	316,699,375	317,018,950

Company At 31 December 2023 KShs '000	Notes	Liabilities at fair value Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Derivative financial instruments	18	1,109,841	–	–	1,109,841	–	1,109,841
Deposits from banks	29	–	–	–	–	4,327,045	4,327,045
Deposits from customers	30	–	–	–	–	342,853,241	342,853,241
Other liabilities - bills payable	31	–	–	–	–	3,177,188	3,177,188
Lease liability	31	–	–	–	–	270,705	270,705
Due to group companies and other related parties	22	–	–	–	–	10,368,876	10,368,876
Total liabilities		1,109,841	–	–	1,109,841	360,997,055	362,106,896
At 31 December 2022							
Derivative financial instruments	18	319,575	–	–	319,575	–	319,575
Deposits from banks	29	–	–	–	–	13,480,464	13,480,464
Deposits from customers	30	–	–	–	–	278,879,309	278,879,309
Other liabilities - bills payable	31	–	–	–	–	11,342,411	11,342,411
Lease liability	31	–	–	–	–	279,806	279,806
Due to group companies and other relat-ed parties	22	–	–	–	–	13,459,665	13,459,665
Total liabilities		319,575	–	–	319,575	317,441,655	317,761,230

3. Financial assets and liabilities continued

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated and separate statements of financial position except when IFRS netting criteria are met.

Other instruments, primarily over-the-counter derivatives, are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the Group also intends to settle on a net basis in all the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group.

The Valuation Control function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

Significant accounting estimates and judgments

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgment and estimation uncertainty in determining the carrying values of financial assets and liabilities at the reporting date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments.
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value.
- In determining the valuation of financial instruments, the Group makes judgments on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgments in respect of Level 3 instruments.
- Where the estimated measurement of fair value is more judgmental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs.

(a) Valuation techniques

The following sets out the Group's basis of establishing fair value of the financial instruments:

Derivative financial instruments and government securities held at fair value through profit or loss

Derivative financial instruments and government securities held for trading are measured at fair value as set out in Notes 18.

Cash and balances with Central Bank of Kenya

Cash and bank balances are measured at amortised cost. The fair value of cash and bank balances with the Central Bank of Kenya is their carrying amounts.

3. Financial assets and liabilities continued

Valuation of financial instruments continued

(a) Valuation techniques continueed

Loans and advances to banks

The fair value of floating rate placements and overnight deposits approximates their carrying amounts due to their short - term nature. The estimated fair value of fixed interest - bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of impairment losses. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances re-price within 12 months and hence the fair value approximates their carrying amounts.

Government and other securities

Investment securities with observable market prices, including debt and equity securities are fair valued using that information. Debt securities that do not have observable market data are fair valued by either discounting cash flows using prevailing market rates for debts with a similar credit risk and remaining maturity or using quoted market prices for securities with similar credit risk maturity and yield characteristics.

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest - bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity.

A substantial proportion of deposits mature within 6 months and hence the fair value approximates their carrying amounts.

(b) Valuation hierarchy - financial instruments at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- Level 3: Fair value measurements are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2023 and 2022:

	Group and Company				
At 31 December 2023	**Note**	**Level 1 KShs '000**	**Level 2 KShs '000**	**Level 3 KShs '000**	**Total KShs '000**
Assets					
Government and other securities held at FVPTL	17	–	5,740,496	27,972	5,768,468
Government securities		–	5,740,496	–	5,740,496
Equity shares		–	–	27,972	27,972
Derivative financial instruments	18	5,256	919,795	–	925,051
Foreign exchange		5,256	213,151	–	218,407
Interest rate		–	706,644	–	706,644
Government securities held at FVOCI	20	–	63,834,200	–	63,834,200
Total assets		5,256	70,494,491	27,972	70,527,719
Liabilities					
Derivative financial instruments	18	16,107	1,093,734	–	1,109,841
Foreign exchange		16,107	431,475	–	447,582
Interest rate		–	662,259	–	662,259
Total liabilities		16,107	1,093,734	–	1,109,841

3. Financial assets and liabilities continued

(b) Valuation hierarchy - financial instruments at fair value continued

		Group and Company			
At 31 December 2022	Note	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
Assets					
Government and other securities held at FVPTL	17	–	965,720	21,211	986,931
Government securities		–	965,720	–	965,720
Equity shares		–	–	21,211	21,211
Derivative financial instruments	18	–	400,494	–	400,494
Foreign exchange		–	309,618	–	309,618
Interest rate		–	90,876	–	90,876
Government securities held at FVOCI	20	–	104,731,162	–	104,731,162
Total assets		–	106,097,376	21,211	106,118,587
Liabilities					
Derivative financial instruments	18	–	319,575	–	319,575
Foreign exchange		–	228,842	–	228,842
Interest rate		–	90,733	–	90,733
Total liabilities		–	319,575	–	319,575

4. Financial risk and capital management

This section provides details of the Group's and Company's exposure to risk and describes the methods used by management to control risk in respect of financial instruments. The most significant types of financial risks to which the Group and Company are exposed to are credit risk, liquidity risk, market risk and operational risk. This section also provides details on how the Group manages its capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's enterprise risk management framework.

Through its risk management structure, the Group and Company seek to manage efficiently the core risks: credit, liquidity and market risk, which arise directly through the Group's and Company's commercial activities. Compliance and regulatory risk, operational risk and reputational risk are normal consequences of any business undertaking.

The Board is supported by executive level committees which are responsible for developing and monitoring Group and Company risk management policies in their specified areas. The executive level committees include the Asset and Liability Committee (ALCO), Anti-Money Laundering and Financial Crime Risk Committee (FCRC) and the Credit Issues Committee(CIC). The FCRC and CIC report to the Executive Risk Committee (ERC). All committees report regularly to the Board of Directors on their activities.

The Group's and Company's risk management policies are established to identify and analyse the risks faced by the Group and Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group and Company, through their 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 Board Risk Committee is responsible for monitoring compliance with the Group's and Company's risk management policies and procedures, and for reviewing the robustness of the risk management framework in relation to the risks faced by the Group and Company. The Board Risk Committee is supported in these functions by the Internal Audit Department, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Risk Committee.

Stress testing

Stress testing and scenario analysis are important components of the Group's and Company's risk assessment processes and are used to assess the financial management capability of the Group and the Company to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors which define the context within which the Group and Company operate. It is intended that stress testing and scenario analysis will help to inform management of:

- the nature and dynamics of the risk profile;
- the identification of potential future risks;
- the robustness of risk management systems and controls;
- adequacy of contingency planning; and
- the effectiveness of risk mitigants.

4. Financial risk and capital management continued

Details of how the various risks are managed are outlined below:

a) Credit risk

(i) Credit risk overview

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligation to pay the Group and Company. This arises principally from the Group's and Company's loans and advances to customers and other banks and government and other investment securities.

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 against loans and advances in the form of mortgage interests over property, other registered securities over assets and guarantees.

The Group and Company structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

Impairment model

The impairment model recognises expected credit losses (ECL) and it applies to all financial debt instruments held at amortised cost, fair value through other comprehensive income (FVOCI), undrawn commitments, letters of credit and financial guarantees. The impairment model is discussed in detail in Note 4 a(v)

(ii) Credit quality analysis

For the Corporate, Commercial & Institutional Banking portfolio, exposures are analysed by credit grade (CG), which plays a central role in the quality assessment and monitoring of risk. All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CGs 1 to 12 are assigned to stage 1 and stage 2 (performing) clients or accounts, while CGs 13 and 14 are assigned to stage 3 (defaulted) clients.

Within Consumer, Private and Business Banking where there are a large number of small value loans in credit cards and personal loans portfolios along with medium size loans to a maximum of KShs 156 million under mortgages and Business Banking, a primary indicator of potential impairment is delinquency. An account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes, the Group and Company follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due.

Mapping of credit quality

The Group uses the following internal risk mapping to determine the credit quality for loans.

Credit quality description	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking
	Internal grade mapping	Number of days past due
Strong	1A to 5B	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	Loans past due till 29 days
Higher risk	Grade 12	Past due loans 30 days and over till 90 days
Higher risk	Grade 13 and 14	Past due loans over 90 days

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage

Group and Company KShs '000	2023						
		Customer					
	Banks	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Customers total	Undrawn commitments	Financial guarantees and letters of credit
Stage 1	3,963,423	87,654,053	66,588,406	–	154,242,459	35,775,853	67,718,780
- Strong	3,963,423	38,655,727	6,141,921	–	44,797,648	14,506,554	56,369,574
- Satisfactory	–	48,998,326	60,446,485	–	109,444,811	21,269,299	11,349,206
Stage 2	–	3,346,818	3,524,244	–	6,871,062	3,431,271	1,833,420
- Strong	–	–	–	–	–	–	352,453
- Satisfactory	–	904,994	1,715,590	–	2,620,584	2,709,212	802,682
- Higher risk	–	2,441,824	1,808,655	–	4,250,478	722,059	678,285
Of which (stage 2):							
- Less than 30 days past due	–	–	–	–	–	–	–
- More than 30 days past due	–	3,346,818	3,524,245	–	6,871,062	–	–
Stage 3	–	7,210,820	4,612,275	–	11,823,095	11,422	268,291
Gross balance	3,963,423	98,211,691	74,724,925	–	172,936,616	39,218,546	69,820,491
Stage 1	(5,645)	(185,085)	(485,171)	–	(670,256)	(29,820)	(5,454)
- Strong	(5,645)	(55,437)	(462,522)	–	(517,959)	(10,090)	(1,777)
- Satisfactory	–	(129,648)	(22,649)	–	(152,297)	(19,730)	(3,677)
Stage 2	–	(616,180)	(760,048)	–	(1,376,228)	(57,696)	(18,540)
- Strong	–	–	–	–	–	(26)	(23)
- Satisfactory	–	(24,316)	(265,776)	–	(290,092)	(30,316)	(16,050)
- Higher risk	–	(591,864)	(494,272)	–	(1,086,136)	(27,354)	(2,467)
Stage 3	–	(5,594,780)	(2,133,575)	–	(7,728,355)	–	(77)
Total credit impairment	(5,645)	(6,396,045)	(3,378,794)	–	(9,774,839)	(87,516)	(24,071)
Net carrying value	3,957,778	91,815,646	71,346,131	–	163,161,777		
Stage 1	0.1%	0.2%	0.7%	0.0%	0.4%	0.1%	0.0%
- Strong	0.1%	0.1%	7.5%	0.0%	1.2%	0.1%	0.0%
- Satisfactory	0.0%	0.3%	0.0%	0.0%	0.1%	0.1%	0.0%
Stage 2	0.0%	18.4%	21.6%	0.0%	20.0%	1.7%	1.0%
- Strong	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Satisfactory	0.0%	2.7%	15.5%	0.0%	11.1%	1.1%	2.0%
- Higher risk	0.0%	24.2%	27.3%	0.0%	25.6%	3.8%	0.4%
Stage 3	0.0%	77.6%	46.3%	0.0%	65.4%	0.0%	0.0%
Cover ratio	0.1%	6.5%	4.5%	0.0%	5.7%	0.2%	0.0%
Net carrying value	3,957,778	91,815,646	71,346,130	–	163,161,777		

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage continued

Group and Company KShs '000	2022 Banks	Customer: Corporate, Commercial & Institutional Banking	Customer: Consumer, Private & Business Banking	Customer: Central & other items	Customers total	Undrawn commitments	Financial guarantees and letters of credit
Stage 1	430,551	66,881,168	66,491,485	–	133,372,653	32,196,813	69,437,033
- Strong	–	9,201,222	–	–	9,201,222	17,264,445	56,903,927
- Satisfactory	430,551	57,679,946	66,491,485	–	124,171,431	14,932,368	12,533,106
Stage 2	–	201,239	2,078,120	–	2,279,359	4,634,218	1,533,382
- Strong	–	73,948	–	–	73,948	153,660	363,086
- Satisfactory	–	50,310	51,953	–	102,263	3,692,313	1,024,137
- Higher risk	–	76,981	2,026,167	–	2,103,148	788,245	146,159
Of which (stage 2):							
- Less than 30 days past due	–	201,239	54,231	–	255,470	–	–
- More than 30 days past due	–	–	2,023,889	–	2,023,889	–	–
Stage 3	–	8,774,418	4,263,824	–	13,038,242	–	170,184
Gross balance	430,551	75,856,825	72,833,429	–	148,690,254	36,831,031	71,140,599
Stage 1	(2,462)	(75,827)	(1,694,694)	–	(1,770,521)	(42,644)	(10,213)
- Strong	(58)	(36,218)	(1,126,679)	–	(1,162,897)	(22,853)	(2,457)
- Satisfactory	(2,404)	(39,609)	(568,015)	–	(607,624)	(19,791)	(7,756)
Stage 2	–	(191,829)	(1,089,526)	–	(1,281,355)	(36,151)	(5,318)
- Strong	–	–	–	–	–	(206)	(407)
- Satisfactory	–	(47,572)	–	–	(47,572)	(35,240)	(3,967)
- Higher risk	–	(144,257)	(1,089,526)	–	(1,233,783)	(705)	(944)
Stage 3	–	(4,169,708)	(2,056,110)	–	(6,225,818)	–	(8,985)
Total credit impairment	(2,462)	(4,437,364)	(4,840,330)	–	(9,277,694)	(78,795)	(24,516)
Net carrying value	428,089	71,419,461	67,993,099	–	139,412,560		
Stage 1	0.6%	0.1%	2.5%	0.0%	1.3%	0.1%	0.0%
- Strong	0.0%	0.4%	0.0%	0.0%	12.6%	0.1%	0.0%
- Satisfactory	0.6%	0.1%	0.9%	0.0%	0.5%	0.1%	0.1%
Stage 2	0.0%	95.3%	52.4%	0.0%	56.2%	0.8%	0.3%
- Strong	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
- Satisfactory	0.0%	94.6%	0.0%	0.0%	46.5%	1.0%	0.4%
- Higher risk	0.0%	187.4%	53.8%	0.0%	58.7%	0.1%	0.6%
Stage 3	0.0%	47.5%	48.2%	0.0%	47.8%	0.0%	5.3%
Cover ratio	0.6%	5.8%	6.6%	0.0%	6.2%	0.2%	0.0%
Net carrying value	428,089	71,419,461	67,993,099	–	139,412,560		

The tables overleaf show the financial instruments and off-balance sheet commitments by stage with the total credit impairment against each financial instrument class.

The tables overleaf show the financial instruments and off-balance sheet commitments by stage with the total credit impairment against each financial instrument class.

The proportion of financial instruments held within stage 1 remained stable at 95 per cent (2022: 96 per cent). Total stage 1 balances increased by KShs 40.1 billion, with loans and advances to customers increasing by KShs 20.8 and government securities decreasing by KShs 40.9. Balances due to group companies and other related parties increased by KShs 33.1 billion. Stage 2 and 3 financial instruments are stable at 5 per cent (2022: 4 per cent) of the Group total.

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage continued

Group KShs '000	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	38,904,879	-	-	-	-	-	-	-	-	38,904,879	-	38,904,879
Loans and advances to banks (amortised cost)	3,963,423	(5,645)	3,957,778	-	-	-	-	-	-	3,963,423	(5,645)	3,957,778
Loans and advances to customers (amortised cost)	154,242,459	(670,256)	153,572,203	6,871,063	(1,376,228)	5,494,835	11,823,094	(7,728,355)	4,094,739	172,936,616	(9,774,839)	163,161,777
Government securities held at FVOCI[1]	63,834,200	(444,830)	63,834,200	-	-		-	-		63,834,200	(444,830)	63,834,200
Due from group companies and other related parties	129,281,610	(28,000)	129,253,610	-	-	-	-	-	-	129,281,610	(28,000)	129,253,610
Other assets	5,765,469	-	5,765,469	-	-	-	-	-	-	5,765,469	-	5,765,469
Undrawn commitments[2]	35,775,853	(29,820)		3,431,271	(57,696)		11,422	–		39,218,547	(87,516)	
Financial guarantees and letters of credit[2]	67,718,780	(5,454)		1,833,420	(18,540)		268,291	(77)		69,820,491	(24,071)	
Total	499,486,673	(1,184,005)		12,135,754	(1,452,464)		12,102,807	(7,728,432)		523,725,235	(10,364,901)	

[1] These instruments are held at fair value on the statement of financial position. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

[2] These are off-balance sheet instruments. Only the ECL is recorded in the statement of financial position as a financial liability and therefore there is no "net carrying amount".

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage continued

	2022											
	Stage 1			Stage 2			Stage 3			Total		
Group KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	19,799,461	–	19,799,461	–	–	–	–	–	–	19,799,461	–	19,799,461
Loans and advances to banks (amortised cost)	430,551	(2,462)	428,089	–	–	–	–	–	–	430,551	(2,462)	428,089
Loans and advances to customers (amortised cost)	133,372,653	(1,770,521)	131,602,132	2,279,359	(1,281,355)	998,004	13,038,242	(6,225,818)	6,812,424	148,690,254	(9,277,694)	139,412,560
Government securities held at FVOCI[1]	104,731,162	(225,229)	104,731,162	–	–		–	–		104,731,162	(225,229)	104,731,162
Due from group companies and other related parties	96,127,601	(6,415)	96,121,186	–	–	–	–	–	–	96,127,601	(6,415)	96,121,186
Other assets	3,235,568	–	3,235,568	–	–	–	–	–	–	3,235,568	–	3,235,568
Undrawn commitments[2]	32,196,812	(42,644)		4,634,218	(36,151)		–	–		36,831,030	(78,795)	
Financial guarantees and letters of credit[2]	69,437,033	(10,213)		1,533,382	(5,318)		170,184	(8,985)		71,140,599	(24,516)	
Total	459,330,841	(2,057,484)		8,446,959	(1,322,824)		13,208,426	(6,234,803)		480,986,226	(9,615,111)	

[1] These instruments are held at fair value on the statement of financial position. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

[2] These are off-balance sheet instruments. Only the ECL is recorded in the statement of financial position as a financial liability and therefore there is no "net carrying amount".

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage continued

	2023											
	Stage 1			Stage 2			Stage 3			Total		
Company KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	38,904,879	–	38,904,879	–	–	–	–	–	–	38,904,879	–	38,904,879
Loans and advances to banks (amortised cost)	3,963,423	(5,645)	3,957,778	–	–	–	–	–	–	3,963,423	(5,645)	3,957,778
Loans and advances to customers (amortised cost)	154,242,459	(670,256)	153,572,203	6,871,063	(1,376,228)	5,494,835	11,823,094	(7,728,355)	4,094,739	172,936,616	(9,774,839)	163,161,777
Government securities held at FVOCI[1]	63,834,200	(444,830)	63,834,200	–	–		–	–		63,834,200	(444,830)	63,834,200
Due from group companies and other related parties	129,703,405	(28,000)	129,675,405	–	–	–	–	–	–	129,703,405	(28,000)	129,675,405
Other assets	5,765,469	–	5,765,469	–		–	–	–	–	5,765,469	–	5,765,469
Undrawn commitments[2]	35,775,853	(29,820)		3,431,271	(57,696)		11,422	–		39,218,547	(87,516)	
Financial guarantees and letters of credit[2]	67,718,780	(5,454)		1,833,420	(18,540)		268,291	(77)		69,820,492	(24,071)	
Total	499,908,468	(1,184,005)		12,135,754	(1,452,464)		2,102,807	(7,728,432)		524,147,031	(10,364,901)	

[1] These instruments are held at fair value on the statement of financial position. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

[2] These are off-balance sheet instruments. Only the ECL is recorded in the statement of financial position as a financial liability and therefore there is no "net carrying amount".

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage continued

	2022											
	Stage 1			Stage 2			Stage 3			Total		
Company KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	19,799,461	–	19,799,461	–	–	–	–	–	–	19,799,461	–	19,799,461
Loans and advances to banks (amortised cost)	430,551	(2,462)	428,089	–	–	–	–	–	–	430,551	(2,462)	428,089
Loans and advances to customers (amortised cost)	133,372,653	(1,770,521)	131,602,132	2,279,359	(1,281,355)	998,004	13,038,242	(6,225,818)	6,812,424	148,690,254	(9,277,694)	139,412,560
Government securities held at FVOCI[1]	104,731,162	(225,229)	104,731,162	–	–		–	–		104,731,162	(225,229)	104,731,162
Due from group companies and other related parties	96,608,538	(6,415)	96,602,123	–	–	–	–	–	–	96,608,538	(6,415)	96,602,123
Other assets	3,179,280	–	3,179,280	–	–	–	–	–	–	3,179,280	–	3,179,280
Undrawn commitments[2]	32,196,812	(42,644)		4,634,218	(36,151)		–	–		36,831,030	(78,795)	
Financial guarantees and letters of credit[2]	69,437,033	(10,213)		1,533,382	(5,318)		170,184	(8,985)		71,140,599	(24,516)	
Total	459,755,490	(2,057,484)		8,446,959	(1,322,824)		13,208,426	(6,234,803)		481,410,875	(9,615,111)	

[1] These instruments are held at fair value on the statement of financial position. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

[2] These are off-balance sheet instruments. Only the ECL is recorded in the statement of financial position as a financial liability and therefore there is no "net carrying amount".

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of loans and advances concentration by sector

Credit concentration risk in Corporate, Commercial & Institutional Banking segment is managed through the use of various concentration dimensions that include industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Consumer, Private & Business Banking segment is managed within exposure limits set for each product segment. These limits are reviewed at least annually and are approved by the responsible business and risk officer and ultimately by the Board in accordance with their delegated authority level.

Group and Company

	2023				2022			
	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000	Stage 1	Stage 2	Stage 3	Total
On balance sheet								
Business services	**19,782,989**	**–**	**126**	**19,783,115**	11,087	–	133	11,220
Manufacturing	**15,530,819**	**557,626**	**3,896,693**	**19,985,138**	22,080,307	52,274	2,979,385	25,111,966
Wholesale and retail	**11,791,205**	**2,837,226**	**2,274,146**	**16,902,577**	14,937,956	253,857	3,173,417	18,365,230
Transport and communication	**31,184,400**	**153,436**	**114,028**	**31,451,864**	24,097,767	116,284	740,227	24,954,278
Real estate	**771,484**	**122**	**224,192**	**995,798**	993,003	112,843	132,708	1,238,554
Agriculture	**2,245,985**	**102,299**	**463,352**	**2,811,636**	2,854,795	27,753	626,392	3,508,940
Energy and water	**12,941,407**	**–**	**666,713**	**13,608,120**	5,721,674	5,628	2,240,273	7,967,575
Others	**59,994,170**	**3,220,354**	**4,183,844**	**67,398,368**	62,676,064	1,710,720	3,145,707	67,532,491
Total	**154,242,459**	**6,871,063**	**11,823,094**	**172,936,616**	133,372,653	2,279,359	13,038,242	148,690,254
Expected credit loss	**(670,256)**	**(1,376,228)**	**(7,728,355)**	**(9,774,839)**	(1,770,521)	(1,281,355)	(6,225,818)	(9,277,694)
Carrying amount as at 31 December	**153,572,203**	**5,494,835**	**4,094,739**	**163,161,777**	131,602,132	998,004	6,812,424	139,412,560

Group and Company

	2023				2022			
	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000	Stage 1 KShs '000	Stage 2 KShs '000	Stage 3 KShs '000	Total KShs '000
On balance sheet								
Corporate, Commercial & Institutional Banking	**87,654,053**	**3,346,819**	**7,210,820**	**98,211,692**	66,881,168	201,239	8,774,418	75,856,825
Consumer, Private & Business Banking	**66,588,406**	**3,524,244**	**4,612,274**	**74,724,924**	66,491,485	2,078,120	4,263,824	72,833,429
	154,242,459	**6,871,063**	**11,823,094**	**172,936,616**	133,372,653	2,279,359	13,038,242	148,690,254

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Movement in gross exposures and credit impairment

The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and Government securities held at FVOCI.

Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Discount unwind is reported in net interest income and related to stage 3 financial instruments only.

The approach for determining the key line items in the tables is set out below.

- Transfers - transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances;
- Net remeasurement from stage changes - the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year;
- Net changes in exposures - new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate, Commercial & Institutional Banking) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are a credit grade 12, or when non-investment grade debt securities are acquired;
- Changes in risk parameters - for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3; and
- Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Movement of Government securities held at FVOCI

Group and Company KShs '000	Stage 1 – Total Gross balance	 Total credit impairment
As at 1 January 2022	91,014,905	(321,799)
Additions	99,982,330	-
Disposals and maturities	(85,251,618)	96,375
Changes in fair value	(1,732,592)	-
Fair value recycled through income statement	(167,769)	195
Movement in accrued interest	139,691	-
Amortisation of discounts and premiums	746,215	–
As at 31 December 2022	104,731,162	(225,229)
Income statement ECL release		96,570
As at 1 January 2023	**104,731,162**	**(225,229)**
Additions	**70,648,767**	**(262,390)**
Disposals and maturities	**(113,544,150)**	**42,788**
Changes in fair value	**(3,281,903)**	**–**
Fair value recycled through income statement	**3,230,494**	**–**
Movement in accrued interest	**(1,163,911)**	**–**
Amortisation of discounts and premiums	**3,213,741**	**–**
As at 31 December 2023	**63,834,200**	**(444,831)**
Income statement ECL charge		**(219,602)**

All investments in Government securities held at FVOCI were classified as stage 1. Government securities are held at fair value in the statement of financial position. Therefore, there is no "net carrying amount". The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

Movement of loans and advances to banks

Group and Company KShs '000	Stage 1 – Total Gross balance	 Total credit impairment	 Net
As at 1 January 2022	2,431,869	(2,818)	2,429,051
Additions	111,775,760	(785)	111,774,975
Repayments	(113,788,187)	–	(113,788,187)
Changes in risk parameters	–	1,182	1,182
Exchange translation differences	11,109	(41)	11,068
As at 31 December 2022	430,551	(2,462)	428,089
Income statement ECL release	–	397	–
As at 1 January 2023	**430,551**	**(2,462)**	**428,089**
Additions	**54,156,739**	**(2,207)**	**54,154,532**
Repayments	**(50,703,269)**	**142**	**(50,703,127)**
Exchange translation differences	**79,402**	**(1,118)**	**78,284**
As at 31 December 2023	**3,963,423**	**(5,645)**	**3,957,778**
Income statement ECL charge	**–**	**(2,065)**	**–**

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Movement in gross exposures and credit impairment loans and advances to customers

Group and Company KShs '000	Stage 1 Gross balance	Stage 1 Total credit impairment	Stage 1 Net	Stage 2 Gross balance	Stage 2 Total credit impairment	Stage 2 Net	Stage 3 Gross balance	Stage 3 Total credit impairment	Stage 3 Net	Total Gross balance	Total Total credit impairment	Total Net
As at 1 January 2022	116,603,967	(1,142,863)	115,461,104	5,831,423	(1,281,355)	4,550,068	13,746,550	(7,783,132)	5,963,418	136,181,940	(10,207,350)	125,974,590
Transfers to stage 1	3,629,522	(116,890)	3,512,632	(3,629,522)	116,890	(3,512,632)	-	-	-	-	-	-
Transfers to stage 2	(22,826,317)	625,579	(22,200,738)	23,092,928	(680,729)	22,412,199	(266,612)	55,150	(211,462)	-	-	-
Transfers to stage 3	-	-	-	(2,914,607)	1,370,311	(1,544,296)	2,914,607	(1,370,311)	1,544,296	-	-	-
Newly originated	183,152,059	(1,964,767)	181,187,292	(17,882,374)	-	(17,882,374)	-	-	-	165,269,685	(1,964,767)	163,304,918
Repayments	(149,710,889)	570,112	(149,140,777)	-	42,056	42,056	(759,140)	59,515	(699,625)	(150,470,029)	671,683	(149,798,346)
Net remeasurement from stage changes	2,419,209	190,304	2,609,513	(2,419,209)	(1,181,466)	(3,600,675)	-	827,475	827,475	-	(163,687)	(163,687)
Changes in models	-	112,365	112,365	-	351,150	351,150	-	(335,599)	(335,599)	-	127,916	127,916
Changes in risk parameters	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	(2,398,725)	2,321,084	(77,641)	(2,398,725)	2,321,084	(77,641)
Exchange translation differences	105,102	(44,361)	60,741	200,720	(18,212)	182,508	(198,438)	-	(198,438)	107,383	(62,573)	44,810
As at 31 December 2022	133,372,653	(1,770,521)	131,602,132	2,279,359	(1,281,355)	998,004	13,038,242	(6,225,818)	6,812,424	148,690,254	(9,277,694)	139,412,560
Income statement ECL (charge)/release	-	(1,091,986)	-	-	(788,260)	-	-	551,391	-	-	(1,328,855)	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	443,237	-	-	443,237	-
Total credit impairment charge	-	(1,091,986)	-	-	(788,260)	-	-	994,628	-	-	(885,618)	-
As at 1 January 2023	**133,372,653**	**(1,770,521)**	**131,602,132**	**2,279,359**	**(1,281,355)**	**998,004**	**13,038,242**	**(6,225,818)**	**6,812,424**	**148,690,254**	**(9,277,694)**	**139,412,560**
Transfers to stage 1	**9,039,992**	**(897,462)**	**8,142,530**	**(9,039,992)**	**897,462**	**(8,142,530)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(41,202,332)**	**331,763**	**(40,870,569)**	**45,144,153**	**(864,093)**	**44,280,061**	**(3,941,821)**	**532,330**	**(3,409,491)**	**–**	**–**	**–**
Transfers to stage 3	**–**	**–**	**–**	**(8,409,284)**	**477,121**	**(7,932,163)**	**8,409,284**	**(477,121)**	**7,932,163**	**–**	**–**	**–**
Newly originated	**257,833,308**	**(758,937)**	**257,074,371**	**-**	**-**	**-**	**-**	**-**	**-**	**257,833,308**	**(758,937)**	**257,074,371**
Repayments	**(206,590,999)**	**561,849**	**(206,029,150)**	**(23,752,198)**	**292,489**	**(23,459,709)**	**(3,563,243)**	**4,031,179**	**467,936**	**(233,906,440)**	**4,885,517**	**(229,020,923)**
Net remeasurement from stage changes	**–**	**176,968**	**176,968**	**–**	**(293,996)**	**(293,996)**	**–**	**(1,275,825)**	**(1,275,825)**	**–**	**(1,392,853)**	**(1,392,852)**
Changes in models	**–**	**592,728**	**592,728**	**–**	**(357,001)**	**(357,001)**	**–**	**(6,325,799)**	**(6,325,802)**	**–**	**(6,090,072)**	**(6,090,072)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(4,012,597)**	**4,037,165**	**24,569**	**(4,012,597)**	**4,037,165**	**24,568**
Exchange translation differences	**1,789,837**	**1,093,356**	**2,883,193**	**649,025**	**(246,855)**	**402,169**	**1,893,229**	**(2,024,466)**	**(131,242)**	**4,332,091**	**(1,177,965)**	**3,154,126**
As at 31 December 2023	**154,242,459**	**(670,256)**	**153,572,203**	**6,871,063**	**(1,376,228)**	**5,494,835**	**11,823,094**	**(7,728,355)**	**4,094,739**	**172,936,616**	**(9,774,839)**	**163,161,777**
Income statement ECL (charge)/release	**–**	**572,608**	**–**	**–**	**(358,508)**	**–**	**–**	**(3,570,445)**	**–**	**–**	**(3,356,345)**	**–**
Recoveries of amounts previously written off	**–**	**–**	**–**	**–**		**–**	**–**	**387,902**	**–**	**–**	**387,902**	**–**
Total credit impairment (charge)/release	**–**	**572,608**	**–**	**–**	**(358,507)**	**–**	**–**	**(3,182,543)**	**–**	**–**	**(2,968,443)**	**–**

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Movement in gross exposures and credit impairment on balances due from group companies and other related parties

Group KShs '000	Stage 1 – Total Gross balance	Total credit impairment	Net
As at 1 January 2022	72,005,545	(13,617)	71,991,928
Additions	84,069,239	(23,612)	84,045,627
Repayments	(59,947,183)	30,814	(59,916,369)
As at 31 December 2022	96,127,601	(6,415)	96,121,186
Income statement ECL release	–	7,202	–
As at 1 January 2023	**96,127,601**	**(6,415)**	**96,121,186**
Newly originated	**62,752,611**	**(21,849)**	**62,730,762**
Repayments	**(29,598,602)**	**264**	**(29,598,338)**
As at 31 December 2023	**129,281,610**	**(28,000)**	**129,253,610**
Income statement ECL charge	**–**	**(21,585)**	**–**

Company KShs '000	Stage 1 – Total Gross balance	Total credit impairment	Net
As at 1 January 2022	72,317,285	(13,617)	72,303,668
Additions	84,238,436	(23,612)	84,214,824
Repayments	(59,947,183)	30,814	(59,916,369)
As at 31 December 2022	96,608,538	(6,415)	96,602,123
Income statement ECL release	–	7,202	–
As at 1 January 2023	**96,608,538**	**(6,415)**	**96,602,123**
Newly originated	**62,752,611**	**(21,849)**	**62,730,762**
Repayments	**(29,657,744)**	**264**	**(29,657,480)**
As at 31 December 2023	**129,703,405**	**(28,000)**	**129,675,405**
Income statement ECL charge	**–**	**(21,585)**	**–**

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

Movement in gross exposures and credit impairment on undrawn commitments, financial guarantees and letters of credit

	Stage 1		Stage 2		Stage 3		Total	
Group and Company KShs '000	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment
As at 1 January 2022	107,202,282	(45,831)	7,847,835	(51,775)	161,727	(8,985)	115,211,844	(106,591)
Transfers to stage 1	4,115,619	(16,110)	(4,115,619)	16,110	–	–	–	–
Transfers to stage 2	(7,687,426)	17,238	7,687,426	(17,238)	–	-	–	–
Transfers to stage 3	–	–	–	-	–	-	–	–
Newly originated during the period	86,544,201	(40,433)	687,902	–	123,722	–	87,355,825	(40,433)
Applied during the period	(88,501,485)	–	(5,919,663)	(35,009)	(114,856)	–	(94,536,004)	(35,009)
Net remeasurement from stage changes	–	8,992	–	–	–	–	–	8,992
Changes in risk parameters	–	16,003	–	47,005	–	268	–	63,276
Exchange translation differences	(39,347)	7,284	(20,281)	(562)	(409)	(268)	(60,037)	6,454
As at 31 December 2022	101,633,844	(52,857)	6,167,600	(41,469)	170,184	(8,985)	107,971,628	(103,311)
Income statement ECL (charge)/release	–	(15,438)	–	11,996	–	268	–	(3,174)
Total credit impairment (charge)/release	–	(15,438)	–	11,996	–	268	–	(3,174)
As at 1 January 2023	**101,633,844**	**(52,857)**	**6,167,600**	**(41,469)**	**170,184**	**(8,985)**	**107,971,628**	**(103,311)**
Transfers to stage 1	**7,834,206**	**(48,830)**	**(7,834,206)**	**48,830**	**-**	**-**	**-**	**-**
Transfers to stage 2	**(17,290,737)**	**14,329**	**17,326,466**	**(23,314)**	**(35,729)**	**8,985**	**-**	**-**
Transfers to stage 3	**-**	**-**	**(533,245)**	**208**	**533,245**	**(208)**	**-**	**-**
Newly originated during the period	**91,020,997**	**(24,570)**	**-**		**-**		**91,020,997**	**(24,570)**
Applied during the period	**(84,195,328)**		**(10,326,874)**	**(66,931)**	**(388,327)**	**(16,611)**	**(94,910,529)**	**(83,542)**
Net remeasurement from stage changes	**-**	**15,742**	**-**	**(7,007)**	**-**	**-**	**-**	**8,735**
Changes in risk parameters	**-**	**59,725**	**-**	**16,610**	**-**	**16,742**	**-**	**93,077**
Exchange translation differences and other movements	**4,491,652**	**1,187**	**464,950**	**(3,163)**	**340**	**-**	**4,956,942**	**(1,976)**
As at 31 December 2023	**103,494,634**	**(35,274)**	**5,264,691**	**(76,236)**	**279,713**	**(77)**	**109,039,038**	**(111,587)**
Income statement ECL (charge)/release	**-**	**50,897**	**-**	**(57,328)**	**-**	**131**	**-**	**(6,300)**
Total credit impairment (charge)/release	**-**	**50,897**	**-**	**(57,328)**	**-**	**131**	**-**	**(6,300)**

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Credit quality analysis continued

These are off-balance sheet instruments. Only the ECL is recorded on as a financial in the statement of financial position as a liability and therefore there is no "net carrying amount". ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component.

(iii) Collateral held and other credit enhancements

The Group and Company hold collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property, fixed assets such as plant and machinery, marketable securities, bank guarantees and letters of credit.

The Group and Company also enter into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Group's and Company's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2023 and 2022.

The table below details collateral held against exposures, showing separately stage 1, stage 2 and stage 3 exposures and corresponding collateral.

4. Financial risk and capital management continued

a) Credit risk continued

(ii) Collateral held and other credit enhancements continued

Fair value of collateral held

	2023										
		Stage 1		Stage 2				Stage 3		Totals	
Group and Company KShs '000	**Financial assets**	**Collateral**	**Financial assets**	**Collateral**	**Financial assets**	**Collateral**	**Financial assets**	**Collateral**	**Financial assets**	**Collateral**	**Financial assets**
Corporate, Commercial & Institutional Banking	**86,500,696**	**72,491,832**	**14,008,864**	**1,162,816**	**6,859,952**	**(5,697,136)**	**3,049,350**	**1,549,639**	**1,499,711**	**90,712,862**	**80,901,422**
Consumer, Private & Business Banking	**67,071,507**	**65,192,014**	**1,879,493**	**4,332,019**	**4,591,136**	**(259,117)**	**1,045,389**	**788,345**	**257,043**	**72,448,915**	**70,571,495**
Total	**153,572,203**	**137,683,846**	**15,888,357**	**5,494,835**	**11,451,088**	**(5,956,251)**	**4,094,739**	**2,337,984**	**1,756,754**	**163,161,777**	**151,472,917**

	2022										
		Stage 1		Stage 2				Stage 3		Totals	
Group and Company KShs '000	Financial assets	Collateral	Financial assets	Collateral	Financial assets	Collateral	Financial assets	Collateral	Financial assets	Collateral	Financial assets
Corporate, Commercial & Institutional Banking	66,805,341	24,256,749	5,785,431	9,410	7,503,175	(7,493,765)	4,604,710	2,896,376	1,708,334	71,419,461	34,656,300
Consumer, Private & Business Banking	64,796,792	65,278,189	268,089	988,593	1,174,062	(185,469)	2,207,714	2,290,334	(82,620)	67,993,099	68,742,585
Total	131,602,133	89,534,938	6,053,520	998,003	8,677,237	(7,679,234)	6,812,424	5,186,710	1,625,714	139,412,560	103,398,885

(iv) Problem credit management

Accounts or portfolios are placed on an early alert report and regularly reviewed by the Credit Issues Committee when they display signs of weakness or financial deterioration for example where there is a rapid decline in the client's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process with oversight involving the Chief Executive Officer, Chief Risk Officer, Senior Credit Officer and Stressed Assets Group ("SAG"). Account plans are re-evaluated, and remedial actions are agreed and monitored until completed. Remedial actions include, but are not limited to, reviewing structure of facilities, exposure reduction, security enhancement, exit of the accounts or immediate movement of the accounts into the control of SAG, the specialist recovery unit.

For Consumer, Private & Business Banking facilities, Business banking accounts are placed on Stressed Accounts Monitoring when they become delinquent or when their credit turnovers show a declining trend. The accounts are then transferred to collections team upon further deterioration. On reaching 90 days past due (dpd), the accounts are managed through a foreclosure process. The accounts are and regularly reviewed by the Credit Issues Committee with oversight involving the Chief Executive Officer, Chief Risk Officer and Country Credit Head.

a) Credit risk continued

(v) Expected credit loss measurement

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month ECL is recognised. Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

ECL for financial assets will transfer from a 12- month basis to lifetime when there is significant increase in credit risk (SICR) compared with what was expected at origination or when they become credit impaired. On transfer to a lifetime basis, the ECL for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date.

SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's and Company's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.

Instruments are classified as stage 3 when they become credit impaired. Lifetime ECL is recognised for stage 3 assets.

Stage 1	Stage 2	Stage 3
12-month expected credit loss	Lifetime expected credit loss	Credit impaired
Performing	Performing but significant increase in credit risk (SICR)	Non-performing

Transfers between stages

Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit impaired.

Assets will not be considered to be credit-impaired only if the customer makes payments such that all arrears have been cleared in line with the original contractual terms.

In addition:

- loans that were subject to forbearance measures must remain current for 12 months before they can be transferred to stage 2 or stage 1 when they are no longer considered to have significant increase in credit risk; and
- Consumer, Private & Business Banking loans that were not subject to forbearance measures must remain current for 180 days before they can be transferred to stage 2 or stage 1.

Assets may transfer to stage 1 if they are no longer considered to have experienced a SICR. This will be immediate when the original probability of default (PD) based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).

Approach to determining ECL - inputs, assumptions and estimation techniques

ECL is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) defined as follows:

- PD is the probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the asset (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. PD is estimated at a point in time, that means it will fluctuate in line with the economic cycle.
- LGD refers to the loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Bank expects to receive. The Group and Company estimate LGD based on the history of recovery rates and consider the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
- EAD refers to the expected reporting date exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

ECL is determined by projecting the PD, LGD and EAD for each future month for each exposure or segment. These three components are multiplied together and adjusted for survival (i.e. the exposure has not prepaid or defaulted in an earlier month) effectively calculating ECL for a future month. This is then discounted to the reporting date using the effective interest rate. For portfolios within Corporate, Commercial & Institutional Banking, and material CPBB portfolios that do not have objective evidence of impairment (Stages 1 and 2), ECLs are determined by estimating the expected cash shortfalls by multiplying the PD with the LGD and the EAD. The ECL is discounted to the reporting date using a rate that approximates the effective interest rate (EIR) of the asset.

4. Financial risk and capital management continued

a) Credit risk continued

(v) Expected credit loss measurement continued

Approach to determining ECL - inputs, assumptions and estimation techniques continued

Where insufficient information is available for certain small CPBB portfolios for the Group and Company to assess lifetime ECL at individual instrument level, ECL may be measured on a collective basis that considers credit risk information on instrument groups that share similar credit risk characteristics. For smaller, less complex CPBB portfolios, simplified models are used to determine ECL. These use a combination of roll rate and loss rate models.

ECL is estimated based on the shorter of the expected life and the maximum contractual period for which the Group and Company are exposed to credit risk. For Consumer, Private & Business Banking credit cards and Corporate, Commercial & Institutional Banking overdraft facilities, however, the Group and Company do not typically enforce the contractual period. As a result, for these instruments, the lifetime of the exposure is based on the period the Group and Company are exposed to credit risk. This period has been determined by reference to the extent to which credit risk management actions curtail the period of exposure. For credit cards, this has resulted in an average life of 12 months. Overdraft facilities have a 22-month lifetime.

The lifetime of drawn and undrawn committed revolving facilities in the Corporate, Commercial & Institutional Banking segments, is set at the residual tenor of the respective facilities. With the exception of overdraft facilities, drawn and undrawn revolving facilities in these client segments do not give rise to credit risk and hence no ECL because the Group and Company have a legal right to revoke the facilities at short notice and has a practice of doing so in response to a SICR.

Forward looking economic information is also included in determining the 12-month and lifetime PD, LGD and EAD as detailed below. The assumptions underlying the ECL calculation such as the maturity profile of the PDs and how collateral values change etc, are monitored and reviewed on a quarterly basis.

Incorporation of forward-looking information

Multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall ECL amounts to address the non-linearity characteristic of credit losses. These scenarios are conditioned internal macroeconomic views of the Group and Company.

The Multiple Scenario solution consists of three integrated components:

(i) A set of point forecasts, generated by the Scenario Design Team ("SDT"), that sets the internal view of the future macroeconomic environment;

(ii) A set of simulation models, calibrated on historical data, to generate "un-weighted" alternative scenarios; and

(iii) A procedure to ensure that the simulations (component (ii) above) are plausible given the internal view (component (i) above). The procedure yields probability weights that are attached to the alternative scenarios.

The Multiple Scenario solution generates 50 random scenarios to ensure non-linearity is appropriately reflected. To ensure these scenarios remain plausible, simulated macroeconomic variables have to fall within defined ceilings or floors, which are set by SDT to enable a wide range of reasonably possible scenarios while excluding extreme or implausible scenarios.

The reported ECL is therefore the equally weighted average of the ECL of the 50 simulated scenarios, whose average scenario coincides closely with the central economic scenario. In this way, the methodology both orients the ECL to management view of the economic outlook and incorporates significant dispersion around the management view to account for unforeseen eventualities.

The review and challenge of the macroeconomic forecasts is primarily driven through the activities of the IFRS 9 Expert Panel and the IFRS 9 Impairment Committee.

The table below sets out a representative summary of the economic variables and asset prices that the Group and Company considered most important in the determination of ECL.

	2023			2022		
Group KShs '000	**Base forecast**	**Low[5]**	**High[6]**	Base forecast	Low	High
GDP Growth (YoY%)	**4.97**	**4.47**	**5.46**	5.35	4.81	5.88
FX rate (KShs)	**147**	**132**	**162**	127	114	139
Government spending (KShs Billions)	**3,368**	**3,031**	**3,705**	3,307	2,976	3,637
Household income (KShs Billions)	**2,962**	**2,666**	**3,258**	2,675	2,407	2,942
Imports (KShs Billions)	**571**	**513**	**628**	698	628	768
Interest rate - 91 Day TB rate (%)	**10.60**	**9.54**	**11.66**	7.32	6.59	8.05
Consumer price index	**263**	**236**	**289**	243	218	267
Equity index	**51**	**46**	**56**	68	62	75

4. Financial risk and capital management continued

a) Credit risk continued

(v) Expected credit loss measurement continued

Credit impaired assets managed by the Stressed Assets Group (SAG) department incorporate forward looking economic assumptions in respect of recovery outcomes identified and are assigned individual probability weightings. These assumptions are not based on Monte Carlo simulation but are informed by the base case.

Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables that might have the greatest impact on overall ECL. These encompassed single variable and multi-variable exercises, using simple up/down variation and extracts from actual calculation data, as well as bespoke scenario design and assessments. The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential. The Group believes this is plausible as the number of variables used in the ECL calculation is large. This does not mean that macroeconomic variables are uninfluential; rather, that the Group believes that consideration of macroeconomics should involve whole scenarios, as this aligns with the multi-variable nature of the calculation.

Significant increase in credit risk

Significant deterioration is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These quantitative significant deterioration thresholds have been separately defined for each business segment and where meaningful, are consistently applied across business lines.

Corporate, Commercial & Institutional Banking segment

- **Quantitative criteria:** exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date. The relative threshold is a 100 per cent increase in PD and the absolute change in PD is between 50 - 100 basis points.
- **Qualitative criteria:** all accounts that have been placed on Early Alert (for non-purely precautionary reasons) are deemed to have experienced a significant increase in credit risk. An account is placed on Early Alert on a non-purely precautionary basis if it exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

All accounts that have been assigned a CG12 rating, equivalent to 'Higher Risk', are deemed to have experienced a significant increase in credit risk (SICR). Accounts rated CG12 are managed by the Special Asset unit. The only exception to this is for accounts under KShs 780m in Corporate and Institutional Banking and Commercial Banking where business Relationship Managers (RMs) will retain responsibility for managing CG12-14 client groups with exposures of less than or equal to KShs 780m. The Business RMs will continue managing these accounts with the approvals from credit (when client is in CG12) or country business heads via SAG delegated authority (when client is in CG13/14)

All Corporate, Commercial & Institutional Banking clients are placed on CG12 when they are 30 days past due (dpd) unless they are granted a waiver through a strict governance process.

Consumer, Private & Business Banking segment

- **Quantitative criteria:** exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date. The relative threshold is a 100 per cent increase in PD and the absolute change in PD is between 50 - 100 basis points.
- **Qualitative criteria:** accounts that are 30 dpd that have not been captured by the quantitative criteria are considered to have experienced a SICR. For medium and small sized portfolios, which are modelled based on a roll-rate or loss-rate approach, SICR is primarily assessed through the 30 dpd trigger.

Backstop

Across all portfolios, accounts that are 30 or more dpd on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a SICR.

Expert credit judgment may be applied in assessing SICR to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events arising close to the reporting date.

4. Financial risk and capital management continued

a) Credit risk continued

(v) Expected credit loss measurement continued

Assessment of credit-impaired assets

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default is the failure to meet the legal obligations of a loan. Default occurs when the obligor is unlikely to pay its credit obligations in full, including where the obligor:

- is more than 90 days past due on payments on any material debt;
- has filed for, or is in the process of filing, or has asked to be placed into bankruptcy; and
- has asked for credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Bank has granted concessions that it would not ordinarily consider.

Corporate, Commercial & Institutional Banking segment

Credit-impaired accounts are managed by the Group's specialist recovery unit, SAG which is independent of its main businesses. Where any amount is considered irrecoverable, a stage 3 credit-impairment provision is raised. This stage 3 provision is the difference between the loan carrying amount and the probability weighted present value of estimated future cash flows, reflecting a range of scenarios (typically the best, worst and most likely recovery outcomes). Where the cash flows include realisable collateral, the values used will incorporate the impact of forward-looking economic information.

The individual circumstances of each client are considered when SAG estimates future cash flows and timing of future recoveries which involve significant judgment. All available sources, such as cash flows arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered.

Consumer, Private & Business Banking segment

The core components in determining credit impaired ECL provisions are the value of gross charge off and recoveries. Gross charge off for unsecured facilities occurs when dpd reaches the specified levels for product type e.g. personal loans, credit cards, auto loans and overdrafts at 150dpd, excess and DRPs at 90 dpd.

Grouping of instruments for losses measured on a collective basis

In any decision relating to the raising of provisions, the Group and Company attempt to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Secured facilities

For Secured facilities upon credit impairment: -

- Provision is raised for the shortfall between the facilities carrying amount and the discounted forced sale value (FSV) of the collateral for loans or,
- Provision equivalent to the entire outstanding amount is recognised on credit impairment if the title document for the collateral is deficient and the collateral value cannot be realised.
- Provision equivalent to the entire outstanding amount is recognised if the foreclosure and property disposal process for loan has not been completed by 720 dpd.

Un-secured facilities

Recovery of unsecured debt post credit-impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit-impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision).

If the loan is paid to current and remains in current for more than 180 days (1 year for forborne loans) the account will be transferred to stage 2. Where insufficient information is available for certain small Consumer, Private & Business Banking portfolios for the Group and Company to assess lifetime ECL at individual instrument level, ECL may be measured on a collective basis that considers credit risk information on instrument groups that share similar credit risk characteristics.

Write-offs

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount is written off.

Modified financial assets

Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cash flows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument.

If the modification is credit related, such as forbearance or where the Group and Company have granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms with the remaining lifetime PD based on the original contractual terms.

4. Financial risk and capital management continued

a) Credit risk continued

(v) Expected credit loss measurement continued

Amounts arising from ECL

Loss allowance

The credit impairment recognised in the period is impacted by a variety of factors:

- transfers between stages 1, 2 and 3 due to financial instruments experiencing significant increases in or decreases in credit risk or becoming credit impaired in the period;
- additional impairment for new instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact of measurement of ECL due to changes in PD, LGD and EAD arising from refresh of inputs to the model;
- impacts of measurement arising from changes to model and assumptions;
- discount unwind due to passage of time;
- foreign exchange retranslation for assets held in foreign currency; and
- financial assets derecognised during the period and write-offs of impairment allowances related to assets written-off in the period.

Movement in gross exposures and credit impairment for loans and advances, debt securities, undrawn commitments and financial guarantees

The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and Government securities held at FVOCI.

Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Discount unwind is reported in net interest income and related to stage 3 financial instruments only.

The approach for determining the key line items in the tables is set out below.

- Transfers - transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances;
- Net remeasurement from stage changes - the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year;
- Net changes in exposures - new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate, Commercial & Institutional Banking) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are a credit grade 12, or when non-investment grade debt securities are acquired;
- Changes in risk parameters - for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3; and

Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

Other financial assets

Certain financial assets do not share the same characteristics as typical loan portfolios, hence specific ECL models' considerations apply to the following:

Cash and other assets

Cash balances and other assets will attract no ECL due to the immaterial risk of impairment and short dated maturity of the respective amounts.

4. Financial risk and capital management continued

a) Credit risk continued

(v) Expected credit loss measurement continued

Other financial assets continued

Debt securities

Debt securities consist of corporate and government bonds, certificates of deposit, convertible bonds, credit and structured notes and debt securities. ECL on these positions are calculated in a manner consistent with loans as set out above with the exception of debt securities.

PDs on debt securities are determined using both external credit ratings as published by ratings agencies and internally generated PDs. Ratings agencies credit ratings typically already take into account the loss characteristics of a portfolio and hence LGDs on debt securities portfolios are assumed to be 100 per cent. Like other assets EADs on debt securities are the full amortised cost amount of the respective instruments at the reporting date. SICR is also assessed in a similar way to Corporate, Commercial & Institutional Banking exposures.

The table below shows other financial assets financial assets that have not attracted ECL.

Group and Company	2023 KShs '000	2022 KShs '000
Balances with Central Bank of Kenya	38,904,879	19,799,461
Government and other securities held at FVTPL	5,768,468	986,931
Derivative financial instruments	925,051	400,494

(b) Settlement risk

The Group's and Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group and Company mitigate this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Traded Credit Risk (TCR).

Derivatives

The credit risk arising from derivatives is managed as part of the overall lending limits to banks and customers. The amount of credit risk is the current positive fair value of the underlying contract together with potential exposures from future market movements. The Group and Company further limit their exposures to credit losses in the event of default by entering into master netting agreements with certain market counterparties. Exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company do not have sufficient financial resources to meet their obligations and commitments as they fall due, or can only access these financial resources at excessive cost. The Group's and Company's approach to managing liquidity risk is to ensure, as far as possible, that they will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company's reputation.

Liquidity risk arises in the general funding of the Group's and Company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time-frame.

The Group and Company have access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group and Company strive to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Group and Company manage liquidity risk both on a short-term and medium-term basis. In the short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

The Group and Company continually assess liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group and Company strategy.

ALCO is responsible for ensuring that the Group and Company are self-sufficient and are able to meet all their obligations to make payments as they fall due by operating within the set liquidity limits. It also has primary responsibility for compliance with regulations and Group policy, and maintaining a Country Recovery Plan (CRP) which addresses both Liquidity and Capital Crisis.

4. Financial risk and capital management continued

(c) Liquidity risk continued

The Group liquidity risk management framework requires limits to be set for prudent liquidity management. These limits are on:

- the mismatch in local and foreign currency behavioural cash flows;
- the level of wholesale borrowing to ensure that the size of this funding is proportional to the local market and the Group's operations;
- commitments, both on and off the statement of financial position, to ensure there are sufficient funds available in the event of drawdown on these commitments;
- the advances to deposits ratio to ensure that commercial advances are funded by stable sources;
- the amount of medium term funding to support the asset portfolio; and
- the amount of local currency funding sourced from foreign currency sources.

In addition, the Group prescribes a liquidity stress scenario that assumes accelerated withdrawal of deposits over a period of time. The Group has to ensure that cash inflows exceed outflows under such a scenario.

All limits are reviewed at least annually, and more frequently if required, to ensure that they are relevant given market conditions and business strategy. Compliance with limits is monitored independently by Treasury Risk (TR). Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO.

In addition, regular reports to the ALCO include the following:

- information on the concentration and profile of debt maturities; and
- depositor concentration report to monitor reliance on large depositors.

The Group and Company maintain a portfolio of High Quality Liquid Assets (HQLA), principally government securities, which can be realised, repurchased or used as collateral in the event that there is a need for liquidity in a crisis. In addition, liquidity and solvency crisis management plans (CRP) are maintained by the Group and Company and are reviewed and approved annually. The liquidity and capital/solvency crisis management plan lays out trigger points and actions in the event of a liquidity and/or capital crisis to ensure that there is an effective response by senior management.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of liquidity risk. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Group and Company and their exposure to changes in interest rates and exchange rates.

A substantial portion of the Group's and Company's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency. ALCO monitors trends in the statement of financial position and ensures that any concerns that might impact the stability of these deposits are addressed effectively. ALCO also reviews financial position plans to ensure that asset growth plans are matched by growth in the relevant funding base.

The Group and Company also maintain significant levels of marketable securities either for compliance with statutory requirements or as prudential investments of surplus funds

A key measure of liquidity risk is the ratio of net liquid assets to deposit liabilities. The Central Bank of Kenya requires banks to maintain a statutory minimum ratio of 20 per cent of liquid assets to all its deposit liabilities.

For this purpose, liquid assets comprise cash and balances with Central Bank of Kenya, net loans and advances with banks and government securities. Deposit liabilities comprise deposits from customers and other liabilities that have matured or maturing within 91 days. Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

4. Financial risk and capital management continued

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows:

Company	2023 %	2022 %
At 31 December	**66**	73
Average for the year	**68**	74
Highest for the year	**74**	77
Lowest for the year	**63**	70

The Group and Company also monitor on a regular basis the advances to deposits ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposit ratio (less than 1) demonstrates that customer deposits exceed customer loans resulting from the emphasis placed on generating a high level of stable funding from customers.

The advances to deposits ratio at the end of the reporting period was as follows:

Group and Company	2023 KShs '000	2022 KShs '000
Total loans and advances to customers	**163,161,777**	139,412,560
Total customer accounts	**342,853,241**	278,879,309
Advances-to-deposits ratio (%)	**47.6**	50.0

4. Financial risk and capital management continued

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Group KShs '000	2023								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Asset									
Cash and balances with Central Bank of Kenya	42,901,755	–	–	–	–	–	–	–	42,901,755
Derivative financial instruments	328,303	40,835	12,279	189,604	77,130	41,710	133,999	101,191	925,051
Loans and advances to banks	3,957,778	–	–	–	–	–	–	–	3,957,778
Loans and advances to customers	51,417,255	20,059,502	7,007,946	6,741,153	1,381,425	3,578,306	38,569,562	100,790,531	229,545,680
Investment securities*	7,050,525	32,131,773	3,243,100	2,647,126	2,304,951	16,765,831	3,144,162	5,485,760	72,773,228
Other assets	5,843,046	–	–	–	–	–	–	–	5,843,046
Due from group companies and other related parties	68,936,410	29,220	16,300,150	25,637,686	19,342,892	1,516,675	–	–	131,763,033
Total assets	180,435,072	52,261,330	26,563,475	35,215,569	23,106,398	21,902,522	41,847,723	106,377,482	487,709,571
Liabilities									
Deposits from banks	4,328,258	-	-	-	-	-	-	-	4,328,258
Deposits from customers	333,501,042	2,855,031	3,989,208	1,377,927	1,160,790	63,471	54,905	16,742	343,019,116
Derivative financial instruments	154,017	386,116	84,486	219,976	-	41,710	223,536	-	1,109,841
Due to group companies and other related parties	9,757,711	-	-	-	-	-	-	-	9,757,711
Other liabilities - bills payable	3,177,188	-	-	-	-	-	-	-	3,177,188
- lease liability	270,705	-	-	-	-	-	-	-	270,705
Loan Commitments	34,995,576	-	9	-	193	46,152	541,183	3,635,435	39,218,548
Financial Guarantees	4,747,602	9,464,742	13,627,686	9,715,824	5,057,357	15,500,574	8,713,170	2,993,536	69,820,491
Total liabilities	390,932,099	12,705,889	17,701,389	11,313,727	6,218,340	15,651,907	9,532,794	6,645,713	470,701,858
Net liquidity gap	(210,497,027)	39,555,441	8,862,086	23,901,842	16,888,058	6,250,615	32,314,929	99,731,769	17,007,713

*Investment securities include government and other securities at FVOCI and FVPTL.

4. Financial risk and capital management continued

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Group KShs '000	2022 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Asset									
Cash and balances with Central Bank of Kenya	23,257,306	–	–	–	–	–	–	–	23,257,306
Derivative financial instruments	278,337	52,244	27,217	42,696	–	–	–	–	400,494
Loans and advances to banks	428,089	–	–	–	–	–	–	–	428,089
Loans and advances to customers	42,678,826	22,142,767	7,927,030	1,678,943	623,084	5,849,309	39,214,576	74,703,823	194,818,358
Investment securities*	19,218,142	28,857,419	9,406,810	438	6,861,330	11,670,739	26,385,617	18,856,616	121,257,111
Other assets	3,235,568	–	–	–	–	–	–	–	3,235,568
Due from group companies and other related parties	67,469,809	17,511,845	2,530,605	2,565,137	–	7,445,287	–	–	97,522,683
Total assets	156,566,077	68,564,275	19,891,662	4,287,214	7,484,414	24,965,335	65,600,193	93,560,439	440,919,609
Liabilities									
Deposits from banks	13,483,640	–	–	–	–	–	–	–	13,483,640
Deposits from customers	264,225,065	4,688,211	5,736,783	2,173,463	1,667,208	361,235	397,782	4,000	279,253,747
Derivative financial instruments	294,466	3,689	21,420	–	–	–	–	–	319,575
Due to group companies and other related parties	7,755,648	–	–	–	–	–	6,080,207	–	13,835,855
Other liabilities - bills payable	11,342,411	–	–	–	–	–	–	–	11,342,411
- lease liability	5,991	–	–	–	–	35,947	237,849	30,661	310,448
Loan Commitments	25,454,817	-	-	12,702	354,098	1,032,533	600,396	9,376,484	36,831,030
Financial Guarantees	6,929,924	6,418,915	14,751,785	11,215,442	8,995,013	12,256,109	6,320,447	4,252,964	71,140,599
Total liabilities	329,491,962	11,110,815	20,509,988	13,401,607	11,016,319	13,685,824	13,636,681	13,664,109	426,517,305
Net liquidity gap	(172,925,885)	57,453,460	(618,326)	(9,114,393)	(3,531,905)	11,279,511	51,963,512	79,896,330	14,402,304

*Investment securities include government and other securities at FVOCI and FVPTL.

4. Financial risk and capital management continued

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Company KShs '000	2023								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Asset									
Cash and balances with Central Bank of Kenya	42,901,755	–	–	–	–	–	–	–	42,901,755
Derivative financial instruments	328,303	40,835	12,279	189,604	77,130	41,710	133,999	101,191	925,051
Loans and advances to banks	3,957,778	–	–	–	–	–	–	–	3,957,778
Loans and advances to customers	51,417,255	20,059,502	7,007,946	6,741,153	1,381,425	3,578,306	38,569,562	100,790,531	229,545,680
Investment securities*	7,050,524	32,131,773	3,243,100	2,647,126	2,304,951	16,765,831	3,144,162	5,485,760	72,773,227
Other assets	5,765,469	–	–	–	–	–	–	–	5,765,469
Due from group companies and other related parties	69,358,205	29,220	16,300,150	25,637,686	19,342,892	1,516,675	–	–	132,184,828
Total assets	180,779,289	52,261,330	26,563,475	35,215,569	23,106,398	21,902,522	41,847,723	106,377,482	488,053,789
Liabilities									
Deposits from banks	4,328,258	–	–	–	–	–	–	–	–
Deposits from customers	333,501,042	2,855,031	3,989,208	1,377,927	1,160,790	63,471	54,905	16,742	343,019,115
Derivative financial instruments	154,017	386,116	84,486	219,976	–	41,710	223,536	–	1,109,841
Due to group companies and other related parties	10,368,876	–	–	–	–	–	–	–	10,368,876
Other liabilities - bills payable	3,177,188	–	–	–	–	–	–	–	3,177,188
- lease liability	270,705	–	–	–	–	–	–	–	270,705
Loan Commitments	34,995,576	-	9	-	193	46,152	541,183	3,635,435	39,218,547
Financial Guarantees	4,747,602	9,464,742	13,627,686	9,715,824	5,057,357	15,500,574	8,713,170	2,993,536	69,820,491
Total liabilities	391,543,264	12,705,889	17,701,389	11,313,727	6,218,340	15,651,907	9,532,794	6,645,713	471,313,021
Net liquidity gap	(210,763,975)	39,555,441	8,862,086	23,901,842	16,888,058	6,250,615	32,314,929	99,731,769	16,740,768

*Investment securities include government and other securities at FVOCI and FVPTL.

4. Financial risk and capital management continued

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	2022								
Company KShs '000	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Asset									
Cash and balances with Central Bank of Kenya	23,257,306	–	–	–	–	–	–	–	23,257,306
Derivative financial instruments	278,337	52,244	27,217	42,696	–	–	–	–	400,494
Loans and advances to banks	428,089	-	-	–	–	–	–	–	428,089
Loans and advances to customers	42,678,826	22,142,767	7,927,030	1,678,943	623,084	5,849,309	39,214,576	74,703,823	194,818,358
Investment securities*	19,242,123	28,857,419	9,406,810	438	6,861,330	11,729,390	26,489,801	19,656,731	122,244,042
Other assets	3,179,280	-	-	–	-	–	–	-	3,179,280
Due from group companies and other related parties	67,950,745	17,511,845	2,530,605	2,565,137	–	7,445,287	–	–	98,003,619
Total assets	157,014,706	68,564,275	19,891,662	4,287,214	7,484,414	25,023,986	65,704,377	94,360,554	442,331,188
Liabilities									
Deposits from banks	13,887,966	–	–	–	–	–	–	–	13,887,966
Deposits from customers	264,225,065	4,688,211	5,736,783	2,173,463	1,667,208	361,235	397,782	4,000	279,253,747
Derivative financial instruments	294,466	3,689	21,420	–	–	–	–	–	319,575
Due to group companies and other related parties	7,755,648	–	–	–	–	–	6,080,207	–	13,835,855
Other liabilities - bills payable	11,342,411	–	–	–	–	–	–	–	11,342,411
- lease liability	5,991	–	–	–	–	35,947	237,849	30,661	310,448
Loan Commitments	25,454,817	-	-	12,702	354,098	1,032,533	600,396	9,376,484	36,831,030
Financial Guarantees	6,929,924	6,418,915	14,751,785	11,215,442	8,995,013	12,256,109	6,320,447	4,252,964	71,140,599
Total liabilities	329,896,288	11,110,815	20,509,988	13,401,607	11,016,319	13,685,824	13,636,681	13,664,109	426,921,631
Net liquidity gap	(172,881,582)	57,453,460	(618,326)	(9,114,393)	(3,531,905)	11,338,162	52,067,696	80,696,445	15,409,557

*Investment securities include government and other securities at FVOCI and FVPTL.

4. Financial risk and capital management continued

(d) Market risk

The Group and Company recognise market risk as the risk of loss arising from changes in market prices and rates. The Group's and Company's exposure to market risk arises principally from customer-driven transactions. The objective of the Group's and Company's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The primary categories of market risk for the Group and Company are:

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- Foreign Exchange Rate Risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

The Board approves the Group's and Company's risk appetite for market risk. Subject to the risk appetite set for market risk, the Group Risk Committee sets Group-level market risk limits and stress loss triggers.

Treasury Risk Monitoring (TRM) function approves all the other market risk limits within delegated authorities, monitors exposures against these limits and reports to the Executive Risk Committee (ERC). The ERC provides adequate oversight of the Group's and Company's market risk exposures.

TRM co-ordinates the limit review process. Typically, the main limit review is concluded in the first two months of the year, and an additional, light touch review is performed at mid year, ordinarily to accommodate business changes that have occurred in the first half.

Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to Value at Risk (VaR) as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

Sensitivity analysis

The Group and Company measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit or loss outcomes.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and the majority of specific (credit spread) risk VaR.

Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

In both methods a historical observation period of one year is chosen and applied.

VaR is calculated as the exposure as at close of business. Intra-day risk levels may vary from those reported at the end of the day.

The Group and Company recognise that there are limitations to the VaR methodology. These limitations include the fact that the historic data may not be the best proxy for future price movements, either because the observation period does not include representative price movements or, in some cases, because of incomplete market data.

The Group and Company perform regular backtesting, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR model.

Losses beyond the 97.5 per cent confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. To manage the risk arising from such events, which the VaR methodology does not fully capture, Traded Risk (TR) complements the VaR measurement by weekly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books.

4. Financial risk and capital management continued

(d) Market risk continued

One basis point change in the yield curve will have the following impact on the statement of financial position.

Group and Company	2023 Actual KShs '000	2023 Average KShs '000	2023 High KShs '000	2023 Low KShs '000	2022 Actual KShs '000	2022 Average KShs '000	2022 High KShs '000	2022 Low KShs '000
Foreign Exchange Risk	**12,996**	**9,679**	**15,140**	**4,862**	8,035	8,492	15,267	3,291
Interest Rate Risk	**154,673**	**245,953**	**597,847**	**102,382**	117,809	148,316	239,466	86,792
Rates trading	**428**	**474**	**582**	**425**	5,847	12,511	34,742	3,917
Total	**168,097**	**256,106**	**613,569**	**107,669**	131,691	169,319	289,475	94,000

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk

The Group and Company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table below are the Group's and Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2023							
Group KShs '000	**Weighted average effective interest rate (%)**	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Asset								
Cash and balances with Central Bank of Kenya	-	–	–	–	–	–	42,901,755	42,901,755
Government and other securities held at FVTPL	17.2%	48,921	24,417	35,374	173,996	5,485,760	–	5,768,468
Derivative financial instruments	-	–	–	–	–	–	925,051	925,051
Loans and advances to banks	14.85%	3,957,778	–	–	–	–	–	3,957,778
Loans and advances to customers	13.0%	51,342,463	19,574,053	13,966,136	28,824,538	49,454,587	–	163,161,777
Government securities held at FVOCI	12.8%	6,991,707	32,051,802	7,911,937	16,878,754	–	–	63,834,200
Other assets	-	–	–	–	–	–	5,843,046	5,843,046
Due from group companies and other related parties	5.3%	65,356,771	–	59,117,247	1,290,411	–	3,489,181	129,253,610
		127,697,640	51,650,272	81,030,694	47,167,699	54,940,347	53,159,033	415,645,685
Liabilities								
Deposits from banks	3.4%	4,083,845	–	–	–	–	243,200	4,327,045
Deposits from customers	3.2%	56,463,148	2,837,579	6,391,600	108,782	16,591	277,035,541	342,853,241
Derivative financial instruments	-	–	–	–	–	–	1,109,841	1,109,841
Other financial liabilities – Bills payable	-	–	–	–	–	–	3,177,188	3,177,188
Due to group companies and other related parties	0.0%	–	–	–	–	–	9,757,711	9,757,711
		60,546,993	2,837,579	6,391,600	108,782	16,591	291,323,481	361,225,026
Interest rate sensitivity gap		67,150,647	48,812,693	74,639,094	47,058,917	54,923,756	(238,164,448)	54,420,659

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk continued

	2022							
Group KShs '000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Asset								
Cash and balances with Central Bank of Kenya	–	–	–	–	–	–	23,257,306	23,257,306
Government and other securities held at FVTPL	12.59	23,981	–	–	162,835	800,115	–	986,931
Derivative financial instruments	–	–	–	–	–	–	400,494	400,494
Loans and advances to banks	0.01	726	–	–	–	–	427,363	428,089
Loans and advances to customers	10.50	42,249,899	21,787,736	9,876,514	32,226,885	33,271,526	–	139,412,560
Government securities held at FVOCI	11.40	6,569,781	7,336,069	2,935,824	29,466,922	11,288,120	47,134,446	104,731,162
Other assets	–	–	–	–	–	–	3,235,568	3,235,568
Due from group companies and other related parties	4.60	53,530,360	17,382,076	4,946,952	6,361,933	–	13,899,865	96,121,186
		102,374,747	46,505,881	17,759,290	68,218,575	45,359,761	88,355,042	368,573,296
Liabilities								
Deposits from banks	2.90	13,480,464	–	–	–	–	–	13,480,464
Deposits from customers	3.00	53,822,744	4,630,596	9,329,758	673,379	2,329	210,420,503	278,879,309
Derivative financial instruments	–	–	–	–	–	–	319,575	319,575
Other financial liabilities – Bills payable	–	-	–	–	–	–	11,342,411	11,342,411
Due to group companies and other related parties	3.14	–	–	–	4,961,737	–	7,755,648	12,717,385
		67,303,208	4,630,596	9,329,758	5,635,116	2,329	229,838,137	316,739,144
Interest rate sensitivity gap		35,071,539	41,875,285	8,429,532	62,583,459	45,357,432	(141,483,095)	51,834,152

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk continued

Company KShs '000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
	2023							
Asset								
Cash and balances with Central Bank of Kenya	-	–	–	–	–	–	42,901,755	42,901,755
Government and other securities held at FVTPL	17.2%	48,921	24,417	35,374	173,996	5,485,760	–	5,768,468
Derivative financial instruments	-	–	–	–	–	–	925,051	925,051
Loans and advances to banks	14.85%	3,957,778	–	–	–	–	–	3,957,778
Loans and advances to customers	13.0%	51,342,463	19,574,053	13,966,136	28,824,538	49,454,587	–	163,161,777
Government securities held at FVOCI	12.8%	6,991,706	32,051,802	7,911,937	16,878,754	–	–	63,834,200
Other assets	-	–	–	–	–	–	5,765,469	5,765,469
Due from group companies and other related parties	5.3%	65,778,566	–	59,117,247	1,290,411	–	3,489,181	129,675,405
		128,119,434	51,650,272	81,030,694	47,167,699	54,940,347	53,081,456	415,989,903
Liabilities								
Deposits from banks	3.4%	4,083,845	–	–	–	–	243,200	4,327,045
Deposits from customers	3.2%	56,463,147	2,837,579	6,391,600	108,782	16,591	277,035,542	342,853,241
Derivative financial instruments	-	–	–	–	–	–	1,109,841	1,109,841
Other financial liabilities – Bills payable	-	-	–	–	–	–	3,177,188	3,177,188
Due to group companies and other related parties	0.22%	–	–	–	–	–	10,368,876	10,368,876
		60,546,992	2,837,579	6,391,600	108,782	16,591	291,934,647	361,836,191
Interest rate sensitivity gap		67,572,443	48,812,693	74,639,094	47,058,917	54,923,756	(238,853,190)	54,153,713

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk continued

	2022							
Company KShs '000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Asset								
Cash and balances with Central Bank of Kenya	–	–	–	–	–	–	23,257,306	23,257,306
Government and other securities held at FVTPL	12.59	23,981	–	–	162,835	800,115	–	986,931
Derivative financial instruments	–	–	–	–	–	–	400,494	400,494
Loans and advances to banks	0.01	726	–	–	–	–	427,363	428,089
Loans and advances to customers	10.50	42,249,899	21,787,736	9,876,514	32,226,885	33,271,526	–	139,412,560
Government securities held at FVOCI	11.40	6,569,781	7,336,069	2,935,824	29,466,922	11,288,120	47,134,446	104,731,162
Other assets	–	–	–	–	–	–	3,179,280	3,179,280
Due from group companies and other related parties	4.60	53,530,360	17,382,076	4,946,952	6,361,933	–	14,380,802	96,602,123
		102,374,747	46,505,881	17,759,290	68,218,575	45,359,761	88,779,691	368,997,945
Liabilities								
Deposits from banks	2.90	13,480,464	–	–	–	–	–	13,480,464
Deposits from customers	3.00	53,822,744	4,630,596	9,329,758	673,379	2,329	210,420,503	278,879,309
Derivative financial instruments	–	–	–	–	–	–	319,575	319,575
Other financial liabilities – Bills payable	–	-	–	–	–	–	11,342,411	11,342,411
Due to group companies and other related parties	3.14	–	–	–	4,961,737	–	8,497,928	13,459,665
		67,303,208	4,630,596	9,329,758	5,635,116	2,329	230,580,417	317,481,424
Interest rate sensitivity gap		35,071,539	41,875,285	8,429,532	62,583,459	45,357,432	(141,800,726)	51,516,521

4. Financial risk and capital management continued

(d) Market risk continued

(ii) Currency rate risk

The Group and Company operate wholly within Kenya and its assets and liabilities are translated to the local currency. The Group and Company maintain trade with the main shareholder and other correspondent banks.

The various foreign currencies to which the Group and Company are exposed to are summarised below:

Group and Company KShs '000	**2023 USD**	**Euro**	**GBP**	**Other**	**Total**
Assets					
Cash, deposits and advances to banks	**7,127,115**	**443,842**	**319,514**	**666,882**	**8,557,353**
Loans and advances to customers	**29,833,744**	**20,200,174**	**426,471**	**249**	**50,460,638**
Other assets	**1,791,359**	**351,711**	**-**	**37,626**	**2,180,696**
Amounts due from group companies and other related parties	**103,890,922**	**8,434,462**	**8,786,840**	**1,945,990**	**123,058,214**
	142,643,140	**29,430,189**	**9,532,825**	**2,650,747**	**184,256,901**
Liabilities					
Deposits from banks	**4,122,486**	**18,054**	**67**	**-**	**4,140,607**
Deposits from customers	**125,320,703**	**11,714,855**	**8,997,079**	**976,566**	**147,009,203**
Other liabilities	**841,710**	**452,132**	**450,602**	**10,167**	**1,754,611**
Amounts due to group companies and other related parties	**17,084,660**	**-**	**140,818**	**1,481,696**	**18,704,806**
	147,369,559	**12,185,041**	**9,588,566**	**2,468,429**	**171,611,595**
Net statement of financial position exposure	**(4,726,419)**	**17,245,148**	**(55,741)**	**182,318**	**12,645,306**

Group and Company KShs '000	2022 USD	Euro	GBP	Other	Total
Assets					
Cash, deposits and advances to banks	1,385,916	90,156	109,347	234,624	1,820,043
Loans and advances to customers	41,029,363	2,340,986	602,605	15,012	43,987,966
Other assets	2,137,437	9,868	1,014,213	33,431	3,194,949
Amounts due from group companies and other related parties	67,777,847	7,974,779	4,878,274	1,024,282	81,655,182
	112,330,563	10,415,789	6,604,439	1,307,349	130,658,140
Liabilities					
Deposits from banks	5,249	9,165	29,728	–	44,143
Deposits from customers	96,789,520	10,340,917	6,734,119	365,670	114,230,226
Other liabilities	4,413,721	201,966	1,043,051	687,557	6,346,295
Amounts due to group companies and other related parties	12,954,558	–	–	777,757	13,732,315
	114,163,048	10,552,048	7,806,898	1,830,984	134,352,979
Net statement of financial position exposure	(1,832,485)	(136,259)	(1,202,459)	(523,635)	(3,694,839)

4. Financial risk and capital management continued

(e) Operational risk

The Group and Company define operational risk as the "potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events (including legal risks)". It is inherent in the Group carrying out business and can be impacted from a range of operational risks.

Operational risks arise from the broad scope of activities carried out across the Group and Company. To address this, we aim to achieve effective control design standards for all activities and benchmark practices against industry standards and regulatory requirements.

Operational risk profile

In 2022, the Group implemented a refreshed Framework to continue to enhance the management of operational risk, ensuring risk is managed within Risk Appetite and we continue to deliver services to our clients.

The Group continued to provide a stable level of service to clients during the period of COVID-19 and adapted swiftly to changes in operations brought by the pandemic. As a result of the changes in internal and external operating environment due to COVID-19, particular areas of focus are Fraud, Information & Cyber Security, Privacy, Conduct and Resilience.

The Group continued to provide a stable level of service to clients throughout the year 2023 despite the challenges brought in by a tough business environment characterized by increase in cost of living. This was brought in by rise in petroleum prices, increase in foreign exchange rates, changing country tax regime and the war between Russia and Ukraine as well as the Middle East conflict. Following the macroeconomic challenges, particular areas of focus in risk are Fraud, Information & Cyber Security, Privacy, AML, Third Party, Conduct and Operational Resilience.

Operational Risk events and losses

The operational risk profile is the Group's and Company's overall exposure to operational risk, at a given point in time, covering all applicable operational risk sub-types. The operational risk profile comprises both operational risk events and losses that have already occurred and the current exposures to operational risks.

The significant losses recorded during the year were financial crime risk related due to mobile, cards (debit & credit) and internet banking external fraud events.

The Group's and Company's profile of operational loss events in 2023 and 2022 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business lines.

	% Loss	
Distribution of Operational Losses by Basel business line	**2023**	2022
Agency services	**0.00**	3.2
Commercial Banking	**0.00**	31.6
Corporate Finance	**0.02**	11.8
Corporate Items	**0.00**	20.0
Payment and Settlements	**0.00**	8.5
Consumer, Private & Business Banking	**99.32**	23.2
Retail Brokerage	**0.66**	0.0
Trading and Sales	**0.00**	1.7
	100.0	100.0

The Group's and Company's profile of operational loss events in 2023 and 2022 is also summarised in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

	% Loss	
Distribution of Operational Losses by Basel business line	**2023**	2022
Business disruption and system failures	**4.74**	0.0
Clients products and business practices	**2.22**	17.2
Damage to physical assets	**0.0**	0.0
Employment practices and workplace safety	**0.0**	0.0
Execution delivery and process management	**24.80**	52.5
External fraud	**68.24**	29.1
Internal fraud	**0.00**	1.2
	100.0	100.0

(e) Operational risk continued

Other principal risks

Losses arising from our other principal risks (Compliance, Conduct, Reputational, Information and Cyber Security and Financial Crime) would be captured under operational losses.

Operational risk management principles

The Group and Company allocates responsibilities for the management of operational risk and this is outlined in the Operational Risk Type Framework (ORTF). The ORTF is built on a risk-based approach which requires that risk management plans, processes, activities, and resource allocations are determined in accordance with the level of risk. Existing and future levels of operational risks must be maintained within the approved risk appetite of the Group and Company. Business strategy and planning must consider and address operational risks at the point of strategic choices and/or decision making. This should also include consideration of the impact of decisions on the design and operational effectiveness of the related system of controls.

Roles and Responsibilities

The ORTF considers processes and tools that are forward-looking – they should be repeatable, sustainable and anticipate future needs. The first line, when formulating business strategy and planning, must consider and address Operational Risk at the point of strategic choices and /or decision making. This should also include consideration of the impact of decisions on the design and operational effectiveness of the related system of controls.

The ORTF reinforces clear accountability for managing risk throughout the Group and Company, and delegates second line of defence responsibilities to identified subject matter experts. For each Operational Risk sub-type, the expert sets policies for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the Group and Company. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgment, and perspective to ensure that the risk/return objectives of the Group and Company are met.

The ORTF is periodically reviewed, at a minimum annually, or earlier if triggered by any material change in circumstances.

Mitigation

The ORTF sets out the Group and Company overall approach to the management of Operational Risk in line with the Operational Risk Appetite of the Group and Company. Risk appetite and scenarios are forward looking and are used strategically to help planning and business management. This is supported by Risk and Control Self-Assessment (RCSA) which is a top-down, complete and consistent approach to risks and controls management process.

The RCSA process involves objective assessments of risks based on client impact and likelihood, more focus on material risks, more thinking on control design rather than simply testing, and tools to allow the Company to prioritise actions.

When an operational risk event occurs, rapid escalation and root-cause reviews are tracked to completion. People are skilled and rewarded for good risk management behaviour. The data and system encourage good risk management behaviour. Second line independent review is risk-based and proportionate.

Operational risk governance

The Executive Risk Committee (ERC) provides oversight of operational risk management across the Group and Company. It is supported by the Financial Crime Risk Committee, Information and Cyber Security Working Group and the Business and Function Operational Risk Forums, which oversee risks arising from Financial Crime, Information and Cyber Security, Businesses and Functions respectively. ERC and the business and function operational risk forums receive regular reports on the respective operational risk profiles.

Monitoring

To deliver services to clients and to participate in the financial services sector, the organisation runs processes which are exposed to operational risks. It prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Group and Company is exposed to. The residual risk assessments and reporting of events form the Operational Risk profile of the Group and Company. The completeness of the Operational Risk profiles ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds. The Board is informed on adherence to the Operational Risk Appetite through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised based on the materiality and significance of the risk. These Operational Risk Appetite metrics are consolidated on a regular basis and reported at relevant Group and Company committees. This provides senior management with the relevant information to inform their risk taking decisions.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for operational risks. This approach considers the impact of extreme but plausible scenarios on the Operational Risk profile of the Group and Company. Several scenarios have been identified to test the robustness of the Group and Company's processes and assess the potential impact on the Group and Company. These scenarios include anti-money laundering, sanctions, information and cyber security and external fraud.

4. Financial risk and capital management continued

(f) Capital review

The Company defines capital risk as the potential of insufficient level or composition of capital to support our normal activities. The capital review provides an analysis of the Company's capital position and requirements.

Capital summary

The Company's capital position is managed within the Board approved risk appetite. This requires that the Company should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims.

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for all banks.

The objective of the Central Bank of Kenya is to ensure that a bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile; and
- promotes public confidence in the bank.

In implementing current capital requirements, the Central Bank of Kenya requires a bank to maintain at all times:

- a core capital of not less than 8.00% of its total deposit liabilities;
- a core capital of not less than 10.50% of total risk weighted assets, plus risk weighted off-balance sheet items; and
- a total capital of not less than 14.50% of its total risk weighted assets, plus risk weighted off-balance sheet items.

In addition, a bank must maintain a minimum core capital of KShs 1,000 million.

Capital is segregated into core capital (Tier 1) and supplementary capital (Tier 2).

Core capital includes ordinary share capital, irredeemable preference share capital, capital contribution reserve, share premium and retained earnings after deductions for goodwill and intangible assets.

Supplementary capital includes 25% of revaluation reserves of property and equipment and the statutory credit risk reserve.

Risk weighted assets are arrived at using a framework of four weights applied to both on-balance sheet and off-balance sheet items to reflect the relative risk of each asset and counterparty.

	Company	
Core (Tier 1) capital instruments and reserves	**2023 KShs '000**	2022 KShs '000
Share capital and share premium	**9,961,680**	9,961,680
Retained earnings	**40,544,690**	35,487,033
Capital contribution reserve	**1,823,673**	1,823,673
Tier 1 regulatory adjustments	**52,330,043**	47,272,386
Goodwill on acquired intangible (Note 27)	**(1,112,111)**	(1,112,111)
Acquired intangible (Note 27)	**–**	–
Deferred tax asset	**–**	(4,027,556)
Core (Tier 1) capital	**51,217,932**	42,132,719
Revaluation reserves (25%)	**182,521**	219,740
Statutory credit risk reserve	**–**	2,255,690
Subordinated debt	**–**	2,795,933
Supplementary (Tier 2) capital	**182,521**	5,271,363
Total capital	**51,400,453**	47,404,082
Risk weighted assets		
Credit risk	**203,400,248**	183,481,160
Market risk	**12,623,049**	22,606,942
Operational risk	**72,144,937**	68,169,220
Total risk weighted assets	**288,168,234**	274,257,322
Deposits from customers	**342,853,241**	278,879.309

(f) Capital review continued

	CBK minimum %	2023 %	2022 %
Capital ratios			
Tier 1 capital	10.50	**17.77**	15.36
Total capital	14.50	**17.84**	17.28
Tier 1 to total deposits	8.00	**14.94**	15.11

Capital planning

On an annual basis, strategic business and capital plans are drawn up covering a five-year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Capital planning takes the following into account:

- current regulatory capital requirements;
- demand for capital due to business growth, and potential market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Company's risk, performance and capital.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by TRM and Credit, and is subject to review by the ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group and Company to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's and Company's longer term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. Segmental information

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

The two client segments are:

- Corporate & Institutional Banking and Commercial Banking serving large corporate institutions.
- Consumer, Private and Business Banking serving individual and Business Banking Clients.

Activities not directly related to a client segment are included in Central and other items. These mainly include treasury activities and Corporate Centre costs. Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business operations.

The Group allocates central costs (excluding Corporate Centre costs) relating to client segments using appropriate business drivers and these are reported within operating expenses. The Group evaluates segmental performance on the basis of profit or loss before tax.

The analysis below reflects how the client segments are managed internally. This is described as the Management view.

5. Segmental information continued

Financial perfomance

Group KShs '000	Corporate, Commercial & Institutional Banking	Consumer, Private &	Central & other items	Total
	2023			
Net interest income	10,971,727	13,534,147	4,338,534	28,844,408
Non funded income	8,051,102	6,368,304	(2,403,808)	12,015,598
Operating income	19,022,829	19,902,451	1,934,726	40,860,006
Operating expenses	(7,406,459)	(9,293,950)	(1,197,000)	(17,897,409)
Operating profit before impairment losses	11,616,370	10,608,501	737,726	22,962,597
Impairment losses on financial instruments	(2,045,961)	(918,143)	(253,891)	(3,217,995)
Impairment losses on intangible assets	(5,748)	(39,471)	(30,901)	(76,120)
Profit before tax	9,564,661	9,650,887	452,934	19,668,482

Group KShs '000	Corporate, Commercial & Institutional Banking	Consumer, Private &	Central & other items	Total
	2022			
Net interest income	7,383,388	9,602,826	4,795,971	21,782,185
Non funded income	5,974,735	5,290,026	45,988	11,310,749
Operating income	13,358,123	14,892,852	4,841,959	33,092,934
Operating expenses	(6,364,115)	(8,168,470)	(542,334)	(15,074,919)
Operating profit before impairment losses	6,994,008	6,724,382	4,299,625	18,018,015
Impairment losses on financial instruments	39,883	(928,702)	104,196	(784,623)
Impairment losses on intangible assets	–	(130,193)	–	(130,193)
Profit before tax	7,033,891	5,665,487	4,403,821	17,103,199

5. Segmental information continued

Financial perfomance continued

Company KShs '000	2023 Corporate, Commercial & Institutional Banking	 Consumer, Private &	 Central & other items	 Total
Net interest income	**10,971,727**	**13,534,147**	**4,336,873**	**28,842,747**
Non funded income	**8,051,102**	**6,368,304**	**(3,193,325)**	**11,226,081**
Operating income	**19,022,829**	**19,902,451**	**1,143,548**	**40,068,828**
Operating expenses	**(7,406,459)**	**(9,293,950)**	**(707,416)**	**(17,407,825)**
Operating profit before impairment losses	**11,616,370**	**10,608,501**	**436,132**	**22,661,003**
Impairment losses on financial instruments	**(2,045,961)**	**(918,143)**	**(253,891)**	**(3,217,995)**
Impairment losses on intangible assets	**(5,748)**	**(39,471)**	**(30,901)**	**(76,120)**
Profit before tax	**9,564,661**	**9,650,887**	**151,340**	**19,366,888**

Company KShs '000	2022 Corporate, Commercial & Institutional Banking	 Consumer, Private &	 Central & other items	 Total
Net interest income	7,383,388	9,602,826	4,778,959	21,765,173
Non funded income	5,974,735	3,680,004	1,206,311	10,861,050
Operating income	13,358,123	13,282,830	5,985,270	32,626,223
Operating expenses	(6,364,115)	(7,667,040)	(541,838)	(14,572,993)
Operating profit before impairment losses	6,994,008	5,615,790	5,443,432	18,053,230
Impairment losses on financial instruments	39,883	(928,702)	104,196	(784,623)
Impairment losses on intangible assets	–	(130,193)	–	(130,193)
Profit before tax	7,033,891	4,556,895	5,547,628	17,138,414

5. Segmental information continued

Financial perfomance continued

Group KShs '000	Corporate, Commercial & Institutional Banking	Consumer, Private &	Central & other items	Total
	2023			
Total assets employed	**105,127,538**	**72,470,162**	**251,364,475**	**428,962,175**
Of which: loans and advances to customers	**90,712,862**	**72,448,915**	**–**	**163,161,777**
Total liabilities employed	**187,638,834**	**167,817,285**	**11,973,789**	**367,429,908**
Of which: customer deposits	**175,362,000**	**167,491,241**	**–**	**342,853,241**
Other segment items:				
Depreciation and amortisation	**469,631**	**625,305**	**266,992**	**1,361,928**
Capital expenditure	**898,040**	**811,314**	**392,391**	**2,101,745**

Group KShs '000	Corporate, Commercial & Institutional Banking	Consumer, Private &	Central & other items	Total
	2022			
Total assets employed	71,629,176	70,037,936	239,592,903	381,260,015
Of which: loans and advances to customers	71,419,461	67,993,099	–	139,412,560
Total liabilities employed	134,520,509	144,973,298	45,629,478	325,123,285
Of which: customer deposits	134,315,828	144,563,481	–	278,879,309
Other segment items:				
Depreciation and amortisation	382,346	624,447	249,697	1,256,490
Capital expenditure	474,233	706,091	300,634	1,480,958

5. Segmental information continued

Financial perfomance continued

Company KShs '000	2023 Corporate, Commercial & Institutional Banking	Consumer, Private &	Central & other items	Total
Total assets employed	105,127,538	72,470,162	251,680,878	429,278,578
Of which: loans and advances to customers	90,712,862	72,448,915	-	163,161,777
Total liabilities employed	187,638,834	167,817,285	12,564,151	368,020,270
Of which: customer deposits	175,362,241	167,491,000	–	342,853,241
Other segment items:				
Depreciation and amortisation	469,631	625,305	266,992	1,361,928
Capital expenditure	898,040	811,314	392,391	2,101,745

Company KShs '000	2022 Corporate, Commercial & Institutional Banking	Consumer, Private &	Central & other items	Total
Total assets employed	71,629,176	70,037,936	239,963,534	381,630,646
Of which: loans and advances to customers	71,419,461	67,993,099		139,412,560
Total liabilities employed	134,520,509	144,973,298	46,355,831	325,849,638
Of which: customer deposits	134,315,828	144,563,481	–	278,879,309
Other segment items:				
Depreciation and amortisation	382,346	624,447	249,697	1,256,490
Capital expenditure	474,233	706,091	300,634	1,480,958

6. Net interest income

Accounting policy

Interest income for financial assets held at either FVOCI or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in the income statement using the effective interest method.

Interest income and expense on financial instruments held at FVTPL is recognised within net interest income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of a financial liability. When calculating the effective interest rate for financial instruments other than credit impaired assets, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs that are directly attributable to the acquisition, issue or disposal of the financial asset or financial liability, expected credit losses (for stage 3 instruments) and all other premiums or discounts.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

6. Net interest income continued

Where the Group is a lessee and the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable. Interest expense on the lease liability is recognised in net interest income.

	Group		Company	
KShs '000	**2023 KShs '000**	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Loans and advances to banks	**5,972,412**	2,443,570	**5,972,412**	2,443,570
Loans and advances to customers	**18,011,898**	12,395,403	**18,011,898**	12,395,403
Government securities at FVOCI	**8,267,420**	10,298,361	**8,267,420**	10,298,361
Accrued on impaired assets	**100,439**	335,710	**100,439**	335,710
Interest income	**32,352,169**	25,473,044	**32,352,169**	25,473,044
Deposits from banks	**270,149**	279,267	**270,149**	279,267
Deposits from customers	**3,057,272**	3,035,381	**3,058,933**	3,052,393
Subordinated debt	**146,165**	341,395	**146,165**	341,395
Interest expense on IFRS 16 lease liabilities	**34,175**	34,816	**34,175**	34,816
Interest expense	**3,507,761**	3,690,859	**3,509,422**	3,707,871
Net interest income	**28,844,408**	21,782,185	**28,842,747**	21,765,173

7. Net fee and commission income

Accounting policy

Fees and commissions charged for services provided by the Group are recognised as or when the service is completed, or significant act performed.

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or financial liability are included in the measurement of the effective interest rate.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the related services are performed.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

Accounting policy continued

The Group applies the following practical expedients:

- information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year;
- promised consideration is not adjusted for the effects of a significant financing component as the period between the Group providing a service and the customer paying for it is expected to be less than one year; and
- incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year.

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided. Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

7. Net fee and commission income continued

Financial Markets and Corporate Finance

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed. Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned.

Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer's request. Credit card annual fees are recognised at the time the fee is received since there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programs, and recognises income and costs associated with fulfilling the reward at the time of redemption.

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Fee and commissions income	**7,586,384**	6,437,058	**5,902,765**	4,827,036
Fee and commissions expense	**(1,632,407)**	(1,963,195)	**(1,632,407)**	(1,963,195)
Net fee and commission income	**5,953,977**	4,473,863	**4,270,358**	2,863,841

Financial statements

7. Net fee and commission income continued

Group KShs '000	2023 Corporate, Commercial & Institutional Banking	2023 Consumer, Private & Business Banking	2023 Central & Other Items	2023 Total	2022 Corporate, Commercial& Institutional Banking	2022 Consumer, Private &Business Banking	2022 Central & Other Items	2022 Total
Asset								
Transaction banking	**1,899,362**	**34,901**	**–**	**1,934,263**	501,025	27,903	–	528,928
Trade	**526,496**	**34,861**	**–**	**561,357**	357,207	27,903	–	385,110
Cash management	**1,372,866**	**40**	**–**	**1,372,906**	143,818	–	–	143,818
Financial markets	**798,473**	**–**	**–**	**798,473**	901,097	–	–	901,097
Lending & portfolio management	**166,666**	**–**	**–**	**166,666**	239,261	–	–	239,261
Wealth management	**–**	**1,681,216**	**–**	**1,681,216**	–	1,610,022	–	1,610,022
Retail products	**–**	**1,358,455**	**–**	**1,358,455**	–	1,173,036	–	1,173,036
Treasury	**10,606**	**–**	**–**	**10,606**	12,319	–	–	12,319
Others	**4,298**	**–**	**–**	**4,298**	9,200	–	–	9,200
Net fee and commission income	**2,879,405**	**3,074,572**	**–**	**5,953,977**	1,662,902	2,810,961	–	4,473,863

Company KShs '000	2023 Corporate, Commercial & Institutional Banking	2023 Consumer, Private & Business Banking	2023 Central & Other Items	2023 Total	2022 Corporate, Commercial & Institutional Banking	2022 Consumer, Private & Business Banking	2022 Central & Other Items	2022 Total
Asset								
Transaction banking	**1,899,362**	**34,901**	**–**	**1,934,263**	501,025	27,903	–	528,928
Trade	**526,496**	**34,861**	**–**	**561,357**	357,207	27,903	–	385,110
Cash management	**1,372,866**	**40**	**–**	**1,372,906**	143,818	–	–	143,818
Financial markets	**798,473**	**–**	**–**	**798,473**	901,097	–	–	901,097
Lending & portfolio management	**166,666**	**–**	**–**	**166,666**	239,261	–	–	239,261
Wealth management	**–**	**–**	**–**	**–**	–	–	–	–
Retail products	**-**	**1,356,052**	**–**	**1,356,052**	–	1,173,036	–	1,173,036
Treasury	**10,606**	**–**	**–**	**10,606**	12,319	–	–	12,319
Others	**4,298**	**–**	**–**	**4,298**	9,200	–	–	9,200
Net fee and commission income	**2,879,405**	**1,390,953**	**–**	**4,270,358**	1,662,902	1,200,939	–	2,863,841

8. Net trading income

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

Foreign exchange gains and losses on monetary items are recognised in net trading income.

Group and Company	2023 KShs '000	2022 KShs '000
Net gains on foreign exchange transactions	**8,500,334**	5,973,243
Other trading profits – FVTPL	**728,085**	634,073
Net trading income	**9,228,419**	6,607,316

9. Dividend income

Accounting policy

Dividends from subsidiaries are recognised when the right to receive payment is established.

Group and Company	2023 KShs '000	2022 KShs '000
Standard Chartered Investment Services Limited	**714,102**	1,116,476
Standard Chartered Bancassurance Intermediary Limited	**180,000**	43,847
	894,102	1,160,323

10. Other operating (loss)/income

Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

On disposal of financial instruments held at fair value through other comprehensive income, the cumulative fair value gains or losses are recycled to the profit or loss in other operating income/expense.

On disposal of property and equipment, the difference between the consideration and the carrying amount of the asset is recognised as a gain or loss on the sale of the asset.

Group and Company	2023 KShs '000	2022 KShs '000
Other operating income includes:		
Rental income from operating lease assets	**51,436**	61,149
Net (losses)/gains on disposal of FVOCI debt instruments	**(3,230,494)**	167,769
Other	**12,260**	652
Other operating income	**(3,166,798)**	229,570

11. Operating expenses

Accounting policy

Short-term employee benefits: Salaries are recognised over the period in which the employees provide the service. A liability is recognised for the amount expected to be paid 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. Variable compensation is included within share-based payments costs and wages and salaries.

Pension costs: Contributions to the defined contribution pension scheme are recognised in the income statement when payable. For the defined benefit plan, net interest expense, service costs and expenses are recognised in the income statement. Further details are provided in note 34.

Share-based compensation: The Group's employees participate in equity-settled and cash-settled share-based payment compensation plans operated by Standard Chartered PLC, the ultimate holding company of Standard Chartered Bank Kenya Limited and its subsidiaries. Participating employees are awarded ordinary shares in Standard Chartered PLC in accordance with the terms and conditions of the relevant scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for awards granted in 2023 in respect of 2022 performance, which vest in 2024-2026, is recognised as an expense over the period from 1 January 2022 to the vesting dates in 2024-2026. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

In addition, employees have the choice of opening a three-year or five-year savings contract under the All Employee Share Save plan. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares of Standard Chartered PLC.

The price at which they may purchase shares is at a discount of up to twenty per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the All Employee Share Save plan.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of the grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each reporting date, the estimate of the number of options that are expected to vest is revised. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

Deferred cash awards: Cash-settled awards are revalued at each reporting date and a liability recognised on the statement of financial position for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy a market-based performance condition, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

Termination benefits: Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Provisions: A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability.

Depreciation: The accounting policy on depreciation is as disclosed in note 26.

Other expenses: Other expenses are recognised in the income statement where no future economic benefits are expected.

11. Operating expenses continued

Significant accounting estimates and judgments

The fair value of equity-settled share options is estimated through the use of option valuation models; which require inputs such as risk-free interest rate, expected dividends, expected volatility and the expected option life and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by Standard Chartered PLC however have a number of features that make them incomparable to such trade options. Using different input estimates or models could produce different option values, which would result in the recognition of higher or lower expense.

	Group		Company	
	2023 KShs '000	2022 KShs '000	2023 KShs '000	2022 KShs '000
Staff costs				
Salaries and wages	**5,878,109**	5,533,754	**5,795,679**	5,447,872
Contributions to defined contribution plan	**614,688**	575,048	**606,706**	567,219
Increase in retirement benefit obligations (Note 34)	**42,552**	37,030	**42,552**	37,030
Redundancy costs	**205,631**	209,961	**205,631**	209,961
Employee share-based payments expenses	**62,799**	38,107	**62,799**	38,013
Deferred cash awards	**47,089**	33,465	**47,089**	33,465
Other staff costs	**1,294,161**	613,682	**1,280,621**	607,202
	8,145,029	7,041,047	**8,041,077**	6,940,762

	Group and Company	
	2023 KShs '000	2022 KShs '000
The number of employees at the year-end was:	**No.**	No.
Management	**854**	844
Unionisable	**102**	130
Other	**64**	87
	1,020	1,061

	Group		Company	
	2023 KShs '000	2022 KShs '000	2023 KShs '000	2022 KShs '000
Premises and equipment expenses				
Rental of premises	**95,315**	127,072	**95,315**	127,072
Rental of computers and equipment	**197,577**	130,805	**197,577**	130,805
Electricity	**76,939**	65,518	**76,939**	65,518
Premises restructuring expenses provision release	**-**	(49,454)	**-**	(49,454)
Other premises and equipment expenses	**397,177**	294,168	**395,354**	292,469
	767,008	568,109	**765,185**	566,410

Premises and equipment expenses relate to costs incurred on premises and equipment that do not qualify for capitalisation under the Group's policy and are expensed as they are incurred.

11. Operating expenses continued continued

Significant accounting estimates and judgments continued

General administrative expenses mainly include recharges as disclosed in Note 39 on related party transactions, and other miscellanous general and administrative expenses.

	Group and Company	
Depreciation and amortisation	**2023 KShs '000**	2022 KShs '000
Depreciation on property, equipment and right-of-use-asset (Note 26)	**378,642**	435,961
Amortisation of intangible assets (Note 27)	**983,286**	820,529
	1,361,928	1,256,490

12. Profit before tax

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Profit before tax is arrived at after charging:				
Depreciation on property and equipment (Note 26)	**376,642**	435,961	**376,642**	435,961
Amortisation of intangible assets (Note 27)	**983,286**	820,529	**983,286**	820,529
Impairment charge on property and equipment (Note 26)	**76,120**	-	**76,120**	-
Impairment charge on intangible assets (Note 27)	**-**	130,193	**-**	130,193
Loss on lease modification (Note 33)	**20**	2,364	**20**	2,364
Directors' emoluments				
- Fees	**24,775**	24,590	**23,895**	24,030
- Others	**297,270**	289,025	**297,270**	289,025
Auditors' remuneration				
- Statutory audit	**25,262**	23,732	**23,399**	22,057
- Information Systems and Technology audit and after:	**19,016**	18,110	**19,016**	18,110
And after :				
Gain on sale of property and equipment	**3,363**	2,518	**3,363**	2,518

13. Tax

Accounting policy

Income tax expense comprises current and change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. The Group has determined that interest and penalties related to income taxes do not meet the definition of income taxes and therefore has accounted for them under IFRIC 23 Uncertainty of Income Tax Treatments and has recognised the related expenses in operating expenses.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received having considered the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

13. Tax continued

(ii) Deferred tax continued

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Significant accounting estimates and judgments

- determining the Group's tax charge for the year involves estimation and judgment on the potential outcome, which includes an interpretation of tax laws. These judgments take account of external advice where appropriate;
- the Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authority where an outflow is probable; and
- the recoverability of the Group's deferred tax asset is based on management's judgment of the availability of future taxable profits against which the deferred tax assets will be utilised.

(iii) Income tax

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Current year's tax at 30%	**5,471,415**	6,175,882	**5,130,826**	5,807,968
Adjustment in respect of current income tax of prior years	**(93,825)**	(108,609)	**(87,016)**	(112,304)
	5,377,590	6,067,273	**5,043,810**	5,695,664
Deferred tax charge/(credit) at 30% (Note 28)	**455,425**	(1,022,009)	**405,848**	(994,174)
Income tax expense	**5,833,015**	5,045,264	**5,449,658**	4,701,490

The tax on the accounting profit before tax differs from the theoretical amount using the basic tax rate as follows:

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Accounting profit before tax	**19,668,482**	17,103,199	**19,366,888**	17,138,414
Computed tax using the applicable corporation tax rate at 30%	**5,900,545**	5,130,960	**5,810,066**	5,141,524
Tax exempt income	**(389,774)**	(199,348)	**(658,005)**	(547,444)
Non-deductible expenses	**352,020**	(1,022,009)	**320,564**	196,398
Adjustment in respect of		199,897		
current income tax of prior years	**(93,825)**	(108,609)	**(87,016)**	(112,304)
deferred tax of prior years	**64,049**	22,364	**64,049**	23,316
Income tax expense	**5,833,015**	5,045,264	**5,449,658**	4,701,490

13. Tax continued

(iii) Income tax continued

Tax exempt income includes revenue from infrastructure bonds and dividend income from subsidiaries. Non-deductible expenses relate to excess pension contribution, fringe benefits, and other operating expenses.

The following are the movements in current tax during the year:

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Current tax assets at 1 January	**1,022,677**	1,007,877	**913,568**	913,568
Current tax liabilities at 1 January	**(2,655,065)**	(361,913)	**(2,654,111)**	(274,868)
Net current tax at 1 January	**(1,632,388)**	645,964	**(1,740,543)**	638,700
Current tax at 30%	**(5,471,415)**	(6,175,882)	**(5,130,826)**	(5,807,968)
Adjustment in respect of prior years current income tax	**93,825**	108,609	**87,016**	112,304
Taxes paid	**8,195,305**	3,788,921	**7,837,196**	3,316,421
Net current tax balance at 31 December	**1,185,327**	(1,632,388)	**1,052,843**	(1,740,543)
Current tax assets at 31 December	**1,185,327**	1,022,677	**1,052,843**	913,568
Current tax liabilities at 31 December	**–**	(2,655,065)	**-**	(2,654,111)
Total	**1,185,327**	(1,632,388)	**1,052,843**	(1,740,543)

14. Earnings per ordinary share

Accounting policy

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held.

The Group measures earnings per share on the profit or loss attributable to ordinary equity holders. Where the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively.

The calculation of Group basic earnings per share at 31 December 2023 and 2022 is based on the profit attributable to ordinary shareholders of KShs 13,667,467,000 (2022: KShs 11,889,935,000) and a weighted average number of ordinary shares outstanding during the year of 377,850,589 (2022: 377,850,589).

The calculation of Company basic earnings per share at 31 December 2023 and 2022 is based on the profit attributable to ordinary shareholders of KShs 13,749,230,000 (2022: KShs 12,268,924,000) and a weighted average number of ordinary shares outstanding during the year of 377,850,589 (2022: 377,850,589).

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Profit for the year attributable to equity holders	**13,835,467**	12,057,935	**13,917,230**	12,436,924
Dividend on non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares	**(168,000)**	(168,000)	**(168,000)**	(168,000)
Profit for the year attributable to ordinary shareholders	**13,667,467**	11,889,935	**13,749,230**	12,268,924
Basic and diluted - Weighted average number of shares (thousands)	**377,851**	377,851	**377,851**	377,851
Basic and diluted earnings per ordinary share (KShs)	**36.17**	31.47	**36.39**	32.47

15. Dividends

Accounting policy

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared, and, in respect of the final dividend, have been approved by the shareholders.

In determining if dividends are distributable, and the level of dividends declared, the Board considers a number of factors which include but are not limited to the:

- amount of distributable reserves;
- capital requirements of the Group (see note 4 (f)); and
- level of cash investment projections to achieve the Group's strategy.

	Group and Company	
Depreciation and amortisation	**2023 KShs '000**	2022 KShs '000
Dividends – Ordinary shares	**8,690,564**	6,045,610
Dividends – Preference shares	**84,690**	84,690
	8,775,254	6,130,300
The movement in dividend is as follows:		
At 1 January	**6,130,300**	5,374,599
Dividend proposed		
Ordinary shares - interim 2023/2022	**2,267,104**	2,267,104
Preference shares - interim 2023/2022	**83,310**	83,310
Ordinary shares - final 2023/2022	**8,690,564**	6,045,610
Preference shares - final 2023/2022	**84,690**	84,690
Dividend paid		
Ordinary shares - final 2022/2021	**(6,045,610)**	(5,289,909)
Preference shares - final 2022/2021	**(84,690)**	(84,690)
Ordinary shares – interim 2023/2022	**(2,267,104)**	(2,267,104)
Preference shares – interim 2023/2022	**(83,310)**	(83,310)
At 31 December	**8,775,254**	6,130,300

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

At the Annual General Meeting to be held on 30 May 2024 a final dividend in respect of the year ended 31 December 2023 of KShs 23.00 (2022 – KShs 16.00) per ordinary share of KShs 5.00 is to be proposed. One interim dividend of KShs 6.00 (2022 – KShs 6.00) for every ordinary share of KShs 5.00 was declared on 23 November 2023 and paid on 29 December 2023. This will bring the total dividend for the year to KShs 29.00 (2022 – KShs 22.00) per ordinary share of KShs 5.00.

At the Annual General Meeting to be held on 30 May 2024, a final dividend in respect of the year ended 31 December 2023 of KShs 84,690,411 (2022 – KShs 84,690,411) for the preference shares is to be proposed. An interim dividend of KShs 83,309,589 (2022 – KShs 83,309,5891) was declared on 23 November 2023 and paid on 29 December 2023. This will bring the total dividend for the year to KShs 168,000,000 (2022: KShs 168,000,000).

Dividends on the preference shares are paid at the rate of 6% per annum on the issue price of KShs 50.00 per share.

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 15% for non-resident shareholders.

16. Cash and balances with Central Bank of Kenya

Accounting policy

Cash and cash equivalents include:

- Cash and balances at Central Bank of Kenya except for restricted balances; and
- products such as treasury bills and other eligible bills, short-term government securities, loans and advances to banks (including reverse repos), and loans and advances to customers (placements at central banks), which are held for appropriate business purposes, when they have less than three months' maturity from the date of acquisition, are not subject to contractual restrictions, are subject to insignificant changes in value, are highly liquid and are held for the purpose of meeting short-term cash commitments.

Cash and balances at central banks' includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of 'Loans and advances to customers'. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Cash on hand	**3,996,876**	3,457,845
Balances with Central Bank of Kenya		
- Restricted balances (Cash Reserve Ratio)	**13,319,885**	12,685,788
- Unrestricted balances	**25,584,994**	7,113,673
	42,901,755	23,257,306

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted for the Central Bank of Kenya requirements. At 31 December 2023, the Cash Reserve Ratio requirement was 4.25% (2022: 4.25%) of all deposits. These funds are available for use by the Company in its day-to-day operations in a limited way provided that on any given day this balance does not fall below the 3.00% requirement and provided that the overall average in the month is at least 4.25% (2022: 4.25%).

17. Government and other securities held at FVTPL

Accounting policy

Securities are treasury bills and bonds, debt securities and equity securities acquired principally for the purpose of selling in the short-term or mandatorily classified . Refer to note 3 Financial assets and liabilities for the accounting policy. The change in the carrying amount of government and other securities is as shown below:

	Group and Company		
2023	**Treasury bonds KShs '000**	**Equity shares [2] KShs '000**	**Total KShs '000**
At 1 January	**965,720**	**21,211**	**986,931**
Additions	**18,180,925**	**–**	**18,180,925**
Disposals and maturities	**(13,489,971)**	**–**	**(13,489,971)**
Exchange difference	**–**	**6,761**	**6,761**
Changes in fair value	**83,822**	**–**	**83,822**
At 31 December	**5,740,496**	**27,972**	**5,768,468**
2022			
At 1 January	4,580,708	20,659	4,601,367
Additions	10,521,658	–	10,521,658
Disposals and maturities	(13,932,968)	–	(13,932,968)
Exchange difference	–	552	552
Changes in fair value	(203,678)	–	(203,678)
At 31 December	965,720	21,211	986,931

The weighted average effective interest rate on government securities mandatorily held at FVTPL at 31 December 2023 was 17.30% (2022 – 12.59%).

[2] The Bank's holding of SWIFT shares is mandatorily held at FVPTL. They cannot be traded and therefore are carried at cost.

18. Derivative financial instruments

Accounting policy

Changes in fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the income statement. Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. For derivative financial instruments traded in active markets, quoted market prices for identical financial assets or financial liabilities that the entity has access to are used. For all other financial instruments which do not have an observable price in an active market, fair value is measured using valuation techniques. Valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

The Group uses the following derivative instruments:

Forward foreign exchange contracts

Forward foreign exchange contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency or a financial instrument at a future date at a specified price, established in an organised financial market.

The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency swaps and interest rate swaps

Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate or floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. The risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency options and interest rate options

Foreign currency options and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer i.e. over-the-counter (OTC). The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

18. Derivative financial instruments continued

Accounting policy

Foreign currency and interest rate options continued

The types of derivatives used by the Group are set out below.

These tables analyse the notional principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	Group and Company					
	2023			2022		
Derivatives	**Notional principal amounts KShs '000**	**Assets KShs '000**	**Liabilities KShs '000**	Notional principal amounts KShs '000	Assets KShs '000	Liabilities KShs '000
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**21,413,205**	**462,672**	**662,839**	19,943,672	159,740	78,214
Currency swaps and options	**4,125,244**	**414,127**	**402,473**	2,916,450	149,878	150,628
	25,538,449	**876,799**	**1,065,312**	22,860,122	309,618	228,842
Interest rate derivative contracts: Interest rate swaps, forward agreements and options	**832,717**	**48,252**	**44,529**	2,898,964	90,876	90,733
Total derivatives	**26,371,166**	**925,051**	**1,109,841**	25,759,086	400,494	319,575

19. Loans and advances to banks and customers

Accounting policy

Refer to note 3 on financial assets and liabilities for the accounting policy.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Gross loans and advances to banks	**3,963,423**	430,551
Expected credit loss	**(5,645)**	(2,462)
	3,957,778	428,089
Gross loans and advances to customers	**172,936,616**	148,690,254
Expected credit loss	**(9,774,839)**	(9,277,694)
	163,161,777	139,412,560
Total loans and advances to banks and customers	**167,119,555**	139,840,649

The weighted average effective interest rate on loans and advances to banks at 31 December 2023 was 16.20% (2022 – 0.01%).

The weighted average effective interest rate on loans and advances to customers at 31 December 2023 was 13.00% (2022 - 10.50%).

19. Loans and advances to banks and customers continued

(a) Net impairment losses on financial instruments:

The table below summarises the net impairment losses to the income statement against the financial instruments subject to impairment:

	Group and Company	
	2023 KShs '000	2022 KShs '000
Loans and advances to banks	**2,065**	(397)
Loans and advances to customers (Note 4(a)(ii)	**2,968,443**	885,618
Amounts due from group companies and other related parties (Note 4(a)(ii)	**21,585**	(7,202)
Government securities at FVOCI (Note 4(a)(ii)	**219,602**	(96,570)
Financial guarantees and loan commitments (Note 4(a)(ii)	**6,300**	3,174
	3,217,995	784,623

(b) Maturity term classification of loans and advances to customers

	Group and Company	
	2023 KShs '000	2022 KShs '000
Repayable on demand	**54,632,872**	35,024,244
Less than 3 months	**20,709,157**	33,806,773
3 months to 1 year	**14,776,036**	12,861,440
1 to 5 years	**30,496,080**	34,393,533
5 to 10 years	**36,795,453**	15,768,992
Over 10 years	**15,527,018**	16,835,272
Gross loans and advances	**172,936,616**	148,690,254

20. Government securities held at FVOCI

Accounting policy

Refer to note 3 on Financial assets and liabilities for the accounting policy.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Treasury bonds – FVOCI	**26,935,267**	59,339,979
Treasury bills – FVOCI	**36,898,933**	45,391,183
	63,834,200	104,731,162

The change in the carrying amount of Government securities at FVOCI is as shown below:

	Group and Company	
	2023 KShs '000	2022 KShs '000
At 1 January	**104,731,162**	91,014,905
Additions	**70,648,768**	99,982,330
Disposals and maturities	**(113,544,150)**	(85,251,618)
Changes in fair value	**(3,281,903)**	(1,732,592)
Fair value recycled through income statement (Note 10)	**3,230,494**	(167,769)
Movement in accrued interest	**(1,163,912)**	139,691
Amortisation of discounts and premiums	**3,213,741**	746,215
At 31 December	**63,834,200**	104,731,162

The weighted average effective interest rate on treasury bonds at 31 December 2023 was 11.48% (2022 – 11.50%) and on treasury bills was 13.70% (2022 – 9.48%).

There were no treasury bills under repurchase agreements outstanding at 31 December 2023 and 2022. There were no money market bonds as at 31 December 2023 (2022 – nil).

At 31 December 2023, unamortised premiums on investment securities amounted to KShs 7 million (2022 – KShs 518 million) and unamortised discounts amounted to KShs 118 million (2022 – KShs 1,626 million).

21. Other assets

Accounting policy

Refer to Note 3 financial assets and liabilities for the accounting policy.

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Un-cleared effects	**374,604**	385,928	**374,604**	385,928
Prepayments	**281,716**	260,378	**281,717**	260,378
Other receivables	**5,468,442**	2,849,640	**5,390,865**	2,793,352
At 31 December	**6,124,762**	3,495,946	**6,047,186**	3,439,658

Un-cleared effects consist of items in transit to/from other banks through the Central Bank of Kenya's clearing system. These items generally clear by end of the next business day.

Other receivables mainly consist of suspense accounts. All other receivables are current, non-interest bearing and are short dated in maturity.

22. Group company balances

Accounting policy

Refer to Note 3 financial assets and liabilities for the accounting policy.

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Due from group companies and other related parties				
Amounts due from group companies and other related parties	**129,281,610**	96,127,601	**129,703,405**	96,608,538
Less loss allowance (Note 4(a)(ii))	**(28,000)**	(6,415)	**(28,000)**	(6,415)
	129,253,610	96,121,186	**129,675,405**	96,602,123
Due to group companies and other related parties				
Amounts due to group companies	**9,757,711**	12,717,385	**9,757,711**	12,717,385
Amounts due to subsidiaries	**–**	–	**611,165**	742,280
	9,757,711	12,717,385	**10,368,876**	13,459,665

SCB Plc advanced the Company subordinated debt of US$ 60 made up of three amounts of US$ 20 million each advanced on 30 December 2013, 22 December 2014 and 19 August 2016, respectively. The subordinated debts were unsecured, ungauranteed 10-year loan capital issued by Standard Chartered PLC, and were subordinated to the claims of other creditors including without limitation, customer deposits and deposits to banks. The Company had the right to settle these debt instruments in certain circumstances, as set out in the contractual agreements. The issuer also had the right to call the debt instruments.

In 2022, the Company had excercised its right to redeem US$ 20 million (KShs 2,481 million) of the 2013 subordinated debt that was callable. In 2023, the Bank redeemed the remaining US$ 40 million advanced on 22 December 2014 and 19 August 2016 respectively.

The weighted average effective interest rate at 31 December 2022 on the subordinated debts was 4.52%.

The weighted average effective interest rate at 31 December 2022 on amounts due from group companies was 5.30% (2022 – 1.18%) and on amounts due to group companies was 0.02% (2022 – 1.19%).

Amounts due to subsidiaries relate to cash held in current and term deposit accounts on behalf of the Company's subsidiaries. The weighted average effective interest rate on the term deposits was 7.96% (2022 – 6.25%).

23. Investment in subsidiary undertakings

Accounting policy

Subsidiaries are entities which the Company controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Company's practical ability to direct the relevant activities of the entity unilaterally for the Company's own benefit and is subject to re-assessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Company effectively obtains control. They are de-consolidated from the date that control ceases, and where any interest in the subsidiary remains, this is re-measured to its fair value and the change in carrying amount is recognised in the income statement.

In the Company's financial statements, investments in subsidiaries are held at cost less impairment. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

The following subsidiaries are wholly owned by the Company:

		Company	
	Status	**2023 KShs '000**	2022 KShs '000
Standard Chartered Investment Services Limited	Active	**20,000**	20,000
Standard Chartered Financial Services Limited	Non-trading	**120,241**	120,241
Standard Chartered Bancassurance Intermediary Limited	Active	**5,000**	5,000
Standard Chartered Kenya Nominees Limited	Non-trading	**2**	2
		145,243	145,243

The investment in the above undertakings is measured at cost less accumulated impairment losses. All the subsidiaries are incorporated in Kenya. The group has assessed the investment in subsidiaries for impairment and has determined that the investment is not impaired (2022 - nil)

24. Business combination

Accounting policy

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

The accounting policy on recognition of goodwill is as disclosed in Note 27.

On 31 October 2010, Standard Chartered Bank Kenya Limited (SCBKL) acquired the custody business of Barclays Bank of Kenya Limited (BBKL). The business was acquired for KShs 1,883 million representing the value of revenue streams of the local customer relationships acquired. No other assets and liabilities other than customer relationships were acquired.

In addition to the purchase price paid by SCBKL, Standard Chartered PLC paid GBP £14,133,404 (KShs 1,824 million) in respect of the value that BBKL's custody clients provide across the Pan-African network covered by the Barclays Bank PLC's Africa custody business as a whole. This represents the value deemed to arise as a result of revenue streams from regional and global customer relationships acquired. In effect, the purchase price paid for by Standard Chartered PLC is deemed to be a capital contribution.

The revenue streams from all the customer relationships, both local and global, will therefore accrue to SCBKL and as such the value of the intangible is significantly higher than the purchase price paid locally.

The fair value of the customer relationships acquired were determined by discounting the future cash flows expected to be generated over the useful life determined to be 11 years.

The calculation of the acquired intangible asset was based on the following key assumptions:

- cash flows were projected based on past experience, actual operating results, and budgets and forecasts approved by management up to 2014. Management forecasts projected revenue growth rates greater than long-term GDP growth rates but which are in line with past performance as adjusted to reflect current economic climate and any known business cycles. Cash flow projections were extrapolated forward up to 2023 using steady long-term estimated GDP growth rates; and
- the cash flows were discounted using a pre-tax discount rate of 23.50% which reflected the prevailing market rates appropriate for this business at the date of the transaction.

The key assumptions described above may change as economic and market conditions change. Management believes that reasonable possible change in any of the key assumptions on which the fair value of the intangible has been based will not cause the carrying amounts to exceed their recoverable amount.

24. Business combination continued

Accounting policy continued

The intangible asset arising from the acquisition is as follows:

Group and Company	2023 KShs '000
Purchase consideration:	
Cash paid by SCBKL	1,883,365
Cash paid by Standard Chartered PLC (capital contribution)	1,823,673
Total purchase consideration	3,707,038
Less: fair value of identifiable assets acquired	–
Intangible assets acquired: customer relationships	3,707,038
Deferred tax liability recognised on business combination	(1,112,111)
Total identifiable net assets	2,594,927
Goodwill on acquisition (Note 27)	1,112,111

Group and Company	2023 KShs '000	2022 KShs '000
Contribution from the acquisition:		
Operating income	2,723,674	2,452,094
Profit before tax	2,470,306	2,311,426

The goodwill is attributable mainly to the customer relationships acquired, value of the acquired work force and leveraged synergies within the Pan-African businesses and geographies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill is wholly attributable to the Securities Services department of the Group and Company.

25. Non-current asset held for sale

Accounting policy

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For classification as non-current asset held for sale, the following criteria must be met;

- the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable;
- appropriate level of management must be committed to a plan to sell the asset;
- an active program to locate a buyer and complete the plan must have been initiated;
- the asset actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

For non-financial assets, fair value takes into account the highest and best use either on a standalone basis or in combination with other assets or other assets and liabilities. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies.

25. Non-current asset held for sale continued

Accounting policy continued

Non -current assets held for sale are not depreciated or amortised. Gains are not recognised in excess of any cumulative impairment loss. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

	Freehold land and buildings	
Group and Company	**2023 KShs '000**	2022 KShs '000
At 1 January	**222,000**	222,000
Revaluation deficit	**(23,400)**	-
At 31 December	**198,600**	222,000

The outstanding balance of the non-current asset held for sale relates to Treasury Square Limited located at Mombasa Island. This is freehold property classified as commercial property and gazetted as a Heritage site. The property has been placed on the market with the sale expected within the 2024 financial year.

The asset of KShs 198.6 million (2022 – KShs 222.0 million) is classified under the Central and other items portion of the operating segment report in Note 5. The property was designated as held for sale in June 2020. Due to the impact of COVID-19, management has not been able to sell the asset within one year from the date of the initial sale decision. As the circumstances were beyond the Group's control , in line with the Groups accounting policy, the asset has been retained as held for sale at 31 December 2023. Management remains committed to sell the property.

26. Property and equipment

Accounting policy

Freehold land and buildings and buildings on leasehold land subsequently measured using the revaluation model are initially recognised at cost and then are subsequently measured at the fair value on the date of revaluation less subsequent accumulated depreciation and impairment losses.

All other property and equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each reporting date, the assets' residual values and useful lives are reviewed and adjusted, if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement. In addition, the depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Leasehold land is recognised as an asset and amortised over the lease period.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- buildings on freehold land – up to 50 years;
- buildings on leasehold land – life of lease up to 50 years;
- Leasehold land – life of lease;
- fixtures, fittings and equipment – 3-10 years;
- automated teller machines (ATMs) – 7 years;
- computers – 3 - 5 years; and
- motor vehicles – 3 years.

When 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.

26. Property and equipment continued

Accounting policy

Freehold land and buildings are revalued every three years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax is recognised in other comprehensive income and presented in the revaluation reserve within equity.

Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to the income statement.

Revaluation surpluses are not distributable.

Excess depreciation is the difference between the depreciation charge for the year based on the revalued amount and the original cost of the related property. On an annual basis, the amount relating to the excess depreciation net of deferred tax is transfered from revaluation reserves to retained earnings to recognise the use of the property and equipment. Excess depreciation of KShs 14,076,000 (2022: KShs 14,759,000) and related deferred tax of KShs 4,223,000 (2022: KShs 4,428,000) was transeferred to retained earnings.

Non-depreciable items

These are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management. In the event of partially completed construction work that has necessitated advance or progress payments, or work-in-progress, depreciation will only commence when the work is complete. Fixed assets are classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably.

Amounts held within work-in-progress that are substantially complete, in common with other fixed assets, are assessed for impairment.

Derecognition

The carrying amount of an item of property and equipment shall be derecognised:

- on disposal; or
- when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property and equipment shall be included in the income statement when the item is derecognised.

Leases classified as right-of-use assets under IFRS 16

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in property and equipment with a corresponding liability to the lessor recognised in other liabilities, in accordance with the Group's leased assets accounting policy in Note 33.

26. Property and equipment continued continued

Significant accounting estimates and judgments

- critical estimates are made by management in determining the useful life for property and equipment; and
- certain items of property and equipment are measured at revalued amounts. The fair value is determined based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Group and Company 2023	Premises KShs '000	Equipment & Motor vehicle KShs '000	Right-of-use asset: Leased land KShs '000	Right-of-use asset: Leased premises KShs '000	Total KShs '000
Cost or valuation					
At 1 January	4,868,435	2,699,846	277,578	596,536	8,442,395
Additions	223,468	283,388	–	130,743	637,599
Lease modification	-	-	-	20	20
Impairment	–	(76,120)	–	–	(76,120)
Disposals and fully depreciated assets written off	(20,989)	(10,722)	–	(26,607)	(58,318)
Revaluation deficit	(237,764)	–	–	–	(237,764)
At 31 December	4,833,150	2,896,392	277,578	700,692	8,707,812
Depreciation					
Accumulated at 1 January	2,792,551	2,277,906	51,656	359,550	5,481,663
Charge for the year	134,804	115,100	2,927	125,811	378,642
Depreciation written back on revaluation	(68,987)	–	–	–	(68,987)
Attributable to assets sold, transferred or written off	(20,989)	(10,722)	–	(21,313)	(53,024)
Accumulated at 31 December	2,837,379	2,382,284	54,583	464,048	5,738,294
Carrying amount at 31 December	1,995,771	514,108	222,995	236,644	2,969,518

26. Property and equipment continued

Group and Company 2022	Right-of-use asset Premises KShs '000	Equipment & Motor vehicle KShs '000	Leased land KShs '000	Leased premises KShs '000	Total KShs '000
Cost or valuation					
At 1 January	4,782,977	2,632,151	277,578	572,384	8,265,090
Additions	97,301	79,481	-	34,460	211,242
Disposals and fully depreciated assets written off	(11,843)	(11,786)	-	(10,308)	(33,937)
At 31 December	4,833,150	2,896,392	277,578	700,692	8,707,812
Depreciation					
Accumulated at 1 January	2,655,642	2,113,534	48,729	251,151	5,069,056
Charge for the year	147,758	173,754	2,927	111,522	435,961
Attributable to assets sold, transferred or written off	(10,849)	(9,382)	–	(3,123)	(23,354)
Accumulated at 31 December	2,792,551	2,277,906	51,656	359,550	5,481,663
Carrying amount at 31 December	2,075,884	421,940	225,922	236,986	2,960,732

Included in property and equipment at 31 December 2023 are assets with a gross value of KShs 6,563,097,000 (2022– KShs 7,880,832,000) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been KShs 2,234,501,000 (2022 – KShs 2,811,578,000).

There were no idle assets as at 31 December 2023 and 2022.

Freehold land and buildings were revalued on an open market basis by professional valuers, Kenval Realtors, Pinaccle Valuers Limited, Gimco Limited and Joe Musyoki Consultants as at 30 September 2023. The carrying amount of the properties were adjusted to the revaluations, and the resulting deficit , net of deferred tax, was debited to the revaluation reserve.

Freehold land and buildings are revalued every 3 years.

In the opinion of the directors, the fair value of the freehold land and buildings has not changed significantly since the revaluation at 30 September 2023.

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2023 (2022 – Nil).

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

	Freehold land and buildings 2023 KShs '000	2022 KShs '000
	KShs '000	KShs '000
Cost	**616,061**	616,061
Accumulated depreciation	**(203,663)**	(187,643)
	412,398	428,418

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26. Property and equipment continued

The major land and building properties owned by the Group comprise:

- StandardChartered@Chiromo located at Westlands, Nairobi. This is a leasehold property classified as a commercial property which hosts the Group's Head Office within a seven-storey modern building. The property sits on 1.880 acres.
- Kenyatta Avenue Branch located at Kenyatta Avenue, Nairobi. This is a leasehold property classified as a commercial property and gazetted as a Heritage site. It consists of a two-storey building at the junction of Kenyatta Avenue and Wabera Street in Nairobi. The property sits on 0.34435 acres.
- Nyeri Branch located in Nyeri Town. This is a leasehold property classified as a commercial property and gazetted as a Heritage site. It is located in the historic area of Nyeri town. The property consists of a single-storey Branch with a two-storey residential house sitting on 0.4101 acres.
- Nanyuki Branch in Nanyuki Town. This is a leasehold property classified as a commercial property and consists of a single-storey building on the main Nanyuki – Meru Highway. The property sits on 0.17218 acres.

The table below summarises the assumptions made in the revaluation of the property

	Valuation technique	Significant unobservable inputs	Range (weighted average)*	Sensitivity of the input to fair value
Kenyatta Avenue Branch	Market Comparable Approach	estimated market rental value	KShs 38 million per year	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 24 million.
Standard Chartered@ Chiromo	- Cost approach - Comparable approach - Investment approach	estimated market rental value	KShs 196 million per year	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 138 million.
Nyeri Branch	- Depreciated replacement cost approach - Market comparison approach - Income approach	Market comparable prices	KShs 175 million to KShs 193 million	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 8.5 million.
Nanyuki Branch	- Depreciated replacement cost approach - Market comparison approach - Income approach	Market comparable prices	KShs 18 to KShs 50 million	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 1 million.

* range refers to the rental value estimated for the property based on market data.

27. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired business at the date of acquisition.

Goodwill included in intangible assets is assessed at each reporting date for impairment and carried at cost less any accumulated impairment losses. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgment. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group at which the goodwill is monitored for internal reporting purposes. These are smaller than the Group's reportable segments (as set out in Note 5).

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Significant accounting estimates and judgments

The carrying amount of goodwill is based on the extent of judgments including the basis of assumptions and forecasts used for determining cash flows for CGUs, headroom availability, and sensitivities of the forecasts to reasonably possible changes in assumptions. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on the statement of financial position is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgment and is subject to potential change over time.

The carrying amount of acquired intangibles is based on the extent of judgments including the basis of assumptions and forecasts used for determining future cash flows, period over which cash flows are expected to be generated and sensitivities of the forecasts to reasonably possible changes in assumptions. The estimation of future cash flows, the level to which they are discounted, and the estimated useful life is inherently uncertain and requires significant judgment.

27. Goodwill and intangible assets continued

Accounting policy continued

Acquired intangibles and computer software

At the date of acquisition of a business, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired (as set out in Note 24). These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the assets will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10 year time period.

For capitalised software, judgment is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgment is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

	Group and Company							
	2023				2022			
Cost	**Goodwill**	**Acquired intangible asset**	**Computer software**	**Total**	Goodwill	Acquired intangible asset	Computer software	Total
At 1 January	**1,112,111**	**3,707,038**	**6,176,204**	**10,995,353**	1,112,111	3,707,038	5,189,468	10,008,617
Additions	**–**	**–**	**1,896,648**	**1,896,648**	–	–	1,137,471	1,137,471
Impairment	**–**	**–**	**-**	**-**	–	–	(150,735)	(150,735)
At 31 December	**1,112,111**	**3,707,038**	**8,072,852**	**12,892,001**	1,112,111	3,707,038	6,176,204	10,995,353
Amortisation								
At 1 January	**–**	**3,707,038**	**3,185,091**	**6,892,129**	–	3,707,038	2,402,738	6,109,776
Amortisation	**–**	**-**	**983,286**	**983,286**	–		820,529	820,529
Impairment	**–**	**–**	**-**	**-**	–	–	(38,176)	(38,176)
At 31 December	**–**	**3,707,038**	**4,168,377**	**7,875,415**	–	3,707,038	3,185,091	6,892,129
Net carrying amount	**1,112,111**	**–**	**3,904,475**	**5,016,586**	1,112,111	–	2,991,113	4,103,224

As at 31 December 2023, assets with a gross value of KShs 1,190,983,000 (2022 – KShs 1,190,983,000) are fully amortised but still in use. The notional amortisation charge for the year on these assets would have been KShs 217,716,000 (2022 – KShs 217,716,000. There were no idle assets as at 31 December 2023 and 2022.

The goodwill is wholly attributable to the Securities Services department of the Company. The directors having assessed the goodwill. As a result of the analysis, there is headroom of KShs 938,000,000 over the carrying value of the cash generating unit.

27. Goodwill and intangible assets continued

It is on this basis that the directors determined that the goodwill was not impaired at the reporting date (2022 - Nil).

The recoverable amounts were calculated based on their value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2023 was determined similarly as in 2022. The calculation of the value in use was based on the following key assumptions:

- cash flows were projected based on past experience, actual operating results and budgets and forecasts approved by management up to 2027. Management forecasts projected revenue growth rates greater than long-term Gross Domestic Product (GDP) growth rates but which are in line with past performance as adjusted to reflect current economic climate and any known business cycles. Cash flow projections were extrapolated forward up to 2023 using steady long-term estimated GDP growth rates.
- the cash flows were discounted using a pre-tax discount rate of 23.85% which reflected the prevailing market rates appropriate for this business on the date of the transaction.

As a result of the analysis The key assumptions described above may change as economic and market conditions change. The directors believe that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of the unit to decline below the carrying amount.

28. Deferred tax

Accounting policy

Refer to Note 13 Tax for the accounting policy.

The net deferred tax assets at 31 December 2023 and 2022 are attributable to the following:

Group 2023	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment	191,309	(167,764)	–	23,545
ECL on stage 1 and 2 financial instruments	562,293	88,323	–	650,616
ECL on stage 3 financial instruments	937,913	692,273	–	1,630,186
Revaluation surplus on non-current assets held for sale	(52,794)	-	2,520	(50,274)
Revaluation surplus on property and equipment	(278,887)	4,223	50,633	(224,031)
Fair value reserve	440,935	65,878	(50,457)	456,356
Accrued interest	88,269	(17,907)	–	70,362
Leases	194,418	(19,896)	–	174,522
Tax losses	–	2,620	–	2,620
Other provisions	2,005,324	(1,089,151)	–	916,173
Retirement benefit obligations	28,928	(14,024)	(236)	14,668
	4,117,708	(455,425)	2,460	3,664,743

28. Deferred tax continued

Accounting policy continued

Group 2022	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment				
- current year	193,550	(2,241)	–	191,309
- adjustment in respect to deferred tax in prior years	(5,158)	5,158	–	–
ECL on stage 1 and 2 financial instruments	761,215	(198,922)	–	562,293
ECL on stage 3 financial instruments	580,068	357,845	–	937,913
- adjustment in respect to deferred tax in prior years	91,893	(91,893)	–	–
Revaluation surplus on non-current assets held for sale	(52,794)	-	–	(52,794)
Revaluation surplus on property and equipment	(283,314)	4,427	–	(278,887)
Fair value reserve – FVOCI	(129,172)	–	570,107	440,935
Accrued interest	79,732	8,537	–	88,269
Leases	141,490	52,928	–	194,418
Other provisions	1,087,483	888,869	28,972	2,005,324
Retirement benefit obligations	14,491	(2,699)	17,136	28,928
	2,479,484	1,022,009	616,215	4,117,708

Company 2023	**At 1 January KShs '000**	**Recognised in the income statement current year KShs '000**	**Recognised in other comprehensive income KShs '000**	**At 31 December KShs '000**
Property and equipment	**148,828**	**(157,143)**	**–**	**(8,315)**
ECL on stage 1 and 2 financial instruments	**562,293**	**88,323**	**–**	**650,616**
ECL on stage 3 financial instruments	**937,913**	**692,273**	**–**	**1,630,186**
Revaluation surplus on non-current assets held for sale	**(52,794)**	**-**	**2,520**	**(50,274)**
Revaluation surplus on property and equipment	**(278,887)**	**4,223**	**50,633**	**(224,031)**
Fair value reserve	**440,935**	**65,878**	**(50,457)**	**456,356**
Accrued interest	**88,269**	**(17,907)**	**–**	**70,362**
Leases	**194,418**	**(19,896)**	**–**	**174,522**
Other provisions	**1,957,653**	**(1,047,575)**	**–**	**910,078**
Retirement benefit obligations	**28,928**	**(14,024)**	**(236)**	**14,668**
	4,027,556	**(405,848)**	**2,460**	**3,624,168**

28. Deferred tax continued

Accounting policy continued

Company 2022	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment				
- current year	133,615	15,213	–	148,828
- adjustment in respect to deferred tax in prior years	(5,158)	5,158	–	–
ECL on stage 1 and 2 financial instruments	761,215	(198,922)	–	562,293
ECL on stage 3 financial instruments	580,068	357,845	–	937,913
- adjustment in respect to deferred tax in prior years	91,893	(91,893)	–	–
Revaluation surplus on non-current assets held for sale	(52,794)	-	–	(52,794)
Revaluation surplus on property and equipment	(283,314)	4,427	–	(278,887)
Fair value reserve – FVOCI	(129,172)	–	570,107	440,935
Accrued interest	79,732	8,537	–	88,269
Right-of-use asset	141,490	52,928	–	194,418
Other provisions	1,085,101	843,580	28,972	1,957,653
Retirement benefit obligations	14,491	(2,699)	17,136	28,928
	2,417,167	994,174	616,215	4,027,556

29. Deposits from banks

Accounting policy

Refer to Note 3 Financial assets and liabilities for the accounting policy.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Balances from local banks	**4,167,441**	13,278,599
Balances from foreign banks	**159,604**	201,865
	4,327,045	13,480,464

The weighted average effective interest rate on deposits from banks at 31 December 2023 was 3.40% (2022 – 2.67%).

30. Deposits from customers

Accounting policy

Refer to Note 3 Financial assets and liabilities for the accounting policy.

	Group and Company	
	2023 KShs '000	2022 KShs '000
(a) Maturity profile		
Payable on demand	**331,381,668**	259,576,863
Payable within 3 months or less	**4,323,541**	9,303,806
Payable after 3 months	**7,148,032**	9,998,640
	342,853,241	278,879,309
(b) Product classification		
Current and demand accounts	**277,153,356**	223,786,162
Savings deposits	**54,139,259**	27,587,097
Time deposits	**9,550,767**	17,857,765
Other	**2,009,859**	9,648,285
	342,853,241	278,879,309

The weighted average effective interest rate on interest bearing deposits from customers at 31 December 2023 was 3.20% (2022 – 3.00%).

31. Other liabilities

Accounting policy

Refer to Note 3 on Financial assets and liabilities for the accounting policy for financial liabilities and Note 33 on Leased assets for the accounting policy for leases.

	Group		Company	
Financial liabilities at amortised cost	2023 KShs '000	2022 KShs '000	2023 KShs '000	2022 KShs '000
Bills payable	**3,177,188**	11,342,411	**3,177,188**	11,342,411
Lease liability	**270,705**	279,806	**270,705**	279,806
Total financial liabilities at amortised cost	**3,447,893**	11,622,217	**3,447,893**	11,622,217
Non – financial liabilities				
Dividends payable	**182,320**	211,412	**182,320**	211,412
ECL on undrawn commitments	**111,587**	105,310	**111,587**	105,310
Other payables	**5,591,378**	5,036,120	**5,570,575**	5,021,147
Total non-financial liabilities	**5,885,285**	5,352,842	**5,864,482**	5,337,869
	9,333,178	16,975,059	**9,312,375**	16,960,086

Other payables mainly include items relating employee related accruals , uncleared payments and trade payables.

32. Contingent liabilities and commitments

Accounting policy

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events, that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Where the Group undertakes to make payment on behalf of its customers for guarantees issued, such as performance bonds or as irrevocable letters of credit as part of the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

(a) Trade contingents

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Financial guarantees and trade credits		
Financial guarantees, trade and irrevocable letters of credit	**69,820,491**	71,140,599
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	**36,998,433**	34,271,218
Less than one year	**2,121,210**	2,455,826
Unconditionally cancellable	**98,905**	103,986
	39,218,548	36,831,030

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Company to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Company expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Legal and regulatory matters

Accounting policy

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established.

Four of the significant claims are described below:

(i) A claim by a former client who was awarded damages amounting to KShs 251 million by the Court of Appeal of the Republic of Kenya. The directors, having considered the award and obtained appropriate legal advice, challenged the ruling of the Court of Appeal of the Republic of Kenya at the Common Market for East and Southern Africa (COMESA) Court of Justice. At an initial hearing, the COMESA court ruled, among others, that no execution should be levied in respect of the award granted by the Court of Appeal of the Republic of Kenya, pending the final determination of the case.

In June 2006, the directors withdrew the case from the COMESA Court of Justice and filed for a review at the Court of Appeal of the Republic of Kenya, with an expectation that the Court of Appeal of the Republic of Kenya would review its earlier decision. A ruling was delivered in 2016 in favour of the Company on its application to set aside the KShs 251 million judgment.

The Court of Appeal found that there was a failure of justice in the 2002 Court of Appeal ruling and ordered for the appeal against the Company's favourable judgment be heard afresh in the Court of Appeal. The former client instead filed an appeal to the Supreme Court. The Supreme Court, in a unanimous decision, upheld the Company's submissions that in the circumstances of this case, there was no justifiable fault in the Court of Appeal setting aside its judgment and re-opening the Appeal for a fresh hearing. Consequently, the appeal before the Supreme Court was dismissed with each party bearing its own costs.

32. Contingent liabilities and commitments continued

Legal and regulatory matters continued

The effect of this decision is that the Court of Appeal would proceed to hear and determine the appeal afresh.

Instead, in December 2023, the Court of Appeal rendered its judgment allowing the appeal of the former client and ordered that the matter be taken back to the High Court, for the High Court to reassess the award of KShs 251 million that it had given. The directors, having considered the Court of Appeal judgment and having obtained appropriate legal advice, have challenged the said judgment before the Supreme Court and the matter is pending hearing and determination.

(ii) A pension matter where 629 former employees made a claim ("claimants") in 2009 against the trustees of the Company's pension scheme and the Company. The substance of the claim was on whether correct actuarial factors were used to calculate pension benefits and the withdrawal of the surplus from the fund by the Company. In 2018 this matter was transferred from the High Court to the Employment and Labour Relations Court (ELRC), because of a constitutional change. The Company was successful with its objection to the transfer of the case to the ELRC on lack of jurisdiction. The matter was subsequently referred to the Retirement Benefits Authority (RBA) which has jurisdiction over such matters under the Retirement Benefits Act. In April 2021, RBA issued the ruling dismissing the claim in favour of the Company. The claimants appealed the RBA ruling in the Retirement Benefits Appeals Tribunal (RBAT). The RBAT delivered its ruling of the appeal in May 2022 against the Company. The directors, having considered the RBAT ruling and obtained appropriate legal advice, have challenged the RBAT ruling by way of judicial review before the High Court in Kenya. The High Court dismissed the Judicial Review Application which decision the Company has appealed against in the Court of Appeal and obtained stay orders mandating maintenance of status quo pending the ruling on the Company's application for an injunction.

(iii) A claim by a former client against the Company and Standard Chartered Estates Management (SCEM) Limited, a former wholly owned subsidiary of the Company filed in 2003. The former client is seeking compensation for losses incurred after they engaged SCEM Limited to manage their flower farm in 1996. The matter is still pending hearing and determination.

In addition, the Company has some on-going matters with the Kenya Revenue Authority. As at 31 December 2023, the directors have not made provisions for tax demand letters as they are of the view, based on advice received, that these amounts are not payable.

33. Leases

Group as lessee

Accounting policy

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable. The liability is recognised in 'other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'property and equipment'- Note 26. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in operating expenses – Note 11 under depreciation and amortisation and interest on the lease liability is recognised in net interest income – Note 6.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Significant estimates and judgments

The significant estimates and judgments in determining lease balances are the determination of whether the Group is reasonably certain that it will exercise extension options or termination present in lease contracts. A remeasurement is performed when extension of a lease is confirmed.

A remeasurement of the lease liability and right-of-use asset is also done when there is;

- a change in future lease payment amounts due to market review;
- a change in future lease payment due to change in occupied floor space; and
- a change in expected lease term.

The significant estimates were the determination of incremental borrowing. the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

33. Leases continued

The Group estimates the IBR using observable inputs has adopted Government bond rates as the benchmark rate for incremental borrowing.

Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	Group and Company					
	2023			2022		
KShs '000	**Leasehold land**	**Leased premises**	**Total**	Leasehold land	Leased premises	Total
At 1 January	**225,922**	**236,986**	**462,908**	228,849	321,233	550,082
Additions	**–**	**130,743**	**130,743**	-	32,096	32,096
Lease modification	**–**	**20**	**20**	-	2,364	2,364
Disposals	**–**	**(26,607)**	**(26,607)**	-	(10,308)	(10,308)
Depreciation charge for the year (Note 26)	**(2,927)**	**(125,811)**	**(128,738)**	(2,927)	(111,522)	(114,449)
Depreciation on disposals	**–**	**21,313**	**21,313**	-	3,123	3,123
At 31 December	**222,995**	**236,644**	**459,639**	225,922	236,986	462,908

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 31) and the movements during the period:

	Group and Company	
	2023 KShs '000	2022 KShs '000
At 1 January	**279,806**	364,068
Additions	**154,347**	83,079
Leases cancelled	**(5,511)**	-
Modifications	**20**	2,364
Interest on lease liabilities (Note 6)	**34,175**	34,816
Payment of lease liability interest	**(34,175)**	(34,816)
Payment of lease liability principal	**(157,957)**	(169,705)
Balance at 31 December	**270,705**	279,806

The table below summarises expenses that were recognised in the income statement.

	Group and Company			
	2023		**2022**	
	Leasehold land KShs '000	**Leased premises KShs '000**	Leasehold land KShs '000	Leased premises KShs '000
Interest on lease payments (Note 6)	**–**	**34,175**	–	34,816
Expenses relating to short-term property leases	**–**	**95,315**	–	127,072
Expenses relating to low value non-property leases	**–**	**197,577**	–	130,805
Amounts recognised in statement of cashflows				
Lease liability payments	**–**	**(157,957)**	–	(169,705)

33. Leases continued

Short term leases and leases of low value assets continued

Maturity analysis of lease liabilities

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

Group and Company	One year or less KShs '000	Between one year and two years KShs '000	Between two years and five years KShs '000	More than five years KShs '000	Total KShs '000
At 31 December 2023	**111,270**	**13,242**	**170,742**	**13,429**	**308,683**
At 31 December 2022	5,940	35,639	235,809	30,399	307,787

Group as Lessor

Accounting policy

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The assets are classified as property and equipment in the Bank's books and managed within the Banks risk management process of its property and equipment. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The Group is not exposed to finance leases as a lessor.

The Group acts as lessor of premises. The Group leases out space within its premises. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Bank during the year is KShs 51,436,000 (2022: KShs 61,149,000).

The tale below shows the Group's minimum lease payments in relation to rental income.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Within 1 year	**91,249**	30,385
After 1 year but less than 5 years	**310,543**	18,051
After 5 years	**-**	-
Total rent receivable	**401,792**	48,436

34. Retirement benefit obligations

Standard Chartered Bank Kenya Limited operates a defined contribution scheme for all full time permanent employees and a defined benefit scheme for pensioners and deferred pensioners who existed as at 31 December 1998.

The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst the benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

Both schemes are governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every 3 years for the defined benefit scheme. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2021 by an independent qualified actuary. However, the Company's actuary did a review for the year ended 31 December 2023. The review was consistent with previous valuations performed using the projected unit credit method.

Accounting policy

For the defined benefit plan, the liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on government securities that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in the income statement.

When the defined benefit calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

34. Retirement benefit obligations continued

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

For the defined contribution plan, the Group pays contributions into a separate privately administered pension plan on a contractual basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

The employees and the Group also contribute to the National Social Security Fund, a national retirement scheme. Contributions are determined by local statutes and the Group's contributions are charged to operating expenses in the year to which they relate.

Significant accounting estimates and judgments

There are many factors that affect the measurement of retirement benefit obligations as it requires the use of assumptions which are inherently uncertain. The assumptions include, inflation rates, discount rate and expected return on assets. The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

The amount included in the statement of financial position arising from the Group's obligation in respect of the defined benefit scheme is as follows:

Group and Company	2023 KShs '000	2022 KShs '000
Fair value of plan assets	643,726	687,385
Present value of funded obligations	(692,618)	(783,813)
Retirement benefit obligations as at 31 December	(48,892)	(96,428)
Plan assets consist of the following:		
Government bonds and bills	601,462	634,826
Corporate bonds	3,040	3,033
Other assets	39,224	49,526
	643,726	687,385
Movement in plan assets		
Fair value of plan assets at 1 January	687,385	776,410
Expected return on plan assets	96,940	97,799
Benefits paid by the plan	(144,005)	(145,298)
Employer contributions	89,300	30,000
Recognised actuarial losses	(77,920)	(66,116)
Administrative expenses paid	(7,974)	(5,410)
Fair value of plan assets at 31 December	643,726	687,385
Movement in retirement benefit obligations		
Retirement benefit obligations at 1 January	783,813	808,687
Interest cost	101,518	99,419
Past service cost	30,000	30,000
Benefits paid by the plan	(144,005)	(145,298)
Recognised actuarial losses	(78,708)	(8,995)
Present value of funded obligations	692,618	783,813
The net charge recognised in the income statement is as follows:		
Interest cost	(101,518)	(99,419)
Expected return on plan assets	96,940	97,799
Past service cost	(30,000)	(30,000)
Administrative expenses paid	(7,974)	(5,410)
Total charge included in staff costs (Note 11)	(42,552)	(37,030)

34. Retirement benefit obligations continued

The movement in the retirement benefit obligations in the statement of financial position is as follows

	Group and Company	
	2023 KShs '000	2022 KShs '000
At 1 January	**(96,428)**	(32,277)
Employer contributions	**89,300**	30,000
Charge to the income statement	**(42,552)**	(37,030)
Recognised in other comprehensive income	**788**	(57,121)
At 31 December	**(48,892)**	(96,428)

	Group and Company				
	2023 KShs '000	2022 KShs '000	2021 KShs '000	2020 KShs '000	2019 KShs '000
Historical information					
Fair value of plan assets	**643,726**	687,385	776,410	670,288	568,207
Present value of funded obligations	**(692,618)**	(783,813)	(808,687)	(834,005)	(835,603)
Retirement benefit obligations	**(48,892)**	(96,428)	(32,277)	(163,717)	(267,396)

Key assumptions

The principal actuarial assumptions used at the reporting date were:

	2023	2022
Discount rate	**16.70**	14.50
Expected return on plan assets	**16.70**	14.50
Future pension increases	**-**	–

The overall expected long term rate of return on the assets is 16.70% (2022 – 14.50%) based on the portfolio as a whole and not on the sum of returns on the individual assets.

These assumptions are likely to change in the future and this will affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined obligation by the amounts shown below:

	2023		2022	
	Increase KShs '000	**Decrease KShs '000**	Increase KShs '000	Decrease KShs '000
Discount rate	**6,043**	–	7,717	–
Expected return on plan assets	**-**	5,932	–	7,561
Future mortality (longevity of member aged 60 increasing by 1 year)	**-**	15,373	–	18,492

Although this analysis does not look at simultaneous changes in the assumptions, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

35. Share capital and reserves

Accounting policy

Share capital issued is classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised in equity in the period in which they are declared.

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised in equity in the period in which they are declared.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if the dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

35. Share capital and reserves continued

Group and Company

(a) Share capital

Authorised

The authorised share capital of the Company at 31 December 2023 was KShs 2,169 million (2022 – KShs 2,169 million) made up of 377,850,589 (2022 – 377,850,589) ordinary shares of KShs 5.00 each and 56 million (2022 – 56 million) non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares of KShs 5.00 each.

All shares rank equally with regard to the Company's residual assets, except that preference shareholders have priority over ordinary shareholders but participate only to the extent of the face value of the shares plus any accrued dividends.

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, subject to any rights or restrictions for the time being attached to any class or classes of shares. Holders of preference shares receive non-cumulative discretionary dividends on the preference shares at the rate of 6% per annum on the issue price of KShs 50.00 per share. Preference shares do not carry the right to vote.

	Number of ordinary shares KShs '000	Number of preference shares KShs '000	Authorised share capital
At 1 January and 31 December 2023	**377,851**	**56,000**	**2,169,253**

	Ordinary shares KShs '000	Preference shares KShs '000	Total KShs '000
Share capital	**1,889,253**	**280,000**	**2,169,253**
Share premium	**5,272,427**	**2,520,000**	**7,792,427**
At 1 January and 31 December 2023	**7,161,680**	**2,800,000**	**9,961,680**

The shareholders at 31 December 2023 and 31 December 2022 that had large holdings were as follows:

	At 31 December 2023	
Name	Number of shares	%
1. Standard Chartered Holdings (Africa) BV	**279,195**	73.89
2. Shawmut Limited	**3,884**	1.03
3. Standard Chartered Nominees RESD A/C KE11443	**3,228**	0.85
4.Stanbic Nominees Limited R6631578	**2,783**	0.74
5. Standard Chartered Kenya Nominees – A/C KE004667	**2,507**	0.66
6. Standard Chartered Nominees – RESD A/C KE11450	**1,883**	0.50
7. Kenya Commercial Bank Nominees Limited – A/C 915B	**1,631**	0.43
8. Standard Chartered Africa Limited	**1,597**	0.42
9. ICEA Lion Life Assurance Company Limited – Pooled	**1,224**	0.32
10.Jubilee Life Insurance Limited	**850**	0.22
11. Others	**79,069**	20.94
	377,851	100.00

35. Share capital and reserves continued

(a) Share capital continued

Name	At 31 December 2022 Number of shares	%
1. Standard Chartered Holdings (Africa) BV	279,195	73.89
2. Shawmut Limited	3,884	1.03
3. Standard Chartered Nominees RESD A/C KE11443	3,228	0.85
4. Standard Chartered Kenya Nominees – A/C KE004667	2,507	0.66
5. Standard Chartered Nominees – RESD A/C KE11450	1,883	0.50
6. Kenya Commercial Bank Nominees Limited – A/C 915B	1,631	0.43
7. Standard Chartered Africa Limited	1,597	0.42
8. ICEA Lion Life Assurance Company Limited – Pooled	1,189	0.31
9.Jubilee Life Insurance Limited	869	0.23
10. Old Mutual Life Assurance Company Limited	777	0.21
11. Others	81,090	21.46
	377,851	100

The distribution of shareholders as at 31 December 2023 and 2022 was as follows:

	At 31 December 2023			At 31 December 2022		
Share range	**Number of Shareholders**	**Shares held ('000)**	**%**	Number of Sharehollders	Shares held ('000)	Shares held ('000)
Less than 500	**10,640**	**1,979**	**0.52**	10,404	1,955	0.52
501 to 5,000	**19,689**	**29,037**	**7.68**	19,891	29,435	7.79
5,001 to 10,000	**508**	**3,600**	**0.95**	541	3,843	1.02
10,001 to 100,000	**640**	**19,890**	**5.27**	653	19,968	5.29
100,001 to 1,000,000	**112**	**25,412**	**6.73**	117	27,536	7.28
Above 1,000,000	**9**	**297,933**	**78.85**	8	295,114	78.10
Total	**31,598**	**377,851**	**100.00**	31,614	377,851	100.00

(b) Share premium

These reserves arose when the shares of the Company were issued at a price higher than the nominal (par) value. These will be applied towards capital in future.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Ordinary shares (Note 35(a))	**5,272,427**	5,272,427
Preference shares (Note 35(a))	**2,520,000**	2,520,000
	7,792,427	7,792,427

35. Share capital and reserves continued

(c) Capital contribution reserve

Capital contribution reserve comprises capital contributions provided to the Group by shareholders that are not intended by either party to be repaid and includes capital contribution on the acquisition of the custody business and increases in equity arising from share-based payment awards granted to the Group's employees. See accounting policy in note 11. Below summarises the movement in share based payments;

	Group and Company	
	2023 KShs '000	2022 KShs '000
At 1 January	**1,938,534**	1,910,996
Equity settled awards accrued	**239,181**	152,968
Recognised in income statement	**(62,799)**	(38,107)
Payments in the year	**(114,861)**	(87,323)
At 31 December	**2,000,055**	1,938,534

(d) Revaluation reserve

Revaluation reserve is from the periodic revaluation of freehold land and buildings. The carrying amounts of these assets are adjusted to the revaluations. Revaluation surpluses are not distributable.

(e) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of Government securities at FVOCI excluding impairment losses, until the investment is derecognised.

(f) Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those calculated under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory credit risk reserve and accounted for as an appropriation of retained profits. These reserves are not distributable.

36. Statement of cashflows

a) Adjustments for non-cash items and other adjustments included within income statement

	Note	Group 2023 KShs '000	Group 2022 KShs '000	Company 2023 KShs '000	Company 2022 KShs '000
Depreciation of property and equipment	26	**378,642**	435,961	**378,642**	435,961
Amortisation of intangible assets	27	**983,286**	820,529	**983,286**	820,529
Loss on sale of property and equipment	12	**(3,363)**	(2,518)	**(3,363)**	(2,518)
Loss on right of use assets' modification		**5,274**	-	**5,274**	-
Lease modification	33	**20**	2,364	**20**	2,364
Impairment of equipment	26	**76,120**	-	**76,120**	-
Impairment of intangible assets		**–**	112,559	**–**	112,559
Retirement benefit obligations	34	**42,552**	37,030	**42,552**	37,030
Expected credit loss on FVOCI financial instruments	19	**219,602**	(96,570)	**219,602**	(96,570)
Share based payments allocated	35(c)	**176,382**	114,861	**176,382**	114,861
Total		**1,878,515**	1,424,216	**1,878,515**	1,424,216

b) Change in operating assets

	Group 2023 KShs '000	Group 2022 KShs '000	Company 2023 KShs '000	Company 2022 KShs '000
Balances with Central Bank of Kenya				
– Cash Reserve Ratio	**(634,097)**	(1,302,118)	**(634,097)**	(1,302,118)
Government and other securities held at FVTPL	**(4,781,537)**	3,614,436	**(4,781,537)**	3,614,436
Derivative financial instruments	**(524,557)**	65,385	**(524,557)**	65,385
Loans and advances to customers	**(23,749,217)**	(13,437,970)	**(23,749,217)**	(13,437,970)
Government securities held at FVOCI	**40,845,553**	(15,616,618)	**40,845,553**	(15,616,618)
Amounts due from group companies and other related parties	**(49,098,773)**	9,890,549	**(49,098,773)**	9,890,549
Other assets	**(2,628,817)**	393,585	**(2,607,529)**	389,064
Total	**(40,571,445)**	(16,392,751)	**(40,550,157)**	(16,397,272)

c) Change in operating liabilities

	Group 2023 KShs '000	Group 2022 KShs '000	Company 2023 KShs '000	Company 2022 KShs '000
Deposits from customers	**63,973,932**	13,410,195	**63,973,932**	13,410,195
Derivative financial instruments	**790,266**	(40,233)	**790,266**	(40,233)
Amounts due to group subsidiaries	**–**	–	**(131,115)**	(341,302)
Amounts due to group companies	**(4,961,737)**	(1,827,263)	**(4,961,737)**	(1,827,263)
Retirement benefit obligations	**(89,300)**	(30,000)	**(89,300)**	(30,000)
Other liabilities	**(7,483,924)**	11,729,233	**(7,489,754)**	11,736,538
Total	**52,229,237**	23,241,932	**52,092,292**	22,907,935

36. Statement of cashflows continued

d) Analysis of the balance of cash and cash equivalents

		Group		Company	
	Note	**2023 KShs '000**	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Cash on hand	16	**3,996,876**	3,457,845	**3,996,876**	3,457,845
Unrestricted cash balances with Central Bank of Kenya	16	**25,584,994**	7,113,673	**25,584,994**	7,113,673
Loans and advances to banks	19	**3,957,778**	428,089	**3,957,778**	428,089
Deposits from banks	23	**(4,327,045)**	(13,480,464)	**(4,327,045)**	(13,480,464)
Amounts due from group companies and other related parties		**68,845,952**	84,812,301	**69,267,746**	85,293,238
Amounts due to group companies		**(9,757,711)**	(7,755,648)	**(9,757,711)**	(7,755,648)
Total		**88,300,844**	74,575,796	**88,722,638**	75,056,733

37. Assets pledged as security

As at 31 December 2023, there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities.

38. Fiduciary activities

Accounting policy

Assets held for clients in an agency or fiduciary capacity by the Group are not assets of the Group and are not included in the statement of financial position.

The Group holds asset security documents on behalf of customers. These securities are held by the Security Services department of the Company. The assets held comprise of deposits, government securities, debentures, title deeds, quoted and unquoted shares.

	Group		Company	
	2023 KShs '000	2022 KShs '000	**2023 KShs '000**	2022 KShs '000
Value of asset security documents held on behalf of customers	**930,392,551**	988,088,447	**678,708,596**	655,160,791

39. Related party transactions

In the ordinary course of business, transactions are entered into with Standard Chartered PLC, the ultimate holding company and other companies related to Standard Chartered Bank Kenya Limited through common shareholding.

	Interest income KShs '000	Interest expense KShs '000	Net fee and commission income KShs '000	Recharges KShs '000	Trade Contingents KShs '000	Interest income KShs '000	Interest expense KShs '000	Net fee and commission income KShs '000	Recharges KShs '000	Trade Contingents KShs '000
Standard Chartered PLC	4,064,770	169,342	628,567	1,361,963	5,838,890	4,064,770	169,342	628,567	1,361,963	5,838,890
Other group companies	1,307,831	2,100	86,966	3,621,539	25,836,534	1,307,831	19,112	86,966	3,312,637	25,836,534
	5,372,601	171,442	715,533	4,983,501	31,675,424	5,372,601	188,454	715,533	4,674,600	31,675,424
2022										
Standard Chartered PLC	1,648,773	369,506	238,403	1,536,226	4,997,420	1,648,773	369,506	238,403	1,536,226	4,997,420
Other group companies	137,025	17,329	5,108	2,980,046	34,505,137	137,025	34,341	5,108	2,660,266	34,505,137
	1,785,798	386,835	243,511	4,516,272	39,502,557	1,785,798	403,847	243,511	4,196,492	39,502,557

Group companies provide support services for which they recharge the costs incurred at the country of origin. The value of the services provided has been included in the total expenditure of the Group or Company.

The related party balances at 31 December 2023 and 2022 are shown in Note 22. Trade contingent liabilities with group companies at 31 December 2023 was KShs 31,675 million (2022: KShs 39,502 million).

39. Related party transactions continued

Directors and officers

Details of directors' remuneration is disclosed in the Directors' remuneration report.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation. Key management comprises executive directors and persons discharging managerial responsibilities of the Company.

	Group and Company	
	2023 KShs '000	2022 KShs '000
Salaries and other employee benefits	**513,152**	492,435

Transactions with directors and others

During the year, the number of key management staff was 13 (2022: 15).

At 31 December 2023, balances relating to deposits from directors, employees and associates amounted to

KShs 903,419,000 (2022 – KShs 705,929,000).

The interest expense paid during the year on deposits from directors, employees and associates amounted to

KShs 3,102,000 (2022 – KShs 3,267,000).

Included in loans and advances to customers are the following amounts:

	Group and Company	
Loans and advances to directors, employees and their associates	**2023 KShs '000**	2022 KShs '000
At start of the year	**6,454,488**	6,582,373
Amounts advanced during the year	**4,193,284**	3,111,298
Amounts repaid during the year	**(4,309,987)**	(3,239,183)
At end of the year	**6,337,785**	6,454,488
Loans and advances to directors or companies controlled by directors or their families	**26,678**	55,704
Loans and advances to employees	**6,311,107**	6,398,784
	6,337,785	6,454,488
Collateral	**6,008,554**	5,974,082

The interest income earned during the year on loans and advances to directors, employees and associates amounted to KShs 563,114,000 (2022 – KShs 403,258,000).

The above loans and advances were given on commercial terms and conditions.

None of the loans and advances above are impaired at 31 December 2023 (2022:Nil).

The Company has also entered into transactions with Standard Chartered Kenya Pension Fund (SCKPF) and Standard Chartered Staff Retirement Benefits Scheme 2006 (SCKSRBS 2006). At 31 December 2023, deposits from SCKPF and SCKSRBS 2006 amounted to KShs 244,892,328 (2022 – KShs 63,849,419).

40. Holding company

The ultimate holding company of Standard Chartered Bank Kenya Limited is Standard Chartered PLC, which is a limited liability company incorporated and domiciled in Great Britain.

41. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

	Group			Company		
2023	**Within 12 months KShs '000**	**After 12 months KShs '000**	**Total KShs '000**	**Within 12 months KShs '000**	**After 12 months KShs '000**	**Total KShs '000**
Cash and balances with Central Bank of Kenya	42,901,755	–	42,901,755	42,901,755	–	42,901,755
Government and other securities held at FVPTL	108,712	5,659,756	5,768,468	108,712	5,659,756	5,768,468
Derivative financial instruments	648,151	276,900	925,051	648,151	276,900	925,051
Loans and advances to banks	3,957,778	–	3,957,778	3,957,778	–	3,957,778
Loans and advances to customers	84,882,652	78,279,125	163,161,777	84,882,652	78,279,125	163,161,777
Government securities held at FVOCI	46,955,446	16,878,754	63,834,200	46,955,446	16,878,754	63,834,200
Current tax assets	1,185,327	–	1,185,327	1,052,843	–	1,052,843
Other assets	6,124,762	–	6,124,762	6,047,186	–	6,047,186
Due from subsidiaries and other related parties	127,963,199	1,290,411	129,253,610	128,389,353	1,286,052	129,675,405
Investment in subsidiary undertakings	–	–	–	145,243	–	145,243
Assets classified as held for sale	198,600	–	198,600	198,600	–	198,600
Property and equipment	–	2,969,518	2,969,518	–	2,969,518	2,969,518
Goodwill and intangible assets	–	5,016,586	5,016,586	–	5,016,586	5,016,586
Deferred tax assets	–	3,664,743	3,664,743	–	3,624,868	3,624,168
Total Assets	314,926,382	114,035,793	428,962,175	315,287,719	113,991,559	429,278,578
Liabilities and Shareholders' equity						
Liabilities						
Deposits from banks	4,327,045	–	4,327,045	4,327,045	–	4,327,045
Deposits from customers	342,727,868	125,373	342,853,241	342,727,868	125,373	342,853,241
Derivative financial instruments	844,595	265,246	1,109,841	844,595	265,246	1,109,841
Other liabilities	9,333,178	–	9,333,178	9,312,375	–	9,312,375
Due to parent companies & other related parties	9,757,711	–	9,757,711	10,368,876	–	10,368,876
Retirement benefit obligations	48,892	–	48,892	48,892	–	48,892
Total liabilities	367,039,289	390,619	367,429,908	367,629,651	390,619	368,020,270

41. Maturity analysis of assets and liabilities continued

	Group			Company		
2022	Within 12 months KShs '000	After 12 months KShs '000	Total KShs '000	Within 12 months KShs '000	After 12 months KShs '000	Total KShs '000
Cash and balances with Central Bank of Kenya	23,257,306	–	23,257,306	23,257,306	–	23,257,306
Government and other securities held at FVPTL	23,981	962,950	986,931	23,981	962,950	986,931
Derivative financial instruments	400,494	–	400,494	400,494	–	400,494
Loans and advances to banks	428,089	–	428,089	428,089	–	428,089
Loans and advances to customers	73,914,149	65,498,411	139,412,560	73,914,149	65,498,411	139,412,560
Government securities held at FVOCI	63,976,120	40,755,042	104,731,162	63,976,120	40,755,042	104,731,162
Current tax assets	1,022,677	–	1,022,677	913,568	–	913,568
Other assets	3,495,946	–	3,495,946	3,439,658	–	3,439,658
Due from subsidiaries and other related parties	76,182,010	19,939,176	96,121,186	76,186,370	20,415,753	96,602,123
Investment in subsidiary undertakings	–	–	–	145,243	–	145,243
Assets classified as held for sale	222,000	–	222,000	222,000	–	222,000
Property and equipment	–	2,960,732	2,960,732	–	2,960,732	2,960,732
Goodwill and intangible assets	–	4,103,224	4,103,224	–	4,103,224	4,103,224
Deferred tax assets	–	4,117,708	4,117,708	–	4,027,556	4,027,556
Total Assets	242,922,772	138,337,243	381,260,015	242,906,978	138,723,668	381,630,646
Liabilities and Shareholders' equity						
Liabilities						
Deposits from banks	13,480,464	–	13,480,464	13,480,464	–	13,480,464
Deposits from customers	278,203,602	675,707	278,879,309	278,203,602	675,707	278,879,309
Derivative financial instruments	319,575	–	319,575	319,575	–	319,575
Other liabilities	16,975,059	–	16,975,059	16,960,086	–	16,960,086
Due to parent companies & other related parties	7,755,648	4,961,737	12,717,385	8,497,928	4,961,737	13,459,665
Current tax liabilities	2,655,065	–	2,655,065	2,654,111	–	2,654,111
Retirement benefit obligations	96,428	–	96,428	96,428	–	96,428
Total liabilities	319,485,841	5,637,444	325,123,285	320,212,194	5,637,444	325,849,638

42. Events after period end

The directors are not aware of any other event after the reporting date that requires disclosure in or adjustments to the financial statements as at the date of this report.

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