standard chartered

Annual Report 2022

The bank for the new economy

Here for good

We are the bank for the new economy – of people and ideas, of technology and trade

We have built a strong foundation in the world's most dynamic markets, serving the people and businesses that drive growth. We are at the frontline of today's biggest challenges and are taking a stand on key issues such as climate change, economic participation and globalisation. Our collaborative approach to innovation and drive to be diverse and inclusive means we can do more, better and faster.

Our Purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, Here for good.

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

Read more on pages 26 to 38

About this report

Our Annual Report and Financial Statements for the year ended 31 December 2022 provides insights into our progress in realising our purpose; to drive commerce and prosperity through our unique diversity. It provides details on our business, our strategy, our risk management, our governance and our financial performance.

Sustainability reporting
We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our Annual Report.

This report is prepared in accordance with the requirements of the Kenyan Companies Act 2015, guidelines issued by the Capital Markets Authority and the Central Bank of Kenya's Prudential Guidelines.

For more information please **visit sc.com/ke**

Contents

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Who we are

Standard Chartered Bank Kenya Limited ('the Company', 'the Bank' or 'Standard Chartered') 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 are a bank like no other. Our unique footprint, diverse experience, capabilities and culture set us apart. They enable us to capitalise on opportunities for our business, our customers, and the communities we serve.

Guided by our Purpose – to drive commerce and prosperity through our unique diversity – we connect companies, institutions, and individuals, who are the engines of global growth to the world's fastest growing and most dynamic regions.

Together, we are developing new economies that can deliver sustained prosperity in the decades ahead. As our brand promise makes clear, we are here for good.

Our Valued behaviours

We're developing a future-ready workforce built on good conduct and our valued behaviours.

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

Do the right thing

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

Cutting tape during the launch of the Village market sales and service centre.

Delivering our strategy

Our purpose and progress

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.

In support of our Purpose, we continue to focus on three 'Stands', areas where we have long-term ambitions for positive business and societal impact – Accelerating Zero, Lifting Participation and Resetting Globalisation. These stands are fully consistent with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.

We set out our strategy in early 2021, built on the four pillars of Network, Affluent, Mass Retail and Sustainability. Two years on, these themes and areas of focus are even more relevant; our strategy is working and will continue to drive future growth.

Financial KPIs

We measure our progress against Group 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.

Operating income
KShs 33,093m
↑17%
(2021: KShs 28,303m)

Return on capital employed
21.47%
↑263bps
(2021: 18.84%)

Profit before tax
KShs 17,103m
↑36%
(2021: KShs 12,598m)

Total capital
17.28%
↓(48)bps
(2021: 17.76%)

Basic earnings per share
KShs 31.47
↑798bps
(2021: KShs 23.49)

Tier 1 capital*
15.36%
↓(18)bps
(2021: 15.54%)

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

Non-financial measures

Diversity and inclusion: women in senior roles
47%
↑(2021: 46%)

Non branch transactions
97%
↑(2021: 96%)

Five year summary of financial performance

Consolidated income statement	2022 KShs '000	2021 KShs '000	2020 KShs '000	2019 KShs '000	2018 KShs '000
Operating income	**33,092,934**	28,302,502	26,688,964	27,949,636	27,776,028
Operating expenses	**(15,074,919)**	(14,192,783)	(15,686,497)	(15,542,350)	(14,580,278)
Impairment losses on financial instruments	**(784,623)**	(1,492,838)	(3,586,052)	(233,429)	(1,349,134)
Impairment losses on intangible assets	**(130,193)**	(18,828)	(20,357)	-	-
Profit before tax	**17,103,199**	12,598,053	7,396,058	12,173,857	11,846,616
Income tax expense	**(5,045,264)**	(3,554,214)	(1,955,641)	(3,937,084)	(3,747,423)
Profit after tax	**12,057,935**	9,043,839	5,440,417	8,236,773	8,099,193
Information per ordinary share					
Basic earnings per share (KShs) (2019-2018 restated)	**31.47**	23.49	13.95	21.36	20.99
Dividend per share on each ordinary share (KShs)	**22.00**	19.00	10.50	12.50	19.00
Consolidated statement of financial position					
Loans and advances to customers (gross)	**148,690,254**	136,181,940	130,719,448	136,534,569	127,860,005
Impairment losses on loans and advances to customers	**(9,277,694)**	(10,207,350)	(9,195,221)	(7,844,228)	(9,208,455)
Government securities	**105,696,882**	95,596,185	99,779,222	99,610,577	98,685,925
Other assets	**136,150,573**	113,301,163	104,301,621	73,838,138	68,066,548
Total assets	**381,260,015**	334,871,938	325,605,070	302,139,056	285,404,023
Deposits from customers	**278,879,309**	265,469,114	256,497,530	228,433,515	224,284,420
Other liabilities	**46,243,976**	16,188,718	18,217,502	25,945,014	14,480,215
Total liabilities	**325,123,285**	281,657,832	274,715,032	254,378,529	238,764,635
Net assets	**56,136,730**	53,214,106	50,890,038	47,760,527	46,639,388
Shareholders' funds	**56,136,730**	53,214,106	50,890,038	47,760,527	46,639,388
Ratios					
Cost income ratio	**46%**	50%	59%	56%	52%
Return on capital employed	**21%**	19%	11%	19%	19%
Impairment charge/gross loans and advances	**1%**	1%	3%	0%	1%
Gross loans and advances to deposits ratio	**53%**	51%	51%	60%	57%
Gross non-performing loans and advances/total gross loans and advances	**9%**	10%	15%	9%	11%
Core capital/total deposit liabilities	**15%**	15%	15%	16%	16%
Core capital/ total risk weighted assets	**15%**	16%	16%	15%	17%
Total capital/total risk weighted assets	**17%**	18%	18%	18%	20%

Our business

What we do

At Standard Chartered, our purpose is to drive commerce and prosperity through our unique diversity. We offer banking services that help people and companies prosper, creating wealth and growth in our market.

Our client segments

Our clients are served through our two business segments: Corporate, Commercial & Institutional Banking (CCIB) and Consumer, Private & Business Banking (CPBB).

Corporate, Commercial & Institutional Banking

Serving large corporations, financial institutions, public sector and government.

Operating income

KShs 13,358m

Consumer, Private & Business Banking

Serving small to medium-sized businesses and individuals from mass market to affluent and high net worth clients.

Operating income

KShs 14,893m

Central & other items (segment)

Operating income

KShs 4,842m

Total operating income

Operating income

KShs 33,093m

Business model

We help international companies connect and maximise opportunities across our unique footprint and we support individuals and local businesses in growing their wealth.

Our Business

Corporate, Commercial & Institutional Banking (CCIB)

We support large corporations, financial institutions, public sector and government, both digitally and in person.

Consumer, Private & 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.

Functions

Guiding and supporting our businesses our client-facing businesses are supported by our functions, which work together to ensure the Group's operations run smoothly and consistently with our legal and regulatory obligations, our purpose and risk appetite.

Human Resources

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

Legal

Provides legal advice and support enabling management of legal risks and issues.

Transformation, Technology & Operations

Responsible for leading transformation and for reshaping the Group's systems and technology platforms to ensure we provide robust, responsive, and innovative technology digital solutions. 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 risk management actions of the first line.

Chief Financial Officer

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

Corporate Affairs and Brand and Marketing

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

Internal Audit

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

Conduct, Financial Crime and Compliance

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

How we generate returns

We earn net interest on the margin for loans and deposit products with clients, we also earn fees on the provision of advisory and other services and trading income from providing risk management in financial markets.

Income

- Net interest income
- Fee and commission income
- Trading income

Profits

- Income gained from providing our products and services minus expenses
- Profit generated relative to tangible equity invested

What makes us different

Our purpose is what sets us apart: We 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.

Robust risk management

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

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.

Sustainable & responsible business

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

Business model
continued

The inputs we rely on

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

Human capital

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

Strong brand

We are part of a leading international banking group with over 100 years of history in Kenya making us a household name.

International network

We have an unparalleled international network, connecting companies, institutions, and individuals to, and in some of the world's fastest growing and most dynamic regions.

Financial strength

With over KShs 350 billion in assets on our statement of financial position, we are a strong and trusted partner for our clients.

Expertise

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

Technology

We possess strong digital foundations and leading technological capabilities to enable a data-driven digital bank which delivers world class client service.

Our people are pivotal to building our culture, capability and performance. We are therefore building future skills in line with the digital shift in the way we work.

We are a bank that prides itself on being 'Digital by Design.' We are investing in better technology and launching digital banking solutions that are rapidly transforming the Banking sector.

We are automating our infrastructure based on cloud computing, building a scalable, high performing and secure platform for retail and wholesale customers.

What we deliver

Through our two business segments and five product groups, we deliver an extensive set of solutions, products and services, adapted to the needs of our clients.

Products and services

Financial markets
- Investments
- Risk management
- Debt capital markets
- Securities services

Corporate Finance
- Structured and project financing
- Strategic advice

Transaction Banking
- Cash management
- Payments and transactions
- Trade finance products

Wealth management
- Investments
- Portfolio management
- Insurance and advice
- Planning services

Retail Products
- Deposits
- Savings
- Mortgages
- Credit cards
- Personal loans

The value we create

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

Clients
We want to deliver simple, everyday banking solutions to provide our clients with a great digital client experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest and expand. We also help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

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

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

Regulators and governments
We engage with relevant authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

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

Suppliers
We engage diverse suppliers to provide efficient and sustainable goods and services for our business.

Our strategy

In 2021 we refreshed our strategy to help us achieve our ambition to be the market leader in finance. We continue to focus on:

- **Four strategic priorities:** wholesale network business, affluent client business, mass retail business and sustainability.
- **Three critical enablers:** people and culture, new ways of working and innovation.

Ambition

By 2025, we want to be admired for our specialist servicing of the fastest growing trade and investment corridors across Africa, Asia and Middle East. We have made good progress in the year and are on track to deliver our objectives. Going forward, we remain committed to these objectives to achieve our ambitions:

- To be the number one wholesale digital banking platform.
- To be the top affluent brand in the market.
- To grow our mass presence.
- Become a market leader in sustainability.

We continue to anchor our strategic priorities and enablers in our Stands: Accelerating zero, Lifting participation and Resetting Globalisation. More details on our Stands are described on pages 12 and 13. Throughout this section, we will highlight the linkages of our strategic priorities to our Stands.

Strategic pillars

Network business

Through our unique network, we facilitate investment, trade and capital flows, with an increasing focus on sustainable finance. We intend to become the leading international wholesale bank by:

- Delivering a market-leading digital banking platform providing services such as investments, capital and trade; delivering consistent client experience; and driving income while lowering service costs.
- Driving 'capital-lite' products, while building a leading sustainable finance franchise and expanding our credit origination and distribution ecosystem.
- Expanding in trade corridors in line with shifts in trade and investment flows.

Mass retail business

We intend to help our clients prosper and deliver everyday banking solutions by integrating our services into their digital lives. New digital solutions, strategic partnerships and advanced analytics will be instrumental to our business, enabling us to significantly increase our reach and relevance to serve clients in a meaningful way, supporting our Stand of lifting participation. We are:

- Transforming to a digital first model and building enablers to be the partner of choice to leading local, regional and global companies.
- Enhancing our value proposition and deepening our capabilities across digital sales and marketing as well as data and analytics.
- Growing the share of our mass retail client business income from new innovative business models.

Affluent client business

For our affluent clients, we provide access to innovative sustainable products and solutions, supporting our stand of Accelerating Zero. As the leading international wealth manager, we offer outstanding personalised wealth advice and exceptional experiences to our Affluent clients to help them grow and manage their wealth at home and internationally. We are:

- Focusing on growing our affluent client business (CPBB Priority and Premium) with outstanding wealth management and international propositions.
- Delivering personalised solutions and deepening client engagement by leveraging data and analytics to generate high quality client insights.
- Building a scalable client service model by transforming our physical network and digital capabilities to an integrated omnichannel experience.

Sustainability

In Sustainability, in line with our stands, we continue to focus on sustainable and transition finance, achieving net zero carbon emissions for our operations, supply chains and financing. We provide access to finance, networks and training to young people, and support companies in improving their environmental, social and governance standards, ratings, and net zero trajectories.

We aim to promote social and economic development, and deliver sustainable outcomes in support of the United Nations (UN) Sustainable Development Goals. We are:

- Leveraging climate risk management to support clients in managing climate risk and identifying transition opportunities e.g. mobilising green and transition finance.
- Integrating sustainable finance as a core component of our customer value proposition and delivering sustainable finance solutions.
- Continuing to promote economic inclusion and tackle inequality in Kenya through Futuremakers by Standard Chartered.
- Committed to reaching net zero financed carbon emissions from our operations by 2025, and from our financing by 2050.

Critical enablers

People and Culture

We are accelerating our people strategy to create a future-ready workforce by:

- Building a culture of continuous learning to support future skills and re-skilling – more than 96 per cent of our employees have used our digital learning platform.
- Investing in wellbeing to improve productivity and performance, including mental, physical, financial and social wellbeing.
- Focusing on inclusion to harness the value from our unique diversity.

New Ways of Working

We are making it easier for our people to do the right thing for our clients, faster and more safely, while gearing for high-performance and innovation in a fast-paced, dynamic environment.

Towards this goal, we are thinking client first, embracing organisation agility and empowering our people continuously and improve the way we work.

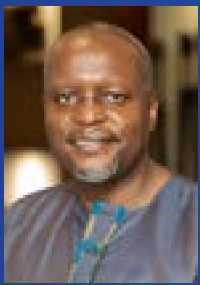
Innovation

We are creating opportunities that over time can generate the majority of our income. Our aim is to;

- Accelerate the pace of innovation by adopting new ways of working in all aspects of our tech and product delivery.
- Embrace organisational agility, fostering a culture of experimentation and continuous improvement, and embedding innovation into our culture.
- Improve client perception about the Bank as the leading innovator and the Bank of the future.

Our stands

The impact of climate change, stark inequality and the unfair aspects of globalisation impact us all. We are taking a stand by setting long-term ambitions 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.



Left
Kellen Kariuki
Chairperson

Right
Kariuki Ngari
Chief Executive Officer

- We have defined our 'stands' – which is our name for long-term ambitions on societal challenges.
- These are not separate from our strategy. They are integral to delivering and accelerating our strategy, because they will stretch our thinking, our action and our leadership.
- We will use our unique abilities to connect the capital, people and ideas needed to address the socio-economic challenges and opportunities of our time.
- Each of these stands will impact how we engage with our clients and define the future of our society.
- We already have significant progress to show in each area, and we will be setting long-term goals as we deliver near term change.
- This is not philanthropy: we will drive scalable, sustainable commercial growth and transform our franchise. You will see us increasingly active in these areas.

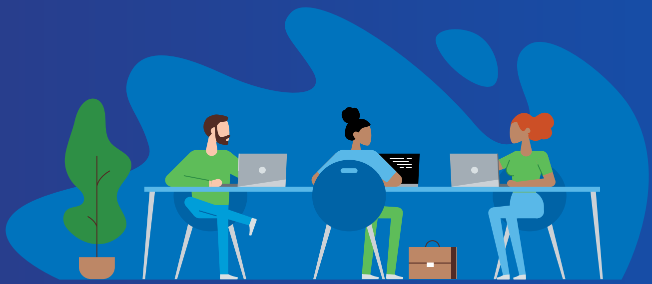
Accelerating Zero

- The world needs to reach net zero by 2050 or face a climate catastrophe with increasing extreme weather events and climate induced migration.
- We have a unique role to play in facilitating a just transition to net zero carbon in Kenya and regionally.
- We aim to reduce the emissions associated with our financing activities to net zero by 2050.
- We aim to catalyse finance and partnerships to scale impact on capital and climate solutions where they are needed most.
- We aim to accelerate new solutions to support a just transition in Kenya including launching sustainable products.
- We are committed to reaching net zero carbon emissions from our operations by 2025.

Stand up to climate change

Lifting Participation

- Inequality along with gaps in economic inclusion means that many young people, women and small businesses struggle to gain access to the financial system to save for their futures and grow their businesses. We want to democratise wealth management and make it easily accessible to the mass segment at low cost.
- Through partnerships and technology, we can expand the reach and scale of financial services – driving accessible banking at scale and connecting clients to opportunities that promote access to finance and economic inclusion.
- By developing new digital business models, we are able to grow our business while unleashing opportunity for millions more people.



Stand up for equal access to financial support for women and small businesses

Resetting Globalisation

Globalisation has lifted millions out of poverty, but too many people have been left behind, and division and inequality have grown, along with negative impacts on our planet.

We believe in the potential of globalisation to enable economic growth and increase participation in the world economy – but in its current form, it must be reimagined to ensure that it best serves all people, everywhere.

We advocate a new, more inclusive model of globalisation based on transparency and fairness, building trust, and promoting the exchange of views and innovation to solve the world's toughest problems.

As a leading trade bank, we can connect the capital, expertise and ideas needed to drive new standards and create innovative solutions for more equitable and sustainable growth. Specifically, we aim to:

- Provide access to the best and most innovative solutions to private and public sector.
- Make global trade more equitable by improving access to finance for smaller suppliers that often lack adequate financing.
- Bring enhanced levels of security, tracking and confidence to financial activity.

We stand for a new model of globalisation based on transparency, inclusion and dialogue

Client segments reviews

Corporate, Commercial & Institutional Banking (CCIB)

Profit before tax

KShs 7,034m

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.

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 that stretch across the world. Our strong and deep local knowledge enables us to help co-create bespoke financing solutions for our clients enabling them to move capital, manage risk and invest to create wealth.

Our clients represent an important part of the Kenyan economy. CCIB is at the heart of our purpose to drive commerce and prosperity through our unique diversity.

CCIB contributes 40 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. More than 96 per cent of 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.

Financial Markets(FM) is an essential part of the Corporate, Commercial and Institutional Banking business. The business combines an in-depth knowledge of our market 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 2022, through our product offering in FM, we supported our clients navigate unprecedented global economic times, where we saw a rise in commodity prices, inflationary pressures, a rising interest environment and strengthening of the US dollar.

We are committed to sustainable finance, delivering on our ambitions 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.

Performance highlights

- Operating income up 26 per cent to KShs 13.4 billion driven by growth in Net interest income (NII).
- Net Interest Income (NII) was up 45 per cent due to growth in the loan book as well as improved margins.
- Non Funded Income (NFI) grew marginally by 9 per cent largely driven by increased transactional volumes.
- Credit impairment was down significantly on account of improvement in the quality of the portfolio.
- Loans and advances grew by KShs 15.2 billion to KShs 71.4 billion driven by closure of pipeline deals and higher utilisation of limits by clients.
- Customer deposits grew by KShs 4.1 billion to KShs 134.3 billion driven by new mandates and increased transactional flows from key relationships.

Consumer, Private & Business Banking (CPBB)

Profit before tax

KShs 5,665m

Strategic Priorities

- Leading international Affluent franchise known for outstanding personalised wealth advice and exceptional client experience.
- 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.

Segment overview

Consumer, Private & Business Banking (CPBB) serves 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 to access Business working capital, access our Straight2Bank digital platform, trade and foreign exchange solutions.

CPBB contributes 45 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, 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 products acquisition, servicing, investing, and transacting through our SC Mobile and online banking channels.

90 per cent of all new to bank clients acquisition is now done digitally through our SC mobile platform, while 92 per cent of all transactions are processed on the channels due to the 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.

In 2022, we launched SC Shillingi, a fully end-to-end digital money market fund to complement our existing investment options available to clients.

Owing to our efforts to offer best-in-class digital services to clients, we were recognised as the best retail bank for digital CX in Kenya and outstanding digital CX for financial inclusion (Wealth Management) by The Digital Banker in 2022.

Performance highlights

- Operating income, at KShs 14.9 billion representing a 15 per cent increase year-on-year. The increase is largely attributable to the Wealth Management business momentum.
- The Non-Funded Income (excluding Wealth) increased by 23 per cent. This is driven by improved transaction volumes and recovery in cards spend behaviour by our customers as COVID-19 restrictons were lifted.
- We continue to cement our leadership in Wealth Management which saw the assets under management close at KShs 148.2 billion up from KShs 131.2 billion.

We are determined to build a culture of excellence, grow sustainably and build for the long term.

Product groups

Transaction Banking

Product overview

Our Transaction Banking solutions are designed to meet both global and local client needs by combining international-bank stability with local-market knowledge to support our clients' transaction banking needs in Kenya and across the world. We are committed to service excellence and innovation across cash management solutions to bolster our clients' treasury management requirements. Further to this, we are passionate about providing financing solutions that sustainably fund our clients' supply chains so they can fully optimise their future growth opportunities. We also provide access to digitally enabled solutions and data to power business decisions and drive profitability for our clients.

Cash Management and Digital Banking

We are a trusted proven provider of competitive cash management services with an extensive product offering for Corporate, Commercial & Institutional Banking (CCIB) clients. We are committed to meeting the growing and unique cash management needs of our clients with continuous product innovation and digitisation.

Given the evolving trends in information and cyber security threats, we have enhanced our capabilities by leveraging on solid platforms with best-in-class cyber resilience and security tools which provide our clients with the highest levels of security and real-time visibility and transparency in their cash management activities.

Our cash management and digital banking capabilities include:

- Account services (including escrow services).
- Payments services.
- Collections service including ecommerce online collections.
- Mobile wallet payments and collections.
- Liquidity management solutions.
- Straight2Bank Nextgen digital platform.
- Application Programming Integrations (APIs) and Host-to-Host integration and connectivity channels.
- Remote transaction capture solutions including Cash Deposit Machines and Remote Cheque Deposits.

Trade and Working Capital

Trade is in our DNA. Our Trade business continues to evolve in order 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. Additionally, we have an innovative and pragmatic approach to supply chain finance under the banner of "Banking the Ecosystem" which has allowed us to support Small and Medium Enterprises (SMEs) positively as they continue to be critical drivers of the Kenyan economy. 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 framework 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 also 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.

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.
- Supply chain financing solutions – distributor and supplier finance.
- Receivables services.
- Structured trade solutions.
- Straight2Bank Nextgen for trade – our digital trade platform.

Focusing on thought leadership as part of delivering better products to our clients, we participated in the below events during 2022.

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 and what's required from organisations and regulators 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.

Public Private Partnerships Round Table: Held on 7 July 2022 with the chief guest being the Director General of the PPP Unit at National Treasury. We hosted global subsidiaries clients from across our corridors. The conversation was centred around how the Public and Private sector can collaborate and exchange ideas to deliver strategic projects and better understand the enabling environment set out by the Public Private Partnerships Act, 2020.

Anjarwalla & Khanna LLP Environment Social and Governance (ESG) Event: A Peek into the Future: The Head of Trade & Working Capital articulated our Sustainability and Sustainable Finance priorities at an ESG event hosted by one of our partner law firms, Anjarwalla & Khanna LLP. The thought leadership event brought together Consultants, Financial Industry and Blue-Chip Corporate players to dissect the nature of ESG principles and practices in the market today, leveraging their experiences and aspirations on this evolving topic.

Financial Markets

Product overview

The Financial Markets (FM) 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.

In 2022, we supported our clients during the global unprecedented times where we have seen a rise in commodity prices, inflationary pressures, a rising interest environment and US dollar strength. Our key highlights include:

The Global Subsidiary team hosted a Round Table in Quarter 1 of 2022 for a selection of multinational clients to discuss emerging Geopolitical and Macroeconomic challenges as well as how the bank can help them navigate and mitigate the impact to their businesses. The discussion was centred around the Russia-Ukraine conflict, the Global Interest Rate environment as well as the inflationary impact, the US dollar strength and the August General elections in Kenya. This also provided a chance for us to hear directly from our clients on their initiatives for the year, their priorities and their headwinds. It was a very engaging session with presentations from our Research team and the Financial Markets sales teams. The teams engaged on solutions that could aid in mitigating the risks. We leveraged this opportunity to also showcase our Global digital platform SOLV and how it's uniquely positioned to support their supply chains.

The Financial Markets team was challenged by a key CCIB client who has banked with the Bank for over 100 years, to provide a macro-economic update against a backdrop of their financial markets risks such as foreign exchange and interest rates at their Board meeting. As the leading International Bank, we were able to combine our extensive experience and our position as a leading provider of Financial Markets solutions to support the client in strategic planning to manage foreign exchange and interest rates market headwinds.

- Our sales desk has continued to offer innovative solutions to our customers, seeing the first Structured Rate Loans offered to clients this year.
- We have registered an increase in traded volumes and growth in wallet share.
- We continue to see active trading by real money players.
- With the Monetary Policy Committee maintaining an accommodative stance, the Fixed Income desk has been able to capitalise on this opportunity where yields rallied as we continued to service client demand.
- We launched an innovative bond forward product.

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 provides liquidity management, collateral optimisation, yield enhancement and financing trades.

Credit 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 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 ambition.

Product groups
continued

Corporate Finance

Product Overview
Corporate Finance provides customised and innovative solutions to help our clients meet their strategic objectives. We offer specialists in Project and Export Finance, Leveraged and Structured Solutions, Structured Finance (Aviation and Shipping) and Loan Syndications.

Project and Export Finance
We provide project solutions which include financial advisory and arranging financing solutions on a limited or non-recourse basis as well as Export Credit Agency-backed financing.

Structured Finance
We are a leading provider of cost-efficient financing as well as lease-based and asset-based financing solutions to businesses. Our strong industry expertise in the transportation sector has enabled us to provide high quality aircraft financing, advisory and leasing services.

Leveraged and Structured Solutions
The Leveraged and Structured Solutions (LSS) is involved in all specialised financing transactions other than Project and Export Finance and Structured Finance (aircraft and shipping) as well as select complex and/ or specialised lending transactions.

Loan Syndications
Loan Syndications is focused on originating, structuring, and executing capital raisings in the form of syndicated, club, and bridge loans for clients, and distributing them to a broad investor base locally and globally.

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.

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.

She is in charge

The Standard Chartered Women in Technology Incubator Kenya is Africa's leading incubator programme for women owned businesses, aligning with calls for more diversity in technology, entrepreneurship and for more opportunities for women to develop entrepreneurial and leadership excellence. The program is an initiative of Standard Chartered in partnership with @iBizAfrica Centre, Strathmore University.

Since 2017, the programme has attracted over **2,300 applications** for the 5 cohorts. Of the applicants, **50 businesses** have gone through the programme with 25 teams being awarded $10,000 (KES 1.2 million) each in seed money for their ventures. Following the programme, the businesses have increased their revenue and increased their capabilities.

In March 2023; we will be launching Cohort 6 of the program. Please register at www.womenintech.co.ke

standard chartered | Strathmore University

Women In Tech

Risk management

Chief Risk Officer's Review

Global and domestic overview

The invasion of Ukraine by Russia in February 2022, as the world was emerging from the COVID-19 pandemic, brought significant global macro-economic challenges and volatility. The invasion caused increase and volatility in energy prices and volatility and supply chain constraints for several other commodities. In addition, inflation across the world rose to record highs, resulting in tightening monetary policy and the resultant economic instability.

The effects of the COVID-19 pandemic continued into 2022, with China's strict measures impacting global supply chains as well as tourism and travel. China has relaxed a number of these measures in January 2023, resulting into a sharp increase in COVID-19 infections within China This has also resulted in increased commodities as China's economy opens up.

With the tightening of monetary policy in the larger economies, the ongoing war in Ukraine, lingering COVID-19 pandemic related disruptions (particularly in China) and a strong US Dollar, the global economic outlook remains weak.

At the domestic level, Kenya had a smooth transition following the August 2022 elections, which demonstrated increasing institutional strength and reduced political risk. The new administration has shown commitment towards fiscal consolidation, with the key priority of reducing debt vulnerabilities.

The country continues to contend with several challenges: high inflation,high cost of fuel, unpredictable weather conditions, high cost of agricultural inputs such as seed and fertiliser as well as an increase in unbudgeted spending by the government.

The economy remained resilient despite these global and domestic challenges. Gross Domestic Product (GDP) is estimated to have grown by 5.3% in 2022 and IMF forecasts growth of 5.1% in 2023.

Asset quality

The Bank's asset quality remained stable and continues to be monitored proactively through several management and board governance committees. The legacy Non-Performing Loan (NPL) portfolio remained relatively stable. Resolution of the NPL portfolio continues to be pursued through various avenues deemed appropriate for each of the assets. Adequate provisions are held against the NPL portfolio.

Key risk priorities

1. **Strengthening the Group's risk culture and conduct**
   Risk culture and conduct are an integral part of the Enterprise Risk Management Framework (ERMF). Promoting a risk culture that facilitates speedy identification and resolution / escalation of risks as well as an open and candid discussion on areas of risk. This is supported by the three lines of defence: 1st line that takes risks, 2nd line that offers constructive criticism and challenges the proposed risks and a 3rd line that independently checks the 2nd line.
2. **Enhancing Information and Cyber Security (ICS) capabilities**
   With continued increase in digitisation, ICS will continue to be a key area of concern for the Group and the wider industry. We continue to embed this in our risk management approach. In 2022, we deployed a new approach known as 'Threat Scenario-Led Risk Assessment (TSRA)'. TSRA allows for greater visibility and accountability for risks inherent in the various businesses and functions.
3. **Embedding Climate Risk Management**
   In line with the Central Bank of Kenya (CBK) guidelines, the Group is continuing to embed climate risk in it's day to day operations. The risk has now been incorporated in the Enterprise Risk Management Framework as an Integrated Risk Type. This will continue as per the implementation plan that has been agreed with CBK.
4. **Managing Financial Crime Risk**
   Financial crime typologies continue to evolve with increased digitisation and adoption of digital channels. The Group will continue to manage and monitor this risk using its comprehensive Financial Crime Risk Type framework, Risk and Control Self Assessments, Internal Audit and Assurance reviews.

Emerging Risks

At a global level, the following risks will remain of concern:

- The Russia Ukraine war and its impact on commodity prices, supply chain, logistics and on geo-politics;
- Continued increase in inflation and the monetary policy response by the various authorities;
- China's relaxation of its COVID-19 pandemic measures and its impact on demand and supply for commodities, air travel and tourism and other products and services; and
- Social and political unrest arising from slow growth or stagnation of economies high inflation and subsequent decline in disposable incomes of the various populations.

Domestically, the following will be the key risks of concern:

- Inflation trends and the overall CBK's monetary policy and its impact on foreign exchange rates and liquidity;
- Public debt vulnerabilities and progress on fiscal consolidation;
- Weather patterns and its impact on agricultural output; and
- Progress in addressing vulnerabilities in some of the State-Owned Enterprises.

Risk Management Approach

The ERMF outlines how we manage risk across the Group. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification.

Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF, which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. In addition to Principal Risk Types (PRTs), the Group is exposed to certain Integrated Risks that are significant in nature and materialise primarily through the relevant PRTs.

The Group will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. Risk management is essential to consistent and sustainable performance for all our stakeholders and is therefore a central part of the financial and operational management of the Group.

Through the Enterprise Risk Management Framework, we manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk appetite and in compliance with applicable regulatory requirements.

We maintain a dynamic risk-scanning process 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, enabling us to proactively manage our portfolio.

The Enterprise Risk Management Framework is supported by Risk Type Frameworks (RTFs), Policies and Standards.

The table below provides an overview of the Group's principal and integrated risks and how these are managed. The principal risks have not changed in 2022.

Principal risk types

The ERMF formally defines eight Principal Risk Types that are inherent in the strategy and business model. These risks are managed through the Risk Type Frameworks, that document the overall risk management approach for the respective Principal Risk Type.

Principal risk types	How these are managed
Credit risk Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded risk Potential for loss resulting from activities undertaken by the Group in financial markets.	The Group controls its financial markets and activities to ensure that Traded Risk losses do not cause material damage to the Group's franchise.
Treasury risk 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 Group's pension plans	The Group maintains sufficient level, composition and distribution of capital, own funds and eligible liabilities to support the Group's activities under normal environments and stressed conditions. The Group also maintains an interest rate profile ensuring that the reduction in earnings or economic value due to movements in interest rates on the banking book (non-traded) does not cause material damage to the Group's franchise. In addition, the Group ensures that it maintains sufficient funding of its Pension plan or other long term benefit obligation to avoid material damage to the Group's franchise.
Operational and Technology risk Potential for loss from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).	The Group controls operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the franchise.
Reputational and Sustainability risk Potential for damage to the Standard Chartered franchise (the franchise) (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third party relationships, or our own operations.	The Group protects the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight.
Compliance risk Potential for penalties or loss to the Group 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.	The Group has no appetite for breaches in laws and regulations. Whilst recognising that regulatory non-compliance cannot be entirely avoided, the Group strives to reduce this to an absolute minimum.

Risk management
continued

Principal risk types	How these are managed
Information and Cyber Security risk Risk to the Group'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.	The Group seeks to minimise Information Cyber Security risk from threats to the Group's most critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group.
Financial Crime risk 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.	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.

Integrated Risk Types (IRTs)

In addition to the Principal Risk Types, the Group recognises certain Integrated Risks that are cross – cutting. Integrated Risk Types are those risks that are significant in nature and materialise primarily through the relevant Principal Risk Types.

Integrated risk types are managed within the relevant Risk Type Frameworks, Policies and Standards as appropriate. Compliance to the minimum requirements is ensured and breaches or non- compliance is escalated.

The current IRTs are tabulated below.

Integrated risk types
Climate risk Potential for financial loss and non-financial detriments arising from climate change and society's response to it.
Digital asset risk Potential for regulatory penalties, financial loss and or reputational damage to the Group resulting from digital asset exposure or digital asset related activities arising from the Group's clients, products and projects.
Third Party risk Potential for loss or adverse impact from failure to manage multiple risks arising from the use of Third Parties and is the aggregate of these risks.

Risk Culture

All employees, whether engaged in or supporting generation of revenue activities, are expected to demonstrate the highest levels of integrity, transparency and proactivity in disclosing and managing all types of risks. Our approved risk culture statement encourages the following behaviours and outcomes:

- An enterprise level ability to identify and assess current and future risks, openly discuss these and take prompt actions;
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks;
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner; and
- Everyone to be accountable for their decisions and feel safe using their judgment to make these considered decisions.

As banking inherently involves risk taking, it follows that bad outcomes will sometime occur and when they do, we take the opportunity to learn from our experience and formalise what we can do to improve. Managers are expected to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change.

Strategic risk management

Our strategy in risk management entails:

- **Risk identification:** Performance of an impact analysis of risks which arise from growth plans, strategic initiatives and business model vulnerabilities; this analysis should identify whether existing or new risks have changed in terms of relative importance. The outcomes of this process are used by the Risk Function to challenge the Corporate Plan.
- **Risk Appetite:** Performance of an impact analysis to confirm that the growth plans and strategic initiatives are within the Board Approved Risk Appetite; the analysis should highlight areas where additional Risk Appetite should be considered.
- **Stress Testing:** The outcomes of the risk identification process are used to develop the scenarios for stress tests; the results of the stress tests are used to recommend strategic actions. The stress test results are taken into account in setting the Risk Appetite.

Roles and responsibilities

Three Lines of Defence model

Roles and responsibilities for risk management are defined under the Three Lines of Defence model. Each line of defence has a specific set of responsibilities for risk management and control as detailed below.

Lines of Defence	Definition	Key responsibilities include:
1st	The businesses and functions engaged in or supporting revenue generating activities that own and manage risks.	• Propose the risks required to undertake the revenue generating activities. • Identify, assess, monitor, and escalate risks and issues to the Second Line and senior management and promote a healthy risk culture and good conduct. • Own and design processes, controls and standards for adhering to Risk Type Frameworks and Policies set by the Second Line. • Manage risks within Risk Appetite and ensure laws and regulations are being complied with. • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the Second Line. • Manage risk to protect business services from disruption to the extent practicable.
2nd	The control functions independent of the First Line that provide oversight and challenge of risk management to provide confidence to the management team and the Board.	• Review First Line risk proposals and make decisions to approve or reject as appropriate. • Oversee and challenge First Line risk taking activities. • Own processes for setting Risk Type Frameworks, Policies and Standards, and monitoring compliance. • Own and manage processes for oversight and challenge. • Propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite. • Intervene to curtail business if it is not in line with existing or adjusted Risk Appetite or when operational controls do not effectively manage risk. • Ensure effective implementation of the Policies and Risk Type Frameworks. • Identify, assess, monitor and escalate risks and issues to the Senior Management. • Review and challenge risk remediation plans set by the First Line to mitigate Risk Appetite breaches or issues. • Set risk data aggregation, risk reporting and data quality requirements and ensure that their systems and processes meet these requirements. • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant regulatory non-compliance matters and developments to the Senior Management. • Promote a healthy risk culture and good conduct.
3rd	The internal audit function provides independent assurance on the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line. Its role is defined and overseen by the Board Audit Committee.	• Independently assess whether management has identified the key risks in the business and whether these are reported and governed in line with the established risk management processes. • Independently assess the adequacy of the design of controls and their operating effectiveness.

Risk management
continued

Risk Appetite and profile
We recognise 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 organisation can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities and expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.
- **Risk Appetite** is defined by management and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed Risk Capacity.

The Board approves a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and associated thresholds. The Risk Appetite Statement is supplemented by an overarching statement outlining the Risk Appetite Principles.

Risk Appetite Principles
The Risk Appetite is in accordance with our overall approach to risk management and our risk culture. We follow the highest ethical standards required by our stakeholders and ensure a fair outcome for our clients, the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health and to manage our reputational risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Risk Appetite Statement
The Group will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns.

Risk control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies and other operational control parameters are used to keep the Group's risk profile within Risk Appetite (and therefore also risk capacity). The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the Board Risk Committee and the Senior Management Risk Committee, including the status of breaches and remediation plans where applicable.

Board and Executive risk oversight
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 Board Risk Committee has oversight and preview of the Group's overall risks. The Committee determines the ERMF for the Group, 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 Group'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 Group's credit policy and all lending undertaken by the Group in line with the approved risk appetite.

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

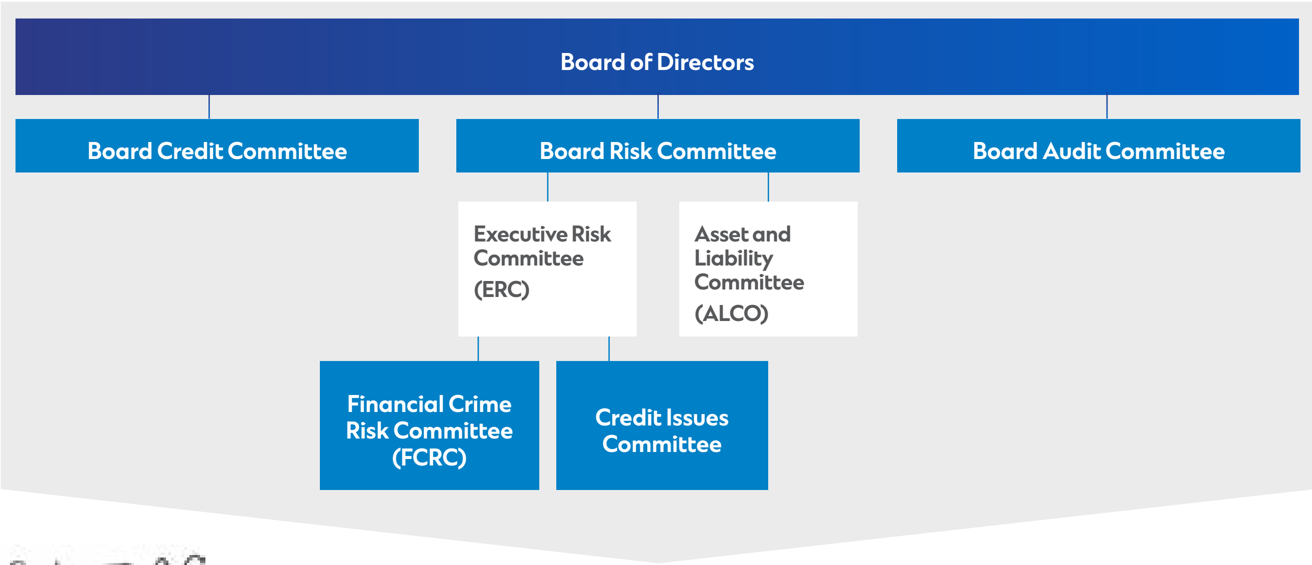
The Asset and Liability Committee (ALCO) is responsible for determining the Group's approach to financial position management and ensuring that, in executing the Group's strategy, the Group operates within internally approved Risk Appetite and external requirements relating to capital and liquidity risk.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

Board and Executive risk oversight continued
The Executive Risk Committee is responsible for monitoring management information to evidence that the Group'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 Group'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.

Risk and governance structure



James Mucheke
Chief Risk Officer

14 March 2023

Stakeholders and responsibilities

Engaging stakeholders

Listening and responding to stakeholder priorities and concerns are critical to achieving our Purpose and delivering on our brand promise, here for good. We strive to maintain open and constructive relationships with a wide range of stakeholders including regulators, lawmakers, clients, investors and our communities.

The lifting of COVID-19 restrictions allowed us to engage our stakeholders in face-to-face meetings, roundtables and conferences. Our engagements also took other forms including one-to-one sessions using online channels and calls, virtual roundtables, written responses and targeted surveys.

The Group aims to meets all relevant transparency requirements and continues to have ongoing dialogue with all our external stakeholders. We do this through submitting responses to formal consultations and participating in industry working groups.

These conversations and the issues that underpin them, help inform our business strategy and enable us to operate as a responsible and sustainable business. Stakeholder feedback is communicated internally to senior management through the relevant forums and governing committees which oversee the Groups's approach to its main relationships with stakeholders.

Our stakeholders

- Clients
- Government & regulators
- Investors
- Suppliers
- Employees
- Society

Clients

How we create value

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way with great 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 2022, we used regular surveys, experience forums 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 provided 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 programme for those clients who require assistance in navigating online and mobile channels.

In order 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. For example, we understand that young, low to middle Kenyans are digitally savvy and looking for investment solutions that provide attractive returns, helping them diversify their wealth. They are looking for financial solutions that give them access to liquidity as and when they require.

We therefore launched the SC Shilingi Funds in March 2022. This is the first "100 per cent digital only" platform offering money market funds in Kenya and across the Standard Chartered franchise. The solution offers convenience as it is available 24/7 on the SC Mobile app. It allows clients to invest from a minimum of KShs 500, earn competitive returns, enjoy the power of monthly compounding and access to unlimited withdrawals anytime, at no cost.

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.

Clients continued

Our clients want to have a positive impact on sustainability. In 2022, we helped 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-two sustainable funds on our Mutual Funds' platform on SC Mobile App. 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 and occasionally inviting our clients to join in our tree planting activities. To date, we have planted over 1,200 trees in the Ngong Forest Sanctuary.

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. Owing to our efforts to offer best-in-class digital services to clients, we received the Best Retail Bank Digital CX Award from The Digital Banker in 2022 for the third consecutive year.

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 2023, we will continue to strengthen our digital transformation and innovation capabilities.

The Corporate, Commercial and Institutional Banking (CCIB) business supports clients with their transaction banking, financial markets, corporate finance and borrowing needs. In 2022, we strengthened our digital transformation and innovation capabilities. We added further capabilities to our online platform Straight2Bank NextGen (S2B NextGen) with the introduction of short-term loans and long-term loans issuance. In addition, we availed the online Self-Service Letter of Credit Draft MT700 Creation on S2B NextGen. This capability enables our clients to generate draft MT700 SWIFT Telex prior to the transmission of Letters of Credit (LCs). Our clients can now benefit from updates on a real-time basis, improved productivity and risk reduction.

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.

For more information about our clients, read the client segments reviews on pages 14 to 15.

We are a client centric bank and dedicated to serving our customers with top-class products and services.

Stakeholders and responsibilities
continued

Government and Regulators

How we serve and engage

The Group maintains a Government and Regulatory Relations plan which evidences the Group's efforts to proactively maintain transparent relations in its engagements with regulators and government agencies. We actively engage with relevant government bodies, regulators, and policymakers to share insights and technical expertise on key financial services issues and support the development of best practice and adoption of consistent approaches across our market.

In 2022, we engaged with regulators, government officials and trade associations on a broad range of topics that included risk-based pricing model, the national risk assessment, mutual evaluation review exercise, Central Bank Digital Currency discussion paper, international trade, sustainable finance, data, cybersecurity, digital adoption and innovation.

We also exchanged information on new regulatory reporting requirements, Anti Money Laundering enhancements i.e., The Kenya Anti Money Laundering and Countering Terrorist Financing (AML/CTF) Financial Action Mutual Evaluation exercise. This is a global exercise that assesses a country's technical compliance and the effectiveness of its AML/CFT framework.

We also discussed new innovative product offerings from the Group and introduction of new technologies such as cloud-based applications. We are committed to complying with legislation and regulatory requirements applicable to our business and operations. Our compliance with legal and regulatory frameworks ensures that the Group meets its obligations as a good corporate citizen. In turn, this supports the resilience and effective functioning of the Group and the broader financial system.

In 2023, we will continue to prioritise compliance with regulatory or other legal requirements by making additional investments or through re-allocation of existing resources. Other engagements will be on the use of emerging technologies and innovations in the Group in support of our strategy, compliance with data privacy and protection and combating Financial Crime with focus on fraud risk management.

We will continue to update our systems to ensure that they continue to satisfy the dynamic needs of our clients. The Group will continue to support regulatory efforts to maintain a robust and resilient financial market and lead in proactive cyber risk management aimed at protecting client data and funds. We also expect to engage on regulation and legislation associated with the introduction of risk-based pricing, international trade, sustainable finance and climate action, digital innovation, data, privacy, artificial intelligence and cyber security.

Partnerships are critical to our success, so we endeavour to harness them.

Our 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.

We engaged with investors and market analysts during our Annual General Meeting held on 25 May 2022. Our Board and Management apprised investors of our financial results guiding them through our performance and business strategy. Throughout the year, we interacted with shareholders and financial analysts through briefing events and publication of our results in the media.

On 14 June 2022, we launched our first Sustainability Impact Report in Kenya. This report highlights the efforts we have made to accelerate the stewardship of our environment and widen economic participation for the communities in which we operate. The lifting of COVID-19 restrictions provided us with more opportunities to have more and deeper engagements with our investors. For more information about Board engagement with shareholders in 2022, please see page 72 in the corporate governance section of the Annual Report.

We hosted our Annual General Meeting on 25 May 2022 to update shareholders on the Bank's performance.

Stakeholders and responsibilities
continued

Suppliers

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

How we serve and engage

We follow a comprehensive and transparent vendor selection process, guided by our Supplier Charter, which sets out our expectations on issues such as ethics, anti-bribery and corruption, human rights, diversity and inclusion (D&I) and environmental performance. Our suppliers must recommit to the charter annually. Performance monitoring is built into our contracts, procurement practices and standards.

We have made progress against our supply chain sustainability agenda and began to integrate environmental and social risks into our third-party risk management framework. In pursuit of our ambition to be Net Zero in our operations by 2025, we offset emissions from our business flights. We have embedded emissions-related clauses into relevant supplier contracts, such as printing services, to reduce our consumption and mitigate residual emissions.

To support the operations of our branches, offices, businesses and functions we source a variety of goods and services. The majority of our expenditure goes to indirect spend (services) and is managed through a third-party governance framework. This ensures that we follow the highest standards of sourcing, awarding and onboarding suppliers.

In 2022, within our supply chain, we provided training, digital documents and internal communication to raise awareness of modern slavery to all our Supply Chain Category Managers and Contract Owners. Modern slavery risk is now highlighted at the vendor onboarding stage, and Procurement Category Plans have been enhanced for all supplier categories found to have heightened risk, including technology hardware, property, and telecom and networks. We conducted onsite audits for suppliers determined by our internal modern slavery risk review to require additional due diligence as a condition to continue with the supplier engagement.

To promote human rights in our workforce, we updated our Human Rights Position Statement to incorporate new frameworks and practices relating to the human rights of our colleagues. We also updated our Supplier Charter to encourage our suppliers to promote fair pay practices within their workforce, including the development of their own understanding of a living wage.

In 2022, we held capacity building sessions with women owned businesses to help them understand and meet the procurement requirements of the Bank. We will continue sharing our best practices with marginalised vendors to lift their participation and to ultimately support sustainable economic growth and social development within our communities.

Our current base of women, youth suppliers grew from 17 per cent in 2021 to 25 per cent in 2022. The value increased from 2 per cent to 6 per cent. In 2023, we purpose to bridge the gap to meet our target of 30 per cent diverse vendor base with an associated spend value of 10 per cent. We also collaborated with some of our top tier suppliers to support our supplier diversity agenda within their supply chain and employing diverse suppliers in their workforce.

Access to finance and working capital continues to be a major barrier to small and medium sized businesses. In 2022, we continued to support our vendors by paying invoices immediately upon receipt providing our vendors with much needed cashflow, making their businesses more resilient.

Our increased focus on Supplier Diversity is in recognition of the critical role our suppliers play in serving our clients and creating positive impact across the communities we operate in. Over the next years, we will continue to build a more sustainable and purpose driven Supply Chain that will reduce our carbon emissions, eradicate modern slavery and promote diversity and equality amongst our suppliers.

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, we are developing a workforce that is future-ready and are co-creating with our colleagues a culture that is inclusive and innovative.

Our ways of working

The Group is responding to the global reset by redefining priorities in People and Culture as one of our core transformation enablers. Increasing demands from clients and the dynamic environment we operate in has necessitated that we put concerted efforts into creating an agile organisation. Our aim is to build a future ready workforce that is healthy, diverse, inclusive, creative, curious and innovative. We recognise that our ability to transform further and faster is hinged on accelerating all these cultural nuances.

We are making deliberate steps to become an employer of choice. We recognise that this will happen if we continue delivering a world class employee experience through our technology enablers, better approach towards performance management and adapting to the new ways of working.

We have rolled out technology enablers that make it easier for our colleagues and people leaders to find solutions. We continued the hybrid working model and 70 per cent of our colleagues took up the flexible work arrangements, with a good split between working from home and within the office. We supported our colleagues with the right tools that enable seamless hybrid working.

We pride ourselves in being a performance driven organisation. In 2022, we launched our new approach to performance management that meets the demands of our changing workforce focusing on performance, variable pay, recognition and talent. Over 90 per cent of our colleagues adopted the new performance management system and completed their objectives and year end reviews on the platform.

In addition, we are putting more emphasis on driving a feedback culture to drive quality performance conversations and recognise our top talent. Our feedback tool was revamped to make it simpler and more user friendly. The tool helps colleagues address thematic concerns by providing actionable feedback that helps them improve. Colleagues are also expected to receive a minimum of four feedback reviews cutting across from their supervisor, colleagues, stakeholders and even junior members of their teams.

Creating an Inclusive Culture

A diverse and inclusive environment establishes a sense of belonging among employees helping them produce high quality work. We leverage on our diverse and inclusive culture to build on our employee proposition to make the Bank the best place to work in. We have curated initiatives that are at the forefront of building an inclusive culture.

In 2022, our focus was on building partnerships to drive inclusivity. We signed a partnership with Sight Savers International to support youth with disabilities become more empowered and more job ready. We engaged over 200 youth through financial literacy sessions. We worked with the Futuremakers programme and conducted a mentorship den to further support the youth. This mentorship programme has seen good uptake and we intend to continue with this initiative into 2023.

In addition, we have successfully recruited colleagues with disabilities into our work force. Our systems and physical workspaces have also been adjusted to accommodate our new joiners. This ensures that we are making good strides to drive inclusivity in the workplace.

Wellbeing

Employee wellbeing has been a key focus in nurturing the success and resilience at the workplace for our workforce. In 2022, we continued with our pro-active approach to wellbeing

Stakeholders and responsibilities
continued

Employees continued

under the banner of the "My Health My Wealth" programme. Following positive feedback from our Kenya colleagues, we extended the programme to our colleagues in Uganda and Tanzania.

We held 25 sessions in with experts promoting holistic well-being covering mental, physical, financial, and social wellbeing. Some of the topics covered included Healthy Relationships, Financial Management, Healthy Living, Midlife Crisis, Menopause, dealing with grief and Loss and many others that promote psychological safety within our workforce. We believe that these sessions will enhance the ability of our colleagues to deal with issues that arise in and outside the work environment. The attendance has been encouraging, with over 500 participants per session, and with very positive feedback speaking to the relevance of the topics.

In recognition of varied psychological pressures experienced in 2022, our employee assistance programme (EAP) was at the heart of providing psycho-social support. This programme is open to colleagues and their families. In 2022, we provided support for our colleagues who were dealing with stress and anxiety caused by relationships, family issues, grief and loss and work issues.

In 2022, we conducted an onsite medical camp covering over 250 colleagues and their spouses. This initiative equips our colleagues and their spouses to have a pulse on their wellbeing as we drive the mantra, 'prevention is better than cure'. These initiatives continue to bring out the best in all our colleagues.

Building a Future Ready workforce

Standard Chartered has responded to the changing nature of work through focus on Reskilling and Upskilling employees by building a culture of self-learning using the various resources on our learning platform to acquire targeted skills and enhance productivity.

We continued with the series of expert learning dubbed Engage to Elevate (E2E). In 2022, we held 15 E2E sessions up from 10 sessions in 2021. These sessions were hosted by subject matter experts who shared their technological know-how and application of new technologies in various business settings. Some of the core topics covered in the year included Data Analytics, Data Management. Cyber Security, Python Coding, Emotional Intelligence and Human Centred Design (HCD).

98 per cent of our colleagues are now active users on our digital learning gateway as repeat users averaging 31 hours of learning per month. Our active user rate is the highest in the Group, a testament that our colleagues are spending more time learning and developing themselves.

We re-evaluated the work that our colleagues do to ensure that their efforts create value for the Group. Our upskilling agenda looked at providing learning programmes designed to equip different roles with now and future ready skills. The programmes include Sustainable Finance, Accelerating Execution, Wealth Management upskill, Client Centricity designed to enhance our service delivery.

Leadership remains a key pillar through which we execute the organisation's strategy. In 2022, we deployed a new approach in our leadership training. We re-designed our courses to make them more practical, engaging fun for people leaders. Two of our senior leaders participated in the Enterprise Leaders programme which focuses on developing future ready CEOs who will embrace disruption, growth opportunities and lead the Bank while balancing profit and purpose.

In 2022, The Group pioneered the Core Leadership Programme in Kenya and United Arab Emirates. The programme involves the simulation of case studies that build leadership in changing business environments and promotes the culture of feedback. 41 people leaders were part of this initial cohort, and we look to scale up in numbers in 2023. We also used Equilibrium, a simulation game to develop decision making and critical thinking in our employees.

Talent Marketplace™, the Bank's platform continues to be a place for colleagues to gain development opportunities across the Group. 137 opportunities were created in 2022, compared to 73 in 2021. Average adoption rate for 2022 was 24 per cent compared to 11 per cent in 2021.

Employee Relations and Conduct

In 2022, we equipped and empowered people leaders to create a safe working environment for colleagues. We started with learning sessions on handling performance and breaches of policy and procedure. The impact of this has seen escalation matters decline by 10 per cent.

We cascaded mandatory learnings for colleagues to gain knowledge on how to identify fraud, cybercrime and how to mitigate these cases. Fraudulent cases reported also declined by 7 per cent year on year signalling a reflection of higher levels of governance and adequate capability building in our people leaders.

Employee Resourcing

The Group has played a significant role in cultivating an environment where our colleagues are provided with opportunities to grow. This is evidenced by the fact that 67 per cent of vacancies in Kenya have been filled by internal colleagues.

In 2022, we deployed talent to various markets. This has provided learning and growth opportunities to our Kenyan colleagues. We now have colleagues on long-term assignments or on permanent relocation in United Arab Emirates, United Kingdom, India and United States of America.

The candidate market in 2022 has been described as candidate-led and the Group has been faced with a highly competitive external market and scarcity of skills to meet the demands of the rapid changes in the banking industry.

Society

How we serve and engage

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 3 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 connect SMEs to international markets and build 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.

We are transforming communities through our futuremakers programme with the aim of reducing social inequality amongst disadvantaged young people, especially girls and persons with disabilities.

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

Partnerships to offer Individual and SME Clients access to clean water and energy

Access to clean water and energy is a major problem in Kenya with around 41 per cent and 30 per cent of citizens lacking access to clean water and electricity respectively (www.worldbank.org, 2020).

Our partnership with Davis & Shirtliff Group (D&S) has helped us offer access to water treatment and solar energy equipment at affordable prices.

Driving Financial Inclusion

Our aim is to leverage on our digital acquisition capabilities to drive financial inclusion among the Kenyan population by making banking easily accessible from anywhere.

In 2022, we continued to leverage on our SC DigiSmart Current Account to cultivate an investing culture amongst our younger clients. We offered easy-to-access wealth management solutions from the SC mobile app.

Sustainable Wealth Solutions

We continue to innovate and expand our offering to clients to democratise access to green bonds and equities through our wealth management solutions. Despite global market volatility affecting valuations of mutual funds, we see an increased investor preference and need for sustainable investing with more clients signing up for wealth solutions.

In that respect, we have increased the total offering of sustainable funds to twenty-two. We plant a tree on behalf of every client who invests in a sustainable fund. Through this initiative, we have successfully planted over 1,200 tree seedlings at the Ngong Forest Sanctuary.

The funds encompass a full suite of sustainable investing options cutting across environmental, social and governance (ESG) disciplines. The long -term view is to have more funds available to allow for diversification of portfolios. We continue to provide convenience to our clients by ensuring all these funds are available on our SC Mobile app.

To drive financial inclusion among women, we established the baseline of women-owned SMEs within our portfolio and are now developing solutions tailor-made to meet the needs of women entrepreneurs.

In 2022, we focused on individual client discussions to better understand their transition plans and explore areas of collaboration.

Stakeholders and responsibilities
continued

Sustainable Finance continued

CCIB Sustainability initiatives

Client priorities
In mid-2022, we started incorporating climate risk assessments in all our credit applications. We rolled out key sustainable finance products that support our clients including sustainable supply chain finance, sustainable letters of credit and invoice financing. Our initial focus is on our clients in the oil and gas, metals and mining and power sectors. We will work with them to effectively implement their transition plans. We shared our insights during the Annual Geothermal Association of Kenya Conference in July 2022. Our Head of CCIB Client Coverage spoke on a panel that included developers and financiers on making projects more bankable and addressing stranded asset risks.

Impact
We are working with our clients to ensure that their transitions to renewable energy deliver results. To do so, we must find the right balance between economic development and our net zero ambitions. We believe that we can have the most impact in the oil and gas, metals, mining and power sectors.

Products
We are cognisant that our market still lacks sufficient data and knowledge on sustainable finance products. In 2022, we deployed our global solutions such as sustainable loans and bonds (green, blue and sustainability linked). This has helped us roll out key Sustainable Finance (SF) products that support our flow business: sustainable supply chain finance, sustainable letters of credit and invoice financing and sustainable deposits.

People
We will continue our focus on training our teams. Our internal learning platform, DiSCover now offers two sustainable finance trainings for our colleagues. We hosted a customised training focusing on transition finance case studies. This will equip our frontline colleagues to engage our clients at both finance and sustainability officer level.

Responsible Company

Financial Crime Risk Management
The Group remains committed to fighting financial crime and has a deep belief that disrupting financial and cybercrimes is necessary for the sustainability of our business and the economies we operate in. The Group's ambition is to tackle the most damaging financial and cybercrimes by making the financial system a hostile environment for the criminals. The Group acknowledges that for this to happen it is critical to adopt a concerted effort and partnerships amongst all relevant stakeholders including 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".

In 2022, the Bank was of one the of the Institutions selected by the Financial Reporting Centre (FRC) to represent the country during the Mutual Evaluation of Kenya. The Kenya Anti-Money Laundering, Counter-Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) Financial Action Mutual Evaluation commenced in October 2021. The mutual evaluation exercise is a global exercise that assesses a Country's technical compliance and effectiveness of the AML/ CFT framework. It looks at the effectiveness of the legal and regulatory framework as well as the implementation of the same in a country. Failure to meet the required standards could lead to a country being black or grey listed. This can have a significant negative impact on the economy of the country.

The final report was published in September 2022 and summarises the AML/CFT measures in place in Kenya at the date of the on-site visit which took place from 31 January to 11 February 2022. The report analyses the level of compliance with the (Financial Action Task Force) FATF 40 Recommendations and the level of effectiveness of Kenya's AML/CFT system and provides recommendations on how the system could be strengthened.

Further, the Bank partnered with the Nairobi International Financial Centre Authority to discuss AML best practice in line with developing a business environment that is conducive for financial services to thrive and is globally competitive.

Our Financial Crime Compliance team continues to identify, prevent fraud, money laundering 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.

Management of financial crime within the Group is the responsibility of all colleagues who are divided into three lines of defence. We are focussed on strengthening our three lines of defence, by transitioning certain responsibilities for financial crime surveillance from the second line to the first line while reinforcing the oversight and monitoring role of the second line. While there is a robust automated monitoring system, the Group has also created an independent and secure framework for all colleagues to report any suspicious transactions to the financial crime compliance function. The Group takes material financial crime risks seriously and the relationships that are deemed to pose such risks are terminated.

To mitigate the risk of financial crime, particularly laundering the proceeds of corruption, in the lead-up to, during and after the 2022 elections , the Group conducted enhanced monitoring designed to identify and investigate transactions of potential concern.

Fraud Risk Management
The growing trend of digitisation of products and channels has created fast settlement cycles that have significantly changed the risk landscape. Most Tier 1 Banks in Kenya have implemented quick account opening with simplified due diligence. Transactions such as wire transfers and mobile money transactions are mainly executed through digital platforms. This has provided fraudsters with easy access to banking services and fast movement of proceeds of fraud.

Responsible Company continued

Fraud Risk Management continued

The main typology of fraud is social engineering schemes (phishing and vishing). Through fictitious emails sent to clients with an embedded phishing link, the fraudsters purport to advise clients on various issues. To effectively address the increasing fraud trends, the Group has commissioned various working groups to conduct reviews and identify potential gaps in the Group's fraud risk management framework with appropriate treatment plans.

The Group ensured strategic fraud awareness messages are shared with clients in all banking channels – online and mobile banking, The fraud awareness messages were strategically placed to educate the customer. We frequently send messages to clients cautioning them against sharing their One Time Pin (OTP); clicking on phishing links or providing their personal details on calls to persons purporting to be bank employees.

The Group invested in Fraud risk management systems such as ThreatMetrix (TMX), a Digital Fraud detection and prevention tool which is integrated with Login & Channel Registration functionality in I-banking and SC mobile App. Additionally, PIN Registration and Reset has been disabled for all front-line colleagues and replaced by customer self service capabilities.

On employee conduct, the Group has a strong tone from the top on acceptable behaviour and speak up channels for reporting any cases on fraud. The Group remains committed to dealing with colleagues who breach the shared code of conduct through the disciplinary process which includes termination and reporting to law enforcement agencies.

Training and awareness creation across the Group is critical to equip all our colleagues to effectively play their line of defence role. Various thematic, risk based, and targeted financial crime virtual trainings were conducted. In 2022, more than 99 per cent of our colleagues completed the mandatory e-learning programmes for internal and external financial crime risks. Further, the Group has ensured it has equipped its second line technical colleagues with the relevant skills to respond to financial crime escalations. Through its partnership with the Association of Certified Anti-Money Laundering Specialists (ACAMS), over 80 per cent of the Financial Crime Team (FCC) are ACAMS certified and 100 per cent certified through the Group's Financial Crime Academy which offers specialist modules and certification.

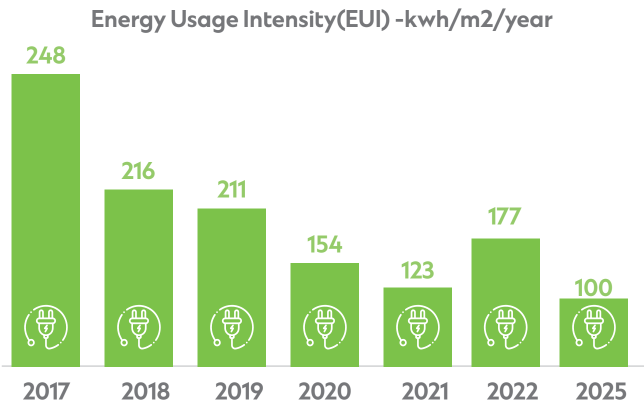
Accelerating zero in our operations

Being a responsible company means making the right decisions to minimise the impact of our operations on the environment. We have taken a bold stand towards Accelerating Zero 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. To uphold this vision, we are focusing on five areas:

Energy Use

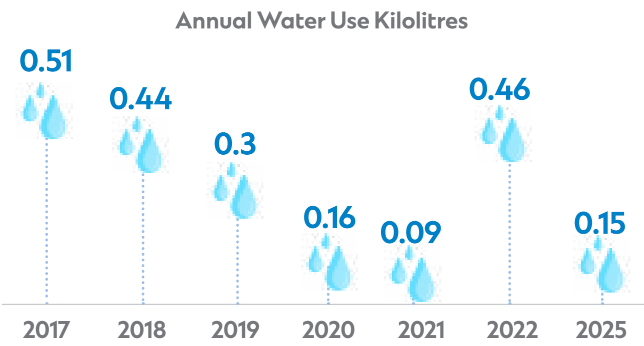
Our energy use (electricity, diesel, solar) efficiency has improved over the years, with our annual usage down by 29 per cent from 2017 to 2022. We saw an increase in our energy usage intensity in 2022 as colleagues returned to the office post the COVID-19 pandemic. This return has not adversely impacted our carbon emissions due to the sustainable initiatives implemented in the past few years. We continue to explore opportunities to implement green energy across the Group's portfolio and a project is underway to install solar for three branches, the Head office building and seven off-site ATMs. In 2022, we completed the installation of Light Emitting Diode (LED) lights on all our branches. LED lights use at least 75 per cent less energy, and last up to 25 times longer, than incandescent lighting. We also re-launched our Nanyuki branch as a fully green branch.

This reinforces our ambition to achieve our target energy usage reduction by 2025.



Water Use

The Group's water use intensity reduced by 82 per cent from 2017 to 2021. We had a 300% increase in water usage in 2022 as colleagues returned to the office post the COVID-19 pandemic. We commenced the installation of rainwater harvesting systems in four branches in 2022. The harvested rainwater will be used in the washrooms and for watering our plants and will further reduce water consumption by at least 40 per cent in 2023.



Stakeholders and responsibilities
continued

Accelerating zero in our operations continued

Paper Usage Reduction

We achieved a monthly average usage of 455 kilograms representing a 23 per cent reduction in our paper usage compared to 2021. This led to a reduction in green-house-gases emitted during the paper manufacturing process by 9,525 kilograms of carbon emissions.

Accelerating zero in our operations continued

Waste Management

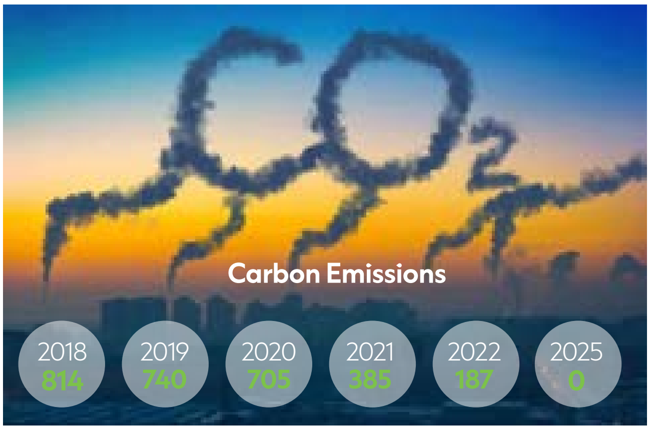
In July 2021, we engaged a waste recycling vendor to manage waste at the Head Office building and the biggest branch in Nairobi -Kenyatta Branch. 51,728 kilograms of waste was recycled in 2022 for these two sites representing 99 per cent of waste collected and 131,176 kilograms of greenhouse gas emissions saved.

Single-Use Plastic Free Certification

We started the journey to eliminate single-use plastics from all our locations in 2019. By October 2022, seventeen (17) branches had been certified as Single Use Plastic free.

Our Carbon Emissions trend: 2018 to date

The above initiatives have helped us reduce our carbon emissions significantly. We have achieved a year-to-date carbon emission of 187 tons exceeding our 2022 target of 338 tonnes of carbon emissions.



The elimination of the 18 litre bottle water dispensers and introduction of water filtration systems across the Group's portfolio, rainwater harvesting and waste management activities have contributed to the reduction in our carbon emissions. Following the review of carbon emissions from staff buses, we replaced the 59-seater long chassis coaches to 22-seater minibuses which are more efficient with less carbon emissions. Roll out of renewable energy solutions to targeted sites and expansion of our waste management activities will contribute to the reduction of our carbon emissions.

Measurement of the Metrics

Our carbon emissions metrics are measured using emissions from direct business activities (diesel usage, waste, etc) and from indirect business activities (electricity). Data from invoices, bills and consumption units from these activities are uploaded monthly onto a central database system (credit360, a sustainability software), which calculates our carbon emissions, energy, and water use metrics. This data is verified annually by a Group's appointed auditor. Projections for the next three years have been made based on the capacity of the renewable energy solutions and other sustainable initiatives we intend to deploy across the portfolio.

Inclusive Communities

We aim to create more inclusive economies by sharing our skills and expertise and developing community programmes that transform lives. Social-economic inequality and the growing income gap within and between countries is a shared challenge across the world. By 2030, it is estimated that one per cent of the world's population will own two-thirds of its wealth. The COVID-19 pandemic presented additional socio-economic challenges with youth, women and PWDs being severely affected.

In 2021, the International Labour Organisation (ILO) estimated that youth unemployment rate in Kenya was at about 14 per cent. 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 are bridging social economic inequality of the youth, women and people living with disability by developing community programmes that transform lives through Futuremakers by Standard Chartered.

Futuremakers is our flagship global initiative which focuses on three pillars - Education, Employability and Entrepreneurship to help the youth learn, earn and grow through Goal, Futuremakers Inclusive Employability Programme and Women in Tech.

We assisted 238 young people with disabilities to become employable and join the workplace. The Bank joined the Kenya Business and Disability Network. This is an association which helps organisations become more disability confident promoting the employment of Persons with Disabilities.

Employability

Millions of disadvantaged young people are trapped in low-paid, insecure work. They lack the skills and opportunities to improve their circumstances, including knowing how to manage their financial future. In Kenya, it is estimated that 64 per cent of the 2 million unemployed persons in Kenya are youth, only 1.5 per cent of these have formal education beyond secondary school level while over 92 per cent have no vocational or professional skills training and therefore have limited chances of fully participating in the labour market.

In 2022, we launched a KShs 97 million Futuremakers Inclusive Employability programme which aims at supporting young people, particularly girls and people with disability to find jobs through work readiness and vocational training. Our employability programmes help young people become job-ready by building employment-related knowledge and skills, increasing their confidence, self-esteem and aspirations supported by training, careers mentoring and job placements. We work with six universities, and we have impacted over 604 beneficiaries since launch in March 2022.

We conducted a total of seven career talks reaching over 1,600 students. These were delivered through employee volunteering led by the CEO and the Executive Management Team.

Accelerating zero in our operations continued

Entrepreneurship

Many entrepreneurs in low and middle-income markets lack the financial tools and knowledge to manage their business. Entrepreneurs for Growth (E4G) programme supports micro and small business owners to build financial knowledge, develop broader business skills and access finance through partnerships, for example, with microfinance institutions. It builds on existing financial education training for entrepreneurs and on the Women in Technology (WiT) Incubator programme for female entrepreneurs in the technology sector. The WiT Incubator was launched in 2017 targeting women using technology to build small and medium enterprises. Each cohort supports 10 women with a 12-week incubation programme with five women being further supported with a seed grant of KShs 1.1 million and nine months follow up mentorship. To date, we have successfully completed five cohorts where 50 women led businesses have participated in the programme. 25 of these businesses have been awarded grants totalling KShs 27 million. In 2022, we impacted 248 entrepreneurs bringing the total number of entrepreneurs impacted by the programme since launch to 648.

Education

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 the Futuremakers flagship education programme that equips adolescent girls with life skills using sports training through five modules: Be yourself, Be Healthy, Be Empowered, Be Money Savvy and Be Independent.

We have been implementing the GOAL programme since 2015 and impacted over 6,193 beneficiaries through our Goal Programme in 2022.

Accelerating zero in our communities

We are participating in accelerating to net zero through partnerships, creating awareness for staff, communities and engaging like-minded stakeholders in the fight to mitigate the impact of climate change thereby putting the world on a sustainable path to net zero by 2050. In 2022, we undertook various initiatives to drive acceleration to net zero.

Launch of Sustainability Impact Report

In June, we launched our inaugural Sustainability Impact Report. The report showcased our achievements in 2021 in driving our sustainability in the business, community and in our operations. This was well received in the market by clients, regulators and staff positioning the Group as a thought leader on climate change and financial inclusion.

Partnerships for Purpose

We signed up a 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 restore not less than 6 Kilometres of running paths, upgrade 50 signages, label 100 trees and support a one- million seedlings nursery. We are developing a digital application which will be used as an education tool to create awareness on conservation, and climate change. We will further support the Park by hosting our communities, staff and client events in the Park.

Engagement of our colleagues in accelerating net zero

In 2022, colleagues across the Group and in the branches have planted over 200,000 seedlings at the Nairobi Arboretum Nursery with 471 staff volunteering at the nursery. The nursery will be replenished as seedlings mature and scaled up to meet the target of one million seedlings by 2023.

In addition, we are investing in educating our colleagues to gain a common understanding on Sustainability. Our objective is to train all colleagues as well as increase strategic partnerships to drive accelerating our net zero agenda. The partnerships will help position the Bank as a leader in accelerating zero through thought leadership and stakeholder engagement.

Launch of our Partnership with The Nairobi Arboretum.

Stakeholders and responsibilities
continued

Accelerating zero in our operations continued

Sustainable Marathon

In 2022, the Standard Chartered Nairobi Marathon made a great come back after the COVID-19 pandemic. The marathon is the largest single day sporting event in Kenya.

We started the journey of ensuring our marathon goes beyond a sporting event to become a platform for driving our sustainability and community engagement initiatives. We have taken leadership in positioning ourselves as the only sustainable marathon in Kenya. We published our first Marathon Sustainability Report, to measure the environmental, social and economic impact of our marathon.

We are using the marathon as an avenue to address the devastating impact of climate change. Through the slogan of 'a tree per runner', we distributed over 20,000 tree seedlings to all marathon participants. We worked with our partners to recycle 100 per cent of the waste generated on marathon day. This translates to a total of 2,713 Kilogrammes of greenhouse gas emissions saved.

Introduced a hybrid format (both virtual and physical) in the 18th edition of Standard Chartered Nairobi Marathon.

Employee Volunteering

Futuremakers draws on the Group's unique skills and expertise, and those of its employees, to support young people. Our aim is to build the capacity of young people to access jobs and economic opportunities that will help close the inequality gap. We encourage all employees to get involved and share their skills through employee volunteering, delivering financial education and fundraising. Each staff member is entitled to three employee volunteering (EV) days in a year. In 2022, we exceeded our employee volunteering targets registering 62 per cent staff participation against a target of 36 per cent and 1,246 days against a target of 403 employee volunteering days. These numbers were achieved through employee volunteering activities in the Standard Chartered Marathon, in tree planting, mentoring and career talks.

Staff during a tree planting exercise at Arboretum.

Conclusion

We are making inroads in our sustainability agenda and are making good progress. Our efforts in Sustainability are bearing fruit and have been recognised. In October 2022, we won the Best Bank Operations in the Kenya Bankers Association Sustainable Finance Initiative Catalyst awards. We scooped three awards in the Economic empowerment of young girls through our Goal and Women in Tech programmes in the Gender Mainstreaming Awards.

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 programmes. 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.

Thank you for participating

We would like to express our gratitude for your partnership during the 2022 Standard Chartered Nairobi Marathon.

Thank you for taking the time to #RunAsOne with us and to participate in the marathon.

We look forward to hosting you again in 2023 during the 20th edition of the Standard Chartered Nairobi Marathon on 29th October 2023 at Uhuru Gardens.

Please register at www.nairobimarathon.com

standard chartered

futuremakers
by Standard Chartered

Chairperson's statement

Resilience supporting sustainable growth

Kellen Kariuki
Chairperson

Dear Shareholders

2022 started with optimism as most of the world came out of the COVID-19 pandemic lockdowns. The optimism was tempered by challenges in the local and wider geopolitical environment. Despite these challenges, we delivered strong financial results against our strategic goals and came out of 2022 with good momentum. We achieved these results by focusing on our clients, supporting our colleagues, and staying true to our purpose, here for good. We have the right strategy, a solid foundation, and a dedicated world-class team.

Later in this report, Kariuki Ngari, our Chief Executive Officer, will share more details on our financial performance. Overall, our results show evidence of resilience, with performance improving against a difficult backdrop. Our financial position remains strong and we achieved 17 per cent growth in revenue year-on-year. Our overall customer asset portfolio remains stable and resilient, and we are well positioned to support our clients as the economy continues to recover.

In 2022, we posted healthy profits as a result of lower impairment and effective cost control. This performance was made possible through relentless focus on delivering on our strategic priorities: Mass Retail, Affluent, Network and Sustainability. We played our role as a "connector" bank leveraging our global footprint and expertise to support our clients.

The Board welcomed the return of physical meetings in 2022 after a two-year hiatus. We held meaningful interactions with our clients in the western and Mt. Kenya regions and participated in various sustainability activities. In addition, as Chairperson of the Board, I had the opportunity to attend a Global Subsidiary Governance Conference hosted by our parent company, (Standard Chartered Plc) Board in Dubai. Despite the uncertainties brought about by the challenging global macroeconomic and geopolitical environment, it is clear that across our footprint, Standard Chartered Group is well positioned to leverage on its unique strengths such as the Network to meet stakeholder expectations.

Dividends

In November 2022, the Board announced the payment of an interim dividend of KShs 6.00 for each ordinary share of KShs 5.00 each which was paid on 29 December 2022. I am pleased to report that the Board is recommending the payment of a final dividend of KShs 16.00 for each ordinary share of KShs 5.00. This, in addition to the interim dividend paid in December 2022, brings the total dividend to KShs 22.00 for every ordinary share of KShs 5.00. This compares to a total dividend of KShs 19.00 per ordinary share paid in 2021, reflecting a 16 percent increase year-on year. The Board remains committed to sustainable shareholder returns.

Governance and Culture

The success of our Bank is anchored on a strong culture of robust governance and open constructive dialogue. This enables us to hold Management accountable for the delivery of the Board approved strategy. The Board is well constituted with an ideal mix of tenure, skills, and expertise which have been deployed in various Board Committees. The details and activities of the Board and these Committees are articulated in the Statement of Corporate Governance section of the Annual Report.

The Board will continue to enhance our governance and culture while ensuring we strike the appropriate balance between maximising opportunities on the one hand and maintaining appropriate risk controls on the other. We continue to set the tone from the top on the right governance culture for the Bank which allows us to improve our returns in a strong, safe and sustainable manner. A fully ethical leadership based on the right values and behaviours can succeed over the longer term.

The Board assures Kariuki Ngari and the Management team of our full support as they continue to execute on the strategy.

Strengthening our defenses

Financial crime is of increasing concern to most financial services institutions. There is a heightened level of fraud risk in the environment as fraudsters have become more ingenious in formulating new methods, schemes and technology to swindle people for financial gain.

The growing trend of digitisation of products and channels has created fast settlement cycles that have significantly changed the risk landscape. Most banks in Kenya have implemented quick account opening with simplified due diligence. Transactions such as wire transfers and mobile money transactions are mainly executed through digital platforms. Unfortunately, this has made it easier for fraudsters to access banking services and to move the proceeds of fraud with speed.

In 2022, we disseminated fraud awareness messages with clients in all banking channels. We frequently sent messages to our clients cautioning them against sharing their One Time Pin (OTP), clicking on phishing links or providing their personal details on calls to persons purporting to be bank employees.

The Bank has continued to invest in fraud risk management systems. Additionally, Personal Identification Number (PIN) registration and reset has been disabled for all front-line staff and replaced by customer self service capabilities.

We will continue working closely with the regulators, law enforcement, the Kenya Bankers Association and other relevant stakeholders to create awareness on financial and cyber-crime so as to protect our clients, business and the financial system.

Helping make the world more sustainable

The COVID-19 pandemic set back global economic development. It also highlighted the importance of sustainability and raised the focus on environmental, social and governance (ESG) issues. At Standard Chartered Bank, we are committed to promoting economic and social development in the markets we serve, doing so sustainably and equitably in line with our purpose - here for good.

The Bank has three Stands which are embedded in our strategy and define how we allocate resources and leverage our unique abilities in a way that addresses the most important socio-economic challenges and opportunities of our time.

Our stands are Accelerating Zero, a stand for a rapid and just transition to net zero; Lifting Participation, a stand for the improvement of the lives of people through the empowerment of women and small businesses; and Resetting Globalisation, balancing inequalities created by a changing world.

We recognise climate risk as an integrated cross-cutting risk, which is material, and is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. In 2022, we continued to integrate climate risk into mainstream risk management. We also started incorporating climate risk assessments in all our credit applications.

Our Stands have served to further embed our supplier diversity and inclusion approach. In 2022, we held capacity building sessions with women owned businesses to help them understand and meet the procurement requirements of the Bank. We will continue sharing our best practices with marginalised vendors to lift their participation and to ultimately support sustainable economic growth and social development within our communities.

Our current base of women and youth suppliers grew from 17 per cent in 2021 to 25 per cent in 2022. The value of contracts awarded to this group increased from 2 per cent to 6 per cent. In 2023, we purpose to bridge the gap to meet our target of a 30 per cent diverse vendor base with an associated spend value of 10 per cent. We also collaborated with some of our top tier suppliers to support our supplier diversity agenda within their supply chain by employing diverse employees in their workforce.

Training and upskilling of our staff was a key priority in 2022. Our internal learning platform, DiSCover now offers two sustainable finance training modules for all our colleagues. We also hosted a customised training focusing on transition finance case studies. This will equip our frontline staff to engage our clients on sustainable finance solutions.

We have made further progress on our Stands as follows: -

- **Lifting Participation** - we launched a KShs 97 million Futuremakers Inclusive Employability Programme to support young people, particularly girls and People With Disabilities to find jobs through work readiness and vocational training. Our employability programmes help 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.

Launching our first green branch at Nanyuki

Chairperson's statement
continued

- **Accelerating Zero** – being a responsible company means making the right decisions to minimise the impact of our operations on the environment. We have taken a bold stand towards Accelerating Zero 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.
- We have reduced our energy use by 29 per cent since 2017 with our water intensity reducing by 82 per cent over the same period. In 2022, we completed the installation of Light Emitting Diode (LED) lights in all our branches. We also re-launched our Nanyuki branch as a fully green branch. These initiatives reinforce our ambition to achieve our target energy usage reduction by 2025.

We have progressed well in several aspects:

- In 2022, we continued on our sustainability journey with the launch of our first Sustainability Impact Report. The report showcases our achievements in 2021 in driving our sustainability in the business, community and in our operations. This has been well received in the market by our different stakeholders such as clients, regulators and our colleagues.
- In 2022, we hosted the 19th edition of the Standard Chartered Nairobi Marathon at full capacity for the first time in two years. A total of 20,134 runners drawn from over 30 nationalities took part in the marathon with satellite runs in Kakamega, Kisumu and Mombasa.
- Our marathons promote participation of Persons with Disabilities (PWDs). In 2022, we incorporated a 6-week tailor-made training programme for PWDs. As a result, over 100 PWDs took part in the marathon representing a broader range of disabilities e.g., intellectual disabilities, the visually and hearing impaired.
- We have been implementing the GOAL programme since 2015. GOAL is the Futuremakers flagship education programme that equips adolescent girls with life skills using sports training through five modules: Be yourself, Be Healthy, Be Empowered, Be Money Savvy and Be Independent. We impacted over 6,193 beneficiaries through this programme in 2022.
- In 2022, we exceeded our employee volunteering targets, registering 62 per cent staff participation against a target of 36 per cent and 1,246 days against a target of 403 employee volunteering days (209 per cent increase). These numbers were achieved through employee volunteering activities in the Standard Chartered Marathon, tree planting, mentoring and career talks.
- I want to thank Management and all employees who have volunteered their time and expertise to support community initiatives. We believe that volunteering is good for our colleagues, clients and communities. We also thank our partners who have worked with us on various sustainability initiatives.

Outlook

In 2023, we foresee continued challenges in the operating environment caused by a broad-based and sharper-than-expected global economic slowdown with inflation higher than seen in several decades. According to The World Bank, global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. The cost-of-living crisis, tightening financial conditions, will severely affect emerging economies such as Kenya.

Despite these challenges, we are optimistic that with the right fiscal and monetary policy, Kenya's economy will stay the course. We welcome the government's commitment to implement economic policy that mobilises and influences the allocation of capital in the manner that generates the most benefits for the country.

We have ensured that Management develops attractive value propositions for our clients to help them navigate these uncertain economic times. We believe that our position as the only international bank with presence in Africa, Asia and Middle East for over 100 years, places us at a vantage position to provide these solutions to individuals, corporates and the government.

As a Board, we are collectively responsible for the Bank's long-term success and for ensuring that it is led within a framework of effective controls. We have reviewed and approved the Bank's strategic priorities – Mass Retail, Affluent, Network and Sustainability. We have taken appropriate actions to ensure that we have the resources needed to achieve our strategy.

The Board will continue to carefully consider the business environment, impact of the decisions it makes and its responsibilities to all our stakeholders, including colleagues, shareholders, regulators, clients, suppliers and communities where we operate.

Kellen Kariuki
Chairperson

14 March 2023

Chief Executive Officer's statement

Back to growth and improving returns

Kariuki Ngari
Chief Executive Officer

We started 2022 on a positive note as Kenya's economy showed signs of recovery from the COVID-19 pandemic with real domestic product (GDP) increasing by 6 per cent year-on-year in the first half of the year. Recovery in the second half was slowed down by elevated global and local inflationary pressures, commodities price shocks, volatility in global financial markets, foreign exchange pressure and worsening global geopolitics. Uncertainty in the run up to the 2022 Kenya's general elections and the severe drought experienced in the country further dampened recovery.

We weathered the challenges of the year, posting solid financial results and delivering value for our shareholders. We supported our clients as they navigated the turbulence and uncertainty in the operating environment. We joined hands with the private and public sector to support communities affected by ravages of the drought by donating KShs 22 million towards providing drought relief for severely affected households in Nyeri, Laikipia and Kitui counties.

We successfully hosted the 19th edition of the Standard Chartered Nairobi Marathon at full capacity for the first time in two years. A total of 20,134 runners drawn from over 30 nationalities took part in the marathon with satellite runs in Kakamega, Kisumu and Mombasa. We are using the marathon as an avenue to address the devastating impact of climate change. Through the slogan of 'a tree per runner', we distributed over 20,000 tree seedlings to all marathon participants.

We continue to execute our strategy and have made significant progress on each of the pillars thus building a solid foundation for greater success in coming years. Our purpose is to drive commerce and prosperity through our unique diversity. This infuses everything we do, connecting our strategy with opportunities to drive growth and deliver on our commitments.

The ever-changing demands from clients due to the dynamic operating environment they operate in, has necessitated that we put concerted efforts into creating an agile organisation. Our aim is to build a future ready workforce that is healthy, diverse, inclusive, creative, curious and innovative. In 2022, we revamped our performance management process, provided flexible working arrangements and invested in the health and wellness of our colleagues.

We maintained our focus on the four strategic priorities; Network, Affluent, Mass Retail and Sustainability, the three enablers: People & Culture, New Ways of Working and Innovation & Technology.

Our Network and Affluent businesses remain key competitive differentiators, both strong generators of high-quality and higher-returning 'capital-lite' income streams. We are transforming our ability to onboard, serve and exceed the expectations of our Mass Retail customers, which will help to feed our higher-margin Affluent business, and become a significant source of income.

- **Mass retail: -** the COVID-19 pandemic stress-tested our Mass Retail business but we have emerged in good shape. This segment is back on track and we see opportunities to develop it further with our range of proven digital capabilities and expanding list of value-adding partnerships.
- **Affluent: -** we will accelerate growth in this segment through superior insights, further digitisation, partnerships and digital investment.
- **Network: -** trade flows across our Network remain as vibrant as ever and our unique physical footprint across the globe enables us to serve clients operating both within and outside of Kenya as they continue to trade and expand across borders.
- **Sustainability: -** our Sustainability agenda remains a key priority as our country continues to face significant environmental and climate challenges. We are determined to deliver on our plans to reach net zero in our operations by 2025.

Summary of financial performance

The performance by the Group in 2022 was strong with profit before tax growing by 36 per cent. In 2021, income returned to growth supported by strong underlying business momentum. In 2022, healthy business momentum continued to drive growth with income up 17 per cent. Costs increased by 6 per cent because of inflationary pressure as well as investment spend while impairment losses significantly reduced compared to the prior year.

All commentary that follows is on comparison made to the year ended 31 December 2021.

- Operating income increased 17 per cent.
- Net interest income increased 18 per cent due to asset volumes growth and expansion in net interest margins.
- Non-interest income increased 14 per cent due to favourable market movements and strong performance in the Wealth Management business.
- Operating expenses increased 6 per cent reflecting the impact of inflation as well as increased investment spend on digital capabilities.
- Impairment losses on financial instruments declined by 47 per cent benefitting from improved delinquencies as the economic environment improved.
- Earnings per share increased by KShs 7.98 or 34 per cent.

Asset quality remained stable however we continue to be alert to a volatile external environment.

- Loans and advances to customers was up 11 per cent reflecting the recovery of our clients' businesses.
- Deposits from customers continued to grow, up 5 per cent. Funding quality remains high with current and savings accounts making up 93 per cent of total customer deposits.
- The liquidity ratio at 73 per cent remains well above the regulatory threshold of 20 per cent. Similarly, the total capital ratio on 17.28 per cent is above the regulatory minimum and within our capital risk appetite.

A final ordinary dividend per share of KShs 16.00 has been proposed, which together with the interim dividend paid in December 2022, brings the total ordinary dividend per share for the year to KShs 22.00, a 16 per cent growth.

Progress on our refreshed strategic priorities

In 2022, we made significant progress in the rollout of our refreshed strategic priorities.

Network business

Our Network remains a key differentiator and our unique strength. Our aspiration is to become the top network bank for our clients, leveraging on our international footprint and digital capabilities to serve them as they operate in multiple markets.

The network business continues to perform well:

- Global subsidiaries segment within Corporate, Commercial & Institutional Banking (CCIB), which comprises large corporate clients with operations within the Standard Chartered Bank global network, grew 29 per cent year-on-year on the back of increased client engagements.
- The Chinese trade corridor continues to have strong growth. Revenues from the Chinese segment grew by 15 per cent
- The Straight2Bank digital platform, with an 86 per cent utilisation continues to transform the way our clients interact with the Bank for the financial needs.
- We have leveraged on our network to build robust trade capability and were awarded as the World's Best Trade Finance Provider in 2022 by the Global Finance Magazine and Best Trade Finance Bank in East Africa by the Global Trade Review(GTR) leaders in Trade.

We will continue to cement our place in traditional corridors while venturing out to emerging corridors. We will drive flow business and grow new income streams through innovation, e-commerce, structured financial markets products and sustainable finance.

Affluent business

We set out to be the leading bank among the affluent and emerging affluent in our market. We recognise that investing is a complex area and even more so when there are multiple challenges such as high inflation and rising risks of a global recession. We are helping our affluent clients navigate this uncertainty by utilising superior insights and personalised wealth advice capability to build loyalty and trust.

We continue to increase our investment especially in data analytics capabilities to generate a unique understanding of our clients and their needs and in turn deliver a personalised experience.

- Affluent constitutes 60 per cent of total Consumer Private & Business Banking (CPBB) revenues. Income in this segment increased by 12 per cent supported by as strong Wealth Management offering.
- Assets Under Management ("AUM") in the Wealth business was up 13 per cent from the prior year to KShs 148 billion.

Mass Retail business

Our Mass Retail business has rebounded well following the slowdown occasioned by the COVID-19 pandemic. Our clients are accelerating their pivot to digital with increasing willingness and desire for digital-first banking.

- In February 2022, we launched SC Shilingi, our "100 per cent digital only" platform offering money market funds in Kenya and across the Standard Chartered franchise. The solution 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 anytime, at no cost.
- Our fully digital SC Mobile App allows us to provide our customers with affordable, convenient, fast and easily accessible banking accounts. Our clients have embraced this solution- with over 278,000 accounts opened through SC Mobile .
- We have built robust digital capability with 74 per cent of our client base being digitally active. 87 per cent of all sales and 85 per cent of client servicing is being done through the digital platforms. Net Promoter Score for our digital platforms is at mid-70 percent range indicating that digital capability is quite attractive to clients.

In 2022, we received many accolades demonstrating that what we do not only resonates with our clients but also in the industry in which we operate.

These include: -

- Best Retail Bank Digital CX Award -Digital Banker
- Outstanding Digital App/Platform Financial Inclusion (Wealth Management) - Digital Banker
- Outstanding Growth CMPS (Wealth and Affluent) - Standard Chartered Global Excellence Awards

Our vision for a sustainable future

Our ambition is to be a market leader in sustainability leading the private sector as a catalyst of finance for the Sustainable Development Goals (SDGs). We also must play our role as a responsible company by making the right decisions to minimise the impact of our operations on the environment. We have taken a bold stand towards Accelerating 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.

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). We want to create new revenue streams by launching sustainable products and accelerating sustainability in our business segments through innovation and partnerships e.g., green mortgages, sustainable trade finance, sustainable investments options among other considerations.

We are participating in accelerating to net zero initiatives through partnerships, creating awareness for staff, communities and engaging like-minded stakeholders in the fight to mitigate the impact of climate change thereby putting the world on a sustainable path to net zero by 2050.

We are making steady progress in several areas: -

- In June, we launched our inaugural Sustainability Impact Report. The report showcased our achievements in 2021 in driving our sustainability in the business, community and in our operations.
- We are helping our clients invest in ESG offshore mutual funds. We currently have twenty-two sustainable funds on our mutual funds' platform. 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. To date, we have planted 1,200 trees at the Ngong Forest Sanctuary.

- In mid-2022, we started incorporating climate risk assessments in all our credit applications. We rolled out key sustainable finance products that support our clients including sustainable supply chain finance, sustainable letters of credit and invoice financing.
- Our energy use efficiency has improved over the years, with our annual energy use down by 29 per cent since 2017. Our carbon emissions have reduced by 77 per cent since 2018, to stand at 187 tons in 2022 through the installation of renewable energy sources, more energy efficient equipment, harvesting rainwater and increased waste management. This commitment saw us re-launch our Nanyuki branch as a fully green branch in November 2022.
- In 2022, we started the journey of ensuring that the Standard Chartered Nairobi Marathon goes beyond a sporting event to become a platform for driving our sustainability and community engagement initiatives. We published our first Marathon Sustainability Report, to measure the environmental, social and economic impact of our marathon. We worked with our partners to recycle 100 per cent of the waste generated on the marathon day. This translates to a total of 2,713 kilograms of greenhouse gas emissions saved.
- We signed a 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 supported planting of over 200,000 tree seedlings. The bank also planted over 24,000 trees in our drive to conserve the environment and mitigate the impact of climate change.
- In 2022, we launched a KShs 97 million Futuremakers Inclusive Employability programme which aims at supporting young people, particularly girls and people with disability to find jobs through work readiness and vocational training.
- In 2022, we exceeded our employee volunteering targets - registering 62 per cent staff participation against a target of 36 per cent and 1,246 employee days. It is encouraging to see our colleagues volunteer in the Standard Chartered Marathon, in tree planting, mentoring and in career talks.
- We received recognition for our efforts in sustainability receiving the following awards: -
  - Winner Best Bank best case study in operations- Kenya Bankers Association Sustainable Finance Initiative
  - 2nd Place most innovative bank-Kenya Bankers Association (KBA) Sustainable Finance Catalyst Awards
  - 1st Overall category winner- Empowerment of young girls-Accenture Gender Mainstreaming Awards Association
  - 1st Category winner- Empowering young girls: GOAL programme- Accenture Gender Mainstreaming Awards Association
  - 3rd Finalist - Economic empowerment- Women in Tech - 10thAccenture Gender Mainstreaming Awards

Conclusion

We had a strong business momentum in 2022 with excellent performance in income and profit before tax.

We have the right strategy, have executed it well and made significant progress on each of the pillars. We are proud of the inroads we have made in our sustainability agenda. There is still work to be done for us to meet the commitments we have made to fully embed sustainability in our client value proposition, operations and community programmes.

We are conscious that the macro-economic environment is likely to remain complex in 2023. Despite global headwinds, we remain optimistic of the tide turning and are confident in our ability to manage and thrive through these complex environments. We are also committed to working with our clients to help them survive and thrive.

The Bank will continue to focus on executing its strategy, invest in areas of competitive strength, support and protect the wellbeing of our clients, colleagues and our communities.

Finally, I acknowledge the dedication of my colleagues in helping our clients emerge from the dark cloud of the COVID-19 pandemic. Their commitment and endurance have delivered seamless service to them as well as the stakeholders and communities that we serve.

Kariuki Ngari
Chief Executive Officer

14 March 2023

The most convenient way to drive in Nairobi

Standard Chartered Bank Kenya, is proud to be associated with the Nairobi Expressway as one of the mandated banks to collect toll fees. Through the use of Technology and Innovation, we are proud to have embedded our world class payment gateway onto the Nairobi Expressway platform for a seamless non-stop journey for commuters within the city of Nairobi.

For a frictionless user experience, commuters on the Nairobi Expressway can use www.nairobiexpressway.ke/ to top up their account and track their usage in real time. Further to this, Standard Chartered Bank clients get the added benefit of using SC Mobile App to top up their account.

Travel with convenience.

standard chartered

Corporate Governance

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Board of Directors

Kellen Eileen Kariuki
Chairperson

Appointment: Kellen was appointed to the Board in February 2020 and elected as the Chairperson of the Board in May 2021.

Experience Kellen has strong and diverse skills in banking, strategy, corporate governance, finance, and leadership. She held several senior positions at Citibank N.A. before joining the Unclaimed Financial Assets Authority as the first Chief Executive Officer and Managing Trustee. She previously held non-executive director appointments at Resolution Insurance Limited, Citibank Uganda, the Kenya Roads Board, was a nominee director of the International Finance Corporation (IFC), non-executive director of AMREF Health Africa, AMREF Flying Doctors, and chair of Citibank Tanzania Limited. Kellen is a founding member of the Board of Advisors of the Strathmore Business School, is a director at the Strathmore University Foundation and has served as an elected council member of the Institute of Certified Public Accountants of Kenya. She is currently the Managing Director of Feruzi Holdings Limited and Chairperson of Standard Chartered Investment Services Limited. She also serves as a director on the board of Startel Limited.

Kellen holds a Masters in Business Administration (MBA) in Strategic Management and a bachelors degree in accounting both from United States International University-Africa and a Master of Science (MSc.) in International Human Resource Management from Cranfield University in the UK. Kellen is a Fellow Certified Public Accountant of Kenya (FCPA) and is currently pursuing a PhD at Strathmore University Business School.

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Kariuki Ngari
Chief Executive Officer

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

Experience Kariuki has over 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.

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Chemutai Murgor
Chief Financial Officer

Appointment: 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 & 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

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

Experience Peter has over 29 years of experience in Operations, Technology, Risk Management and Internal/External Audit. He has held various senior roles in Standard Chartered including Chief Operating Officer (East Africa), Chief Information Officer (East Africa), Group Head of Controls for Wholesale Banking Technology and Operations (Singapore) and Head of Audit (Africa). Peter is a Certified Public Accountant (CPA-K) and in his early career was part of the Assurance and Advisory Services Practices in PricewaterhouseCoopers.

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

Appointment: 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 which 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.

Richard Etemesi
Non-Executive Director

Appointment: 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.

Julie Browne
Non-Executive Director

Appointment: Julie was appointed to the Board in December 2020.

Experience Julie is an accomplished corporate banker with more than 40 years experience garnered from working in a range of different roles within corporate and institutional banking for major international banks in London, Southeast Asia and Africa. Julie is the Chief Credit Officer responsible for Africa in Standard Chartered Bank and is based in Johannesburg. She joined Standard Chartered Bank in January 2005. She has served in various capacities including as a Senior Credit Officer, Commodities Risk ASEAN region based in Singapore and as the Head of Policy and Process, Corporate, Commercial & Institutional Banking and Private Banking. She sits on the Board of Standard Chartered Bank Mauritius as a Non-Executive Director. Julie holds a Bachelor of Science (Hons) in Financial Services from the University of Manchester Institute of Science and Technology and is an Associate of the Chartered Institute of Bankers.

Board of Directors
continued

Dr. Catherine Adeya
Independent Non-Executive Director

Appointment : 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'.

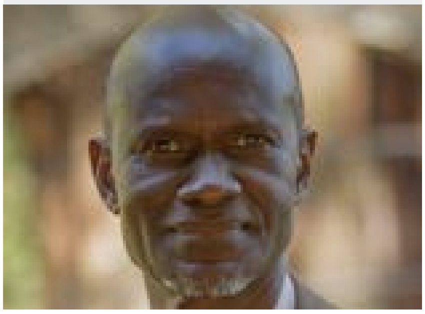
Imtiaz Khan
Independent Non-Executive Director

Appointment: Imtiaz was appointed to the Board in August 2018.

Experience Imtiaz has over 30 years of private equity investment, corporate finance advisory and audit experience in emerging and developed markets in Africa, Asia, the UK and USA. He manages Cassia Capital Partners, a regional private equity investment company which he co-founded. He previously worked with the International Finance Corporation (IFC), investing in a wide range of banks and financial institutions in over a dozen countries across the world, and prior to that with PricewaterhouseCoopers in Kenya and the UK. He has extensive board and corporate leadership experience, currently serving on the Boards of a number of Cassia's investee companies and African Research Collaboration for Health Limited. He previously served as a Non-Executive Director on the Board of Centum Investment Company PLC and several of its subsidiaries in Kenya, Uganda and Mauritius. Imtiaz teaches on the Stanford SEED program run by the Graduate Business School of Stanford University and is a mentor with Endeavor, one of the world's leading networks of high impact entrepreneurs with a presence in over 40 countries around the world. Imtiaz holds an MBA (With distinction) from the London Business School, UK, a B.Com (hons) degree from the University of Nairobi (Kenya) and is a Certified Public Accountant (Kenya).

David Ong'olo
Independent Non-Executive Director

Appointment: 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 Programme 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 programme 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 bachelors degree in Economics from the University of Nairobi.

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

Appointment: 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 digitise 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.

Judy Nyaga
Company Secretary

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

Experience Judy has over 23 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.

Executive Committee

Kariuki Ngari,
Chief Executive Officer

Chemutai Murgor
Chief Financial Officer

Peter Gitau
Chief Technology and Operations Officer

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

Judy Nyaga
Company Secretary

Edith Chumba
Head, Consumer, Private & 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 Absa Bank Kenya PLC 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.

Tanveer Nandhra
Acting. 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.

Rebecca Kaggwa
Head, Conduct, Financial Crime and Compliance

Rebecca has over 29 years experience in compliance, finance, operations and technology, company secretarial, risk management and audit. She has held various senior positions within the Bank including Head Africa Finance Shared Services Centres in Kenya and Ghana, Executive Director Finance, Head of Business Technology (renamed Technology and Operations) and Company Secretary, Standard Chartered Bank, Uganda. Rebecca is a Certified Executive Coach.

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 23 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.

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, Audit

David joined the Bank in 2011 having previously worked for Absa Bank PLC , KPMG Kenya, PricewaterhouseCoopers and Strathmore University. He has over 19 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 16 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.

Directors, Officials and Administration

DIRECTORS

K. Kariuki	Chairperson
K. Ngari	Chief Executive Officer
C. Murgor	Chief Financial Officer
P. Gitau	Chief Technology and Operations Officer
B. Sanghrajka	Head, Corporate, Commercial & Institutional Banking
C. Adeya	
I. Khan	
D. Ong'olo	
N. Sharma	
R. Etemesi	
J. Browne*	

*British

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

AUDITOR
Ernst & 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
00100 Nairobi GPO

REGISTRARS AND TRANSFER OFFICE
Image Registrars Limited
5th Floor ABSA Towers
Loita Street
P.O. Box 9287
00100 Nairobi GPO

CORPORATE GOVERNANCE AUDITOR
Dorion Associates
Thompson Estate, Diani Close
Off Ole Odume Road
P.O Box 29737 – 00202,
Nairobi

Report of the Directors

The directors are pleased to submit their report together with the audited financial statements for the year ended 31 December 2022 in accordance with Section 22 of the Banking Act and the Kenyan Companies Act, 2015 which governs disclosure of the state of affairs of Standard Chartered Bank Kenya Limited (the Company or the Bank) 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 accompanying financial statements on pages 107 to 108.

3. Dividend

The Board has resolved to recommend to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of KShs 16.00 for every ordinary share of KShs. 5.00 on the issued share capital of the Company in respect of the year ended 31 December 2022 (2021: KShs 14.00). One interim dividend of KShs 6.00 was declared on 23 November 2022 and paid on 29 December 2022 (2021: KShs: 5:00).

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 on the non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares (2021: KShs 84,690,411). An interim dividend of KShs 83,309,589 was declared on 23 November 2022 and paid on 29 December 2022 (2021: 83,309,589).

Dividend 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 dividend will be payable to shareholders registered on the Company's Register at the close of business on 21 April 2023 and will be paid on or after 25 May 2023.

4. Directors

The directors who served during the year up to and including the date of this report are set out on page 58. The directors are subject to periodic re-appointment and the following directors will be seeking re-election:

- Mr. Imtiaz Khan and Dr. Catherine Adeya 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 its strategy. This has given us strong momentum and we have delivered solid financial results in line with our commitment to be a profitable, purpose led company that is here for good. Digital and innovation remain at the centre of our strategy. To achieve this, we invested in innovating new products and enhancing our technological capabilities. These improvements will yield benefits for our customers and ensure sustainable returns for our shareholders.

In 2021, we defined three Stands- our name for long-term ambitions on societal challenges. These stands which are embedded into our strategy define how we allocate resources and leverage our unique abilities to address the most important socio-economic challenges and opportunities of our time. Our stands include Accelerating Zero (the climate Stand) Lifting Participation (the equality Stand) and Resetting Globalisation. During the year, we continued the rollout of various programmes aligned to the Stands. Further details regarding progress against our refreshed strategic priorities (Chapter 3) are detailed in the Chief Executive Officer's statement on pages 44 to 47.

Performance and position

Details of the Group's performance, financial and capital position are included in the Chief Executive Officer's statement on pages 44 to 47.

Report of the Directors
continued

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, and financial crime including the three integrated risk types being: climate risk, digital assets risk and third party risk.

The Board has ultimate responsibility for risk management and there exist various committees set up by the Board where the above risks are openly 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 2022, the Board implemented approved material enhancements to the ERMF which are more detailed in report of the Chair of the Board Risk Committee in pages 79 to 81. 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 (PRT) and risk sub-types that 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 scan the horizon 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 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 issues and managing them in a manner that will deliver lasting change.

Outlook

Our risk management approach is at the heart of conducting business and is core to the achievement of sustainable growth and performance. 2022 presented a challenging risk landscape given the volatile macroeconomic environment, evolving inflationary pressure, political uncertainty from the 2022 general elections, rising foreing exchange pressure among other aspects. However, the business faced this from an intrinsically strong position. In 2023, we foresee continued challenges in the operating environment caused by a broad-based and sharper-than-expected global economic slowdown as well as high inflation. We will continue to take steps to mitigate the effect on our portfolios and risk profile.

Community impact

Our commitment to be a thought leader and affirm our brand promise 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 programmes empower the next generation to learn, earn and grow. Futuremakers programmes implement Goal, Women in Tech and Inclusive Employability programmes under three pillars – Education, Entrepreneurship and Employability with an investment of over KShs 16.5 million made in 2022 . So far, we have impacted over 11,000 young people to learn, earn and grow.

Environmental impact

We have taken a bold stand towards Accelerating Zero to become a key player in the race to achieve net zero emissions from our operations by 2030. We will achieve this by using renewable energy sources and adopting sustainability best practices.

The Company's energy use (electricity, diesel, solar) efficiency has improved over the years, with our annual energy use reducing by 29 per cent since 2017. In 2022, we reduced our carbon emissions by 51 per cent and we are on track to reduce this by an additional 60 per cent in 2024. We have achieved this by continued installation of renewable energy sources and deployment of more energy efficient equipment. The harvesting of rainwater and increased waste management has also helped us lower our energy use.

Our water usage has seen a downward trend in the past four years, but increased in 2022 as our employees came back to the office. The reductions and efficiencies have been possible due to the implementation of various sustainability initiatives. These include restoration of the wastewater treatment plant at the Chiromo head office building, and installation of water blades and light emitting diode (LED) lighting products within our offices and branches. By the end of 2022, we had installed Light Emitting Diode (LED) in all bank premises. These LED lights use at least 75 per cent less energy and last up to 25 times longer than incandescent lighting.

7. Directors' interests in ordinary shares

The beneficial interest of Directors and their families in the Ordinary shares of the Bank were as follows:

- Mr. David Ong'olo an Independent Non- Executive Director holds Two Thousand (2,000) ordinary shares in the Company as at 31 December 2022.

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 monitor the effectiveness, objectivity and independence of the auditor. 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 23,732,000 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 14 March 2023.

BY ORDER OF THE BOARD

Kellen Kariuki
Chairperson

14 March 2023

Statement of Corporate Governance

Leadership and Culture

As a key player in the banking industry, Standard Chartered Bank Kenya Limited ("Standard Chartered or the Company or the Bank") 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 the annual performance management. The Code of Conduct 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, 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

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://av.sc.com/ke/content/docs/ke-board-charter-scb-kenya-limited.pdf.

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.

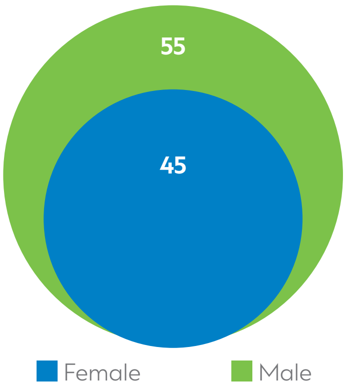
The Board Composition

The Board has the 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:

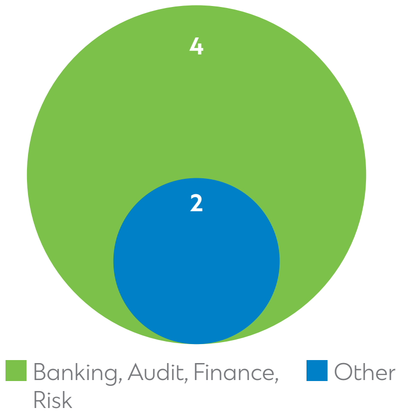
Name	Areas of expertise	Independent/Non-Executive/Executive	Gender	Date of Appointment
K. Kariuki	Banking, Financial Management and Human Resources	Independent Non-Executive	Female	10 February 2020
C. Adeya	Information Technology	Independent Non-Executive	Female	1 January 2016
I. Khan	Financial Management 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

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.

2022 Gender Representation



Banking, Finance, Audit Risk Experience Amongst Independent and Non-Executive Directors



Industry

Independent Non-Executive Directors and Non-Executive Directors Tenures

Diversity and mix of skills

The Chairperson is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of directors. A key mechanism to drive this is the appropriate composition and balance of individuals. The Board has eleven members majority of whom are non-executive directors. It is comprised of seven non-executive directors including the Chair, five of whom are independent non-executive directors, and four executive directors. The Board is therefore comprised of majority non-executive directors. The Board is of the view that the interests of minority shareholders through the independent non-executive directors are well represented on the Board. 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. The Board members are required to disclose any potential area of conflict that may compromise or undermine their position or service as directors.

Statement of corporate governance
continued

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, and experience. This diversity provides a mix of perspectives which we believe contributes to effective Board dynamics.

Board selection and appointment principles
Pursuant to the Capital Markets Authority Code of Corporate Governance for Issuers of Securities to the Public (the Code), 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 Code with respect to multiple directorships. The Code recommends that there should be a limit to the number of directorships Board members hold at any one time. In particular, the Code 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 2022.

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 Code, 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. Directors are required to declare any interests that may give rise to a potential or perceived conflict of interest on an ongoing basis. 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 2022, 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. The Board assured itself that succession readiness had improved through the year and that all key roles have credible plans with suitable flexibility for the immediate to longer term.

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

The Company has a comprehensive and tailored induction process for new directors covering its business operations and in particular the 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 programmes for the Board. On appointment, new Directors are provided with tailored and comprehensive induction programmes to fit with their individual experiences and needs, including the process for dealing with conflicts.

The induction programme 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 and 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.

An early focus on induction allows a new Board member to contribute meaningfully from appointment. 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 programme 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 Company Secretary plays a key role in supporting new directors through the induction process.

The induction is relevant to all new Board members; however, the content of the programme is also tailored to meet each director's individual level of experience and expertise as may be appropriate.

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.

Statement of corporate governance
continued

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, Capital Markets Authority Code on Corporate 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 programme; 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; • 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 programme is needs-based and is designed for individual directors or for the 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.

Following 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.

2022 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.

Directors participated in 'deep dive' sessions into specific areas of the Company's strategic priorities. Sessions were held where directors were provided insights into various areas including geopolitical matters, macroeconomics, people strategy, and sustainability.

During 2022, the Chairperson attended a Global Subsidiary Governance Conference hosted by the Standard Chartered PLC Group Board on 7 and 8 November 2022. The global conference presented a great opportunity for the Chairperson to connect with Standard Chartered PLC Board members and members of the Group Management Team and to exchange views and ideas on various matters including strategy, sustainability, technology, culture, the talent opportunity and changing workforce expectations.

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Directors' Training Sessions Held in 2022

Training	C. Adeya	K. Kariuki	I. Khan	D. Ong'olo	N. Sharma	R. Etemesi	J. Browne	K. Ngari	C. Murgor	P. Gitau	B. Sanghrajka
Splinternet – Technology Awareness Session	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (blue)	✓ (green)	✓ (blue)	✓ (green)	✓ (green)	✓ (green)
Responsible Use of Artificial Intelligence	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (blue)	✓ (green)	✓ (blue)	✓ (green)	✓ (green)	N/A
Digital Assets-Strategy and Risk Management	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (blue)	✓ (green)	✓ (green)	✓ (green)
Data Governance-Strategy Drivers New Realities of doing Business	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (blue)	✓ (green)	✓ (green)	✓ (green)
Cloud Strategy -Understanding the unique advantages and risks of Cloud	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (blue)	✓ (green)	✓ (green)	✓ (green)
Information and Cyber Security: Cyber Landscape and emerging threats	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)
Refresher on Financial Crime Compliance and Emerging Trends	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)
Board Governance & Leadership Masterclass *	✓ (green)	✓ (green)	✓ (green)	✓ (red)	✓ (red)	✓ (red)	✓ (red)	✓ (red)	✓ (red)	✓ (green)	✓ (red)
Understanding, shaping and influencing organisational culture	✓ (blue)	✓ (green)	✓ (green)	✓ (green)	✓ (blue)	✓ (green)	✓ (blue)	✓ (blue)	✓ (green)	✓ (green)	✓ (green)
Environmental, Social and Governance (ESG)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (green)	✓ (purple)	✓ (green)	✓ (green)

* Training was held offsite and facilitated by the Nairobi Securities Exchange.

✓ (green) Director attended the session

✓ (blue) Director did not attend the session but received accompanying material

✓ (red) Director did not attend the elective session

✓ (purple) Facilitated the session.

Statement of corporate governance
continued

Directors Individual Development Plans

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

Name	Development Programs
K. Kariuki	Leading the Board Program offered by Strathmore University
I. Khan	Inquiry Driven Leadership offered by MIT Sloan School of Management
N. Sharma	The Effective Director Program offered by Strathmore University
K. Ngari	The Fast Forward Leadership Program
	Leadership Re imagined Programme offered by PWC

Board effectiveness

The Effective Board

The Board encourages open, transparent, and constructive dialogue amongst the members. In addition to this, the Board has a carefully structured Board agenda which acts as a guideline to ensure that the minimum standards of governance are adhered to.

2022 Board Effectiveness Evaluation

The Board and its Committees are committed to an annual evaluation of their effectiveness. In 2022, the Nomination, Evaluation and Remuneration Committee approved the conducting of an internal evaluation of the Board and its Committees. The questions were reviewed and approved by the Committee.

The evaluation entailed a peer evaluation for each director, and evaluation of overall Board interactions, conduct of meetings and effectiveness of oversight exercised by the directors, as well as evaluation of the functioning of the Board Committees and the support provided by the Company Secretary. Questionnaires were sent to each director for completion in respect of the Board and relevant Committees. These questionnaires sought to draw out and explore some of the themes from the previous year's review as well as pose some more wide-ranging and probing questions. The results were compiled into a detailed report and conclusions were discussed with the Chairperson and by the Nomination, Evaluation and Remuneration Committee ahead of a Board discussion. At the Board, the key findings and recommendations were presented along with an Action Plan for 2022, which was then approved. Details of the key observations from this year's review and the agreed Action Plan are set out on later in this report.

The evaluation incorporated reflections on the Board's effectiveness in driving positive impact for all stakeholders, providing oversight on the development and monitoring the implementation of the strategy, risk management, effective linkages with Standard Chartered PLC, and whether the Board dynamics are optimal for effective discharge of its functions. Following the evaluation exercise, the directors identified areas that required further consideration by the Board and these issues have been actioned. For the Committees, the observations and key themes were shared with the relevant Committee Chairs before discussion by each of the Committees and action plans for 2022 were approved.

Areas of Focus in the 2022 Board Evaluation

- Leadership and culture
- Support to management and linkages with Standard Chartered Group
- Oversight on Implementation of Strategy and Risk Management
- Driving positive impact to stakeholders
- Composition, Board dynamics, meetings priorities and information
- Driving the Enviroment, Social and Governance agenda

The internal board evaluation process:

1. Evaluation approach is agreed by the Board
2. Questionnaires are completed by Directors
3. The Board and its Committees discuss the evaluation reports and formulate action plans
4. Implementation of action plans is tracked to completion

The Board continues to operate effectively. There is a high level of engagement from the non-executive directors and meaningful interaction with the executive directors and the senior management.

Directors' performance

The Chairperson led the evaluation of individual director performance during 2022. 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
- the current and future committee membership and structure

The performance reviews are used as the basis for providing the peer review outcomes to each director to enhance their effectiveness on the Board. 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 excels in demonstrating leadership, explaining the Bank's vision and purpose, turning strategic plans into action and delivery, bringing the Management team together, keeping the Board informed and bringing forward looking focus and insight. Areas of improvement suggested included helping the Board get a picture of organisational culture.

Company Secretary's performance

Overall, the Board rated the support provided by the Company Secretary as working well. Areas of improvement identified included highlighting governance challenges that have become live issues for the business and helping the Board understand how Management is responding.

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. Recommendations are then made to the Board for further consideration.

During the Board Evaluation process, independent non-executive directors completed a questionnaire to enable the Board to assess their independence. In determining the independence, the Board considers each individual against the criteria set out in the Capital Markets Authority Code of Corporate 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.

Board Activities

To enable the Board to use its time most effectively and efficiently, supported by the Company Secretary, it maintains a scheduled programme of meetings and a rolling agenda which includes standing items. There is sufficient flexibility in the programme 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 2022, the Board held majority of its meetings virtually but held its Q2 and Q4 2022 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.

Areas of Board discussion during 2022

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.

The Board discharges its responsibilities directly or, in order to assist it in carrying out its function of ensuring effective independent oversight and stewardship, delegates specified responsibilities to its committees.

Statement of corporate governance
continued

The Board's key areas of focus in 2022 are set out by theme below:

Strategy

- Discussed progress made against the Company's strategic priorities and critical enablers.
- Reviewed and approved the five-year corporate plan for the year 2023-2027 as a basis for preparation of the 2023 budget.
- Reviewed and scrutinised the strategic and operational performance of the business across client segments, product groups and regions, which included details of their priorities, progress, opportunities and response to current events. This included deep dives into various areas of focus in 2023 including the Business Banking Segment of CPBB and Public Sector Segment for CCIB.
- Received and considered a report on the outcome of a target inspection carried out by the Central Bank of Kenya covering the Bank's Money Laundering/Terrorism Financing (ML/TF) and Information, Communication and Technology (ICT) risks.
- Discussed and reviewed the People strategy.
- Provided oversight of major capital expenditures and reviewed corporate performance.
- Monitored and assessed the strength of the Company's capital and liquidity positions.
- Maintained balance in pursuing growth opportunities in tandem with appropriate governance systems, controls, processes, and information flows.

Spotlight

Providing oversight of the Company's strategy is a central role of the Board. In November 2022 the Board held, an in person, dedicated strategy session. The Board spent time to reflect on the solid performance delivered in 2022 despite the challenging and unpredictable macro-economic environment and setting key areas of focus in 2023. These areas of focus will enable the Company to achieve its target return on tangible equity and deliver sustained growth in 2023. The Company remains committed on delivering on the key priorities of Mass Retail, Affluent, Network and Sustainability.

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.
- Received regular updates on the impact of COVID-19 and updates on Business Resilience as well as ongoing reports from the Crisis Management Group who continued to implement actions managing the impact of the pandemic on the organisation.
- 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. The Board considered among other factors the impact of the political uncertainty brought about by the August 2022 general elections and considered the election preparedness plans established through the Crisis Management Group.

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.

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 and final dividend for the 2022 financial year.
- 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.
- Received updates from the statutory auditor Ernst and Young LLP on the audit of the financial statements.

Spotlight

Dividends

In recognition of the significantly improved financial performance the Board has recommended payment of a total dividend pay-out of KShs 22.00 for each ordinary share.

People, culture, and values

- Received and discussed regular updates on implementation of the People Strategy and the refreshed People learning strategy with a focus on Digital Learning.
- Reviewed, considered, and approved the Company's Remuneration Approach and Human Resource Policies.
- Considered and adopted the proposed changes to the independent directors' remuneration.
- Discussed the results of the employee engagement survey "My Voice", the Company's talent pool and leadership development programmes.
- 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.
- Endorsed the Code of Conduct which every director recommitted to.

Spotlight

People strategy

The Board continued to spend time discussing people and culture related topics. The Board reviewed the people strategy in the context of, evolving client needs, the industry, and expectations of colleagues, and macroeconomic factors. The Board recognised the importance of providing constructive feedback on the strategy and discussed aspects of the people and culture agenda where they anticipated challenges including the opportunities in talent management.

Governance

- The Board continued to oversee the governance, smooth operation and oversight of the Company and its subsidiaries.
- Reviewed and approved the Board succession plan for 2022-2024 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 2022 internal Board and Committees' effectiveness review and approved the 2022 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.
- Monitored its compliance with the Capital Markets Authority Corporate Governance Code, 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 page 63.

Statement of corporate governance
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Shareholder and Stakeholder engagement

- 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 as last year, namely our customers, employees, investors, communities, regulators and governments, suppliers, the environment and the communities. 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.
- Received the Sustainability Impact Report launched in 2022.
- Participated in Corporate Social Responsibility (CSR) projects funded by the Company including the Standard Chartered Nairobi Marathon, Women In Tech Programme, 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 on pages 26 to 38.
- 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.
- The Board considered and received updates from management through our employee listening tools and surveys like the 'My Voice'.

Spotlight

Board stakeholder engagements

The Board implemented the Stakeholder Engagement Plan, which is aligned to the Bank's strategy, Chapter 3. Independent directors played a key role in supporting Management to deepen client relationships through client visits carried out in the course of the year. Further, the Board held two offsite meetings and interacted with clients, staff and communities where we operate in the Mt. Kenya and Western regions of the country. The Board gained valuable insights from the perspectives of clients, communities and colleagues which continue to enrich its discussions and decision making. The engagements also proffered insights on strategic opportunities for partnerships.

External environment

The Board undertook the following activities:

- Received regular updates on the macroeconomic headwinds and tailwinds in the economy, 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
  - 'blue sky thinking'/'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. These 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.

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 2022 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.

Areas of Board discussion during 2022

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 two 'blue-sky' sessions without executive Management being present to discuss the business, the strategy and opportunities available to improve the Company's performance.

The directors have full access to corporate information and sufficient detail to enable a productive and open discussion. 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	1/1	
Non-Executive Directors			
R. Etemesi	6/7	1/1	
J. Browne	7/7	1/1	Enhance the effectiveness of the Board through knowledge and experience of the SCB Plc and bring the broader Group context to board discussions and provide the underlying rationale to facilitate the decision making of Independent Non- Executive Directors.
Executive Directors			
K. Ngari	7/7	1/1	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.

Statement of corporate governance
continued

Board Committees

Structure, decisions, responsibilities, and delegation of authority

The Board has five primary Committees with specific delegated authorities. 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. 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 Mangment Committee is chaired by the Chief Risk Officer (CRO) 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.

Board Audit Committee

Oversight and review of matters relating to financial reporting, internal controls and internal financial 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 76**

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 and treasury.

Read more on **page 79**

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 82**

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 84**

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 87**

Membership of the Board Committees

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

Chair Member

The Board Committees are comprised of independent non-executive directors (INEDs) and Non- Executive Directors (NEDs) who bring a diversity of skills, experience, and knowledge to the discussion, and play an important role in supporting the Board.

Board Audit Committee

Committee Composition

I. Khan	Chairman
C. Adeya	
N. Sharma	
C. Murgor*	
J. Nyaga*	Secretary
D. Mwindi*	
R. Kaggwa*	
J. Mucheke*	
Ernst & Young LLP (EY)*	

* By invitation

The Committee members have detailed and relevant experience and bring an independent mindset to their role. The Board is satisfied that Mr. Imtiaz Khan, as Chairperson, has the relevant financial experience to lead the Committee and that all other Committee members have broad experience and sufficient knowledge of financial reporting and the attendant requirements.

Report of the Chair of the Audit Committee

I am pleased to present the Board Audit Committee's report for the year ended 31 December 2022.

During the year, the Committee reviewed updates on the internal control environment and the outcomes of various internal audits carried out by the Group Internal Audit function including on Financial Crime Compliance; Consumer, Private, Business Banking (CPBB) Personal Lending; CPBB Operations; Business Continuity Management; ICAAP; Trade Operations; Business Banking; Outsourcing Governance; and Corporate Affairs Brand and Marketing Vendor Management.

The Committee periodically received reports on the status of the Company's material litigation and noted that legal opinions from external counsel were held in each case indicating that the Bank's legal position in the matters was well supported in law. The Committee also received periodic reports on Health and Safety matters.

Again, the Committee continued to monitor the progress of resolution of tax matters with the Kenya Revenue Authority. In line with its Terms of Reference the Committee reviewed the Company's financial statements on a quarterly basis and recommended them to the Board for approval. The Committee also reviewed the effectiveness of the Company's Statutory Auditor, EY and carried out ongoing oversight of the effectiveness of the Group Internal Audit (GIA) function.

Cognisant of the ever-increasing importance of data, the Committee has kept a close watch on the Company's approach to data management, the challenges and action plans to address these. The Committee held a deep dive discussion into data management and recognising the pace of regulatory change pertaining to this area, and probed how the businesses and functions are prioritising their data management action plans, the governance in place to manage this, and in particular, updates on implementation of the requirements of the Kenya Data Protection Act. Data management will remain an area of focus for the Committee and the Board in 2023 and beyond.

The Committee invited the Technology and Innovation Committee to a special session held to receive the 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 Committee received assurance on the work under way to remediate weaknesses identified during the current and prior year ICT audits.

Role and function

The Committee has Terms of Reference that specify the responsibilities and procedures of the Committee. The Committee's role is to review, on behalf of the Board, the Company's internal financial controls and internal control systems. It is also responsible for oversight and advice to the Board on matters relating to financial reporting and has exercised oversight of the work undertaken by the Company's Head of Compliance, Head of Internal Audit, and the statutory auditor. The Committee reports to the Board on its key areas of focus following each Committee meeting.

The key responsibilities of the Committee are:

Financial reporting

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

Oversight of internal controls

The Committee regularly reviews and reports to the Board on the effectiveness of the Company's system of internal control. The Committee discusses the root causes of the issues reported by the Head of Internal Audit, and reviews Management's responses and remedial actions.

Internal and external audit reports

The Committee receives reports on the findings of the internal and external audits and tracks the actions on audit findings. The Committee also reviews the proposed work plans for the external auditor and the Internal Audit function and guides on the areas of focus.

The Committee receives regular reports from the Head, Internal Audit on internal audits. The Head, Conduct, Financial Crime and Compliance also submits reports on regulatory, compliance and conduct issues. The business and function heads are regularly invited to the meetings to provide reports or respond to issues as required. The independent non-executive directors hold meetings with the Head, Internal Audit and External Auditors without management to freely discuss issues arising from the audits and to monitor progress on the audit plans for the year.

Attendance of the meetings held in 2022	Scheduled	Adhoc
I. Khan (Chairperson)	6/6	1/1
C. Adeya	6/6	1/1
N. Sharma	6/6	1/1

Highlights for 2022

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

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 ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and the business risks it faces. • 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.
Taxation	• Provided oversight on tax risks and tax related matters.
Statutory auditor, Ernst & Young (EY)	The Committee provided oversight of the work undertaken by EY and in particular: • Reviewed and discussed EY's Audit Plan. • 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 there is no risk to audit work being conducted effectively, objectively and independently. • Obtained 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 statement as appropriate. • 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. 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. In 2022, 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 2021 external audit and feedback was provided to EY. The Committee considered the re-appointment of EY and made appropriate recommendations, through the Board, to shareholders to consider the reappointment of EY at the Annual General Meeting.
Internal Controls	The Committee discussed reports from Group Internal Audit (GIA) that provided 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 warranted 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.

Board Audit Committee
continued

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 2021 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 programme. The whistleblowing channels are available to anyone – colleagues, contractors, suppliers, and members of the public – to raise concerns confidentially and anonymously. Through the Compliance Report, the Committee was provided with a regular update on the whistleblowing programme.
Committee Effectiveness Review	During 2022 an internal Committee effectiveness review was conducted for the year 2021. The feedback on the Committee's functioning and effectiveness was positive. The Committee reviewed its oversight of the fundamental financial reporting; internal control environment and assessment of the performance of external auditors and this was rated well. The Committee was satisfied with its effectiveness in providing support to the internal audit function and staying informed about significant compliance and legal issues. While the Committee does well in providing oversight on whistleblowing, directors felt that there was room to enhance how the Committee checks that whistleblowing processes are functioning and how cultural impediments to whistleblowing can be managed. The arising actions plans have been implemented.

Imtiaz Khan
Audit Committee Chair

Board Risk Committee

Committee Composition

D. Ong'olo	Chairperson
I. Khan	
J. Browne	
R. Etemesi	
J. Mucheke*	
K. Ngari*	
C. Murgor*	
J. Nyaga *	Secretary
E. Chumba*	
P. Gitau*	
B. Sanghrajka*	
T. Nandhra *	

*By invitation

Report of the Chair of the Risk Committee

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2022.

Throughout the year the Risk Committee was actively engaged across a wide range of risk management issues and monitored the management of the Company's principal risks in the context of the growing landscape of cyber threats and fraud locally and globally, the continued impact of the pandemic on the business environment and heightened political activity leading up to the general elections in 2022.

Climate Risk continues to be a key area of focus for the Company and regulators. The Committee invested time and focus to review, discuss, probe and challenge the Climate Risk Management Implementation Plan developed by Management following the issuance of Climate Risk Management Guidelines by the Central Bank of Kenya in 2021. Climate Risk remains an important area of focus for the Committee and the Standard Chartered Group more broadly. We are acutely aware that successful delivery of our climate ambition will be determined by our ability to measure and manage all components of climate risk.

The Committee reviewed and recommended the approval of the Enterprise Risk Management Framework (ERMF) following changes proposed in the annual review process. Key consideration was given to the transfer of second line of defence responsibilities to the Operational Risk team moving from the Supply Chain Management team headed by the Chief Financial Officer which will retain the first line of defence responsibilities. Consequently, the Outsourcing Committee was reconstituted into the Third-Party Risk Management Committee with expanded responsibilities under the leadership of the Chief Risk Officer beginning from 2023. This separation of responsibilities is aligned with the overall working of the ERMF and will afford the Company enhanced Third Party Risk Management.

The Committee continues to monitor Management actions being taken to mitigate technology obsolescence, a key risk for the Company, to ensure full remediation.

The Committee called for a deep dive on the risk governance process for material projects in the year. Following review and discussion of the framework in place, the Committee was satisfied that there was a robust process in place to manage risks that may arise and challenged management to continually improve the process taking into account lessons learned from continued roll out of material projects and products.

Outside of Committee meetings, I held regular meetings with the Chief Risk Officer, to ensure that I was kept abreast of key risks and emerging developments as they occurred, which in turn, ensured that Committee members were notified of significant events in a timely manner. There has been good representation from Management and required functions at Committee meetings giving valuable insights on how risks are managed on the ground considering the ever-changing business environment.

Cognisant of the rapidly evolving external environment, the Committee continues to discuss key macroeconomic and geopolitical risks and assess how these are being managed and mitigated by Management.

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

Role and function

Risk management

The Committee is responsible for exercising oversight of and reviewing prudential risk. The Committee exercises oversight on behalf of the Board of the key risks of the Company and makes recommendations to the Board on the Risk Appetite Statement. These risks include, amongst others; credit, traded, treasury, operational and technology, reputational and sustainability, compliance, information and cyber security financial crime and model risks. The Committee further exercises oversight over the integrated risks of climate, digital assets and third party which cut across all principal risks. Its responsibilities also include reviewing the appropriateness and effectiveness of the Company'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. The Committee also reviews the Bank's risk appetite periodically. The directors provide critical guidance and feedback to Management.

The Committee is responsible for ensuring that there are written policies, procedures, and processes for identifying and managing all risks within the Company.

The Committee receives reports on all aspects of risk management from the Management risk sub-committees and risk managers.

Capital and liquidity

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.

Board Risk Committee
continued

Attendance of the scheduled meetings held in 2022	
D. Ong'olo (Chairperson)	4/4
I. Khan	4/4
J. Browne	4/4
R. Etemesi	4/4

Highlights for 2022

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

Risk Appetite	• Reviewed and challenged the formulation of the Risk Appetite Statement, in order to assure that it is effective in setting appropriate boundaries in respect of each Principal Risk Type. • Considered and recommended the Company's Risk Appetite to the Board for approval. • 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. The key changes to the ERMF include the renaming of Capital and Liquidity Principal Risk Type to Treasury Risk. This is intended to reflect the broader scope of the risk type, which included Interest Rate Risk in the Banking Book. Further, reference to significant risks that would primarily materialise through other relevant Principal Risk Types changed from "cross-cutting risks" to "integrated risks" namely Climate Risk, Third Party Risk and Digital Assets Risk. In addition, second line oversight of Third Party Risk was moved from Supply Change Management to Operational Risk. The Committee also supported updates to the Committee Terms of Reference to reflect the changes in the ERMF for Board approval.
Embedding Third Party Risk Management	Following the transfer of the second line responsibilities on Third Party Risk Management as an Integrated Risk from Supply Chain Management to Operational Risk the Committee considered the reconstitution of the Outsourcing Committee to the 'Third Part Risk Management Committee (TPRMC)'. The Committee also reviewed the TPRMC terms of reference to incorporate the changes as well as the expanded responsibilities and recommended them for Board approval.
Changes to the Treasury 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. • Focused on the impact of COVID-19 and how the Bank has responded to and continued to manage the related risks.
Climate Risk Management	Climate Risk was recognised as an integrated risk. The Committee oversaw the implementation of the Climate Risk Management Guidelines issued by the Central Bank of Kenya in 2021. It discussed and recommended the adoption of the Company's Climate Risk Management Implementation Plan for subsequent approval by the Board including the inclusion of the requisite requirements in the Committee Terms of Reference.

Board Risk Committee
continued

Deep Dive Topics	The Committee carried out a deep dive into the Risk Governance for Material Projects covering the planning, impact assessment, implementation and post implementation assurance events. The deep dive was informed by recommendations arising from the Committee Effectiveness Review as well as discussions in the Committee regarding the roll-out of the SC Mobile key enhancement, the client impact therefrom and the lessons learnt from the experience. The Committee reviewed the project management governance framework and made appropriate recommendations to enhance the process.
Committee Effectiveness Review	The Company Secretary facilitated an internal Committee effectiveness review for the year 2021. The outcome showed that the Committee members have a good understanding of their roles, the risk strategy and frameworks as well as the importance of risk management in cyber security, technology, product development and in stress testing. The Committee works well and in particular: maintains focus on its responsibilities, provides challenge to Management, discusses and debates issues, and liaises with the Board and other Committees. The areas of development were incorporated in the 2022 action plan and implemented.

David Ong'olo
Risk Committee Chair

Board Credit Committee

Committee Composition

I. Khan	Chairperson
D. Ong'olo	
J. Browne	
R. Etemesi	
K. Ngari*	
C. Murgor*	
J. Nyaga*	Secretary
E. Chumba*	
B. Sanghrajka*	
J. Mucheke*	
S. Mwangi*	
S. Mwangi*	Senior Credit Officer
J. Chowdhury*	Country Credit Head, CPBB
S. Mburu*	Head, Stressed Assets Risk

*By invitation

Report of the Chair of the Credit Committee

I am pleased to present the Board Credit Committee's report for the year ended 31 December 2022.

During the year, the Committee discharged its mandate by providing oversight on the credit quality and credit risk profile of the Company'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 received and 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, concentrations of risk 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 on specific topics hereinafter.

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 received 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. To enhance these discussions, the Committee took a deep dive into the strategies employed towards managing recoveries in the stressed assets portfolio.

The Committee dedicated time to discussing the opportunities available within the Company's risk appetite to drive growth in high performing assets and to keep the levels of credit impairment low given the challenging macroeconomic environment, evolving inflation, and political uncertainty brought about by the general elections that were carried out in August 2022. The Committee considered the diversification across industry sectors used in managing credit exposures.

Top-line growth remains a key priority for the Company. The Committee supported Management in this endeavour through client visits which helped draw out key insights on client needs critical to deepening client relationships as well as establishing new ones. Plans are in place to continue the client engagement in 2023.

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

Role and function

The Committee reviews and oversees the overall lending policy and credit strategy of the Company, issues regarding industry concentration, loan impairment, liquidity, and compliance. 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. The Committee also assists the Board to discharge its responsibility to review the quality of the Bank's loan portfolio and ensure that adequate provisions are made for bad and doubtful debts. Following each Committee meeting, the Chair presents the Committee report to the Board highlighting key areas of focus.

Attendance of the scheduled meetings held in 2022

I. Khan (Chairperson)	4/4
D. Ong'olo	4/4
J. Browne	4/4
R. Etemesi	4/4

Highlights for 2022

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 Company. • Continued to monitor the performance of the portfolio of clients who received the credit relief programme. • 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 Asset Risk (previously the Group Special Assets) Management teams.

Board Credit Committee
continued

Review of Credit Policies, Standards and Portfolio Guidelines	• Reviewed the Company's credit policies, standards and portfolio guidelines aimed at ensuring continued growth in the lending book and made recommendations to the Board. The portfolio guidelines risk triggers were reviewed due to changes in the exchange rate and crude oil prices to reflect the triggers as a 30% increase over a 90 day period as opposed to a set rate and oil price.
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.
Realignment of Management of Group Special Assets in CCIB	• The Committee oversaw the realignment of management of stressed assets where account management activities were transferred to the First Line Stressed Assets Risk team and the Second Line activities transferred to the Stressed Assets Group team following a split of the former Group Special Assets Management. The delineation of responsibilities enhances credit risk management of stressed assets and will result in improved capital efficiencies.
Deep Dive Into Various Topics	The Committee considered strategies towards delivering growth of the credit portfolio in the following areas: • Business Banking Strategy – Following the launch of the refreshed strategic priorities in 2021, Business Banking was identified as a gateway to execute on the stand of Lifting Participation by supporting Small and Medium Enterprises (SMEs) to grow. The Committee reviewed and discussed ways through which to leverage the business strengths to spur growth of high-quality assets. • Local and Mid Corporates Segment – The Committee received the report on the Local and Mid Corporate segment strategic approach aimed at growing quality assets. Challenges to growth were discussed and recommendations made. • Mass Retail Strategy – Mass Retail is one of the strategic priorities to grow specific asset and revenue pools. The Committee discussed the report presented and the initiatives underway to grow the business. Technology and partnerships were identified as key enablers that would position the segment for increased profitability. • Stressed Assets Risk (SAR) Strategy – The Committee discussed the SAR strategy to reduce the portfolio at risk and deliberated on recovery actions being taken as well as rehabilitative steps underway to salvage the portfolio. • Wealth Lending – The Committee received a report and delved into the opportunities and risks in the Wealth Lending business. The Committee gave input regarding the strategy in place to grow the portfolio.
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 2022 an internal Committee effectiveness review was conducted. The outcome showed that overall, the Committee is effective in the execution of its credit oversight responsibilities and works within a well-defined credit risk appetite and strategy. The Committee does well in critically assessing the strategic factors affecting portfolios or major credit facilities developments. Discussions are effective based on well-presented proposals from Management and the Committee has a good level of understanding of the way credit risk governance works at Management level. The Committee discussed and approved action plans to address areas requiring improvement such as more client visits to enhance the Committee's understanding of the business which have been implemented.

Imtiaz Khan
Credit Committee Chair

Board Nomination, Evaluation and Remuneration Committee

Committee Composition

K. Kariuki	Chairperson
D. Ong'olo	
C. Adeya	
K. Ngari*	
E. Munyori *	
Judy Nyaga*	Secretary

*By invitation

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

I am pleased to present the Committee's report for the year ended 31 December 2022 which provides an overview of the work of the Committee and its activities during the year.

The Committee is charged with key responsibilities which include overseeing the people agenda; overseeing the governance framework for remuneration for all employees; overseeing talent planning, succession planning and development of senior executives; leading the process for identifying and nominating candidates for appointment to the Board and its Committees; and overseeing and monitoring the corporate governance framework of the Company and ensuring that this is consistent with best practice.

In the rapidly changing world, we remain cognisant that the Company must ensure all colleagues are fully engaged, motivated and supported in order to fully contribute to the success of the organisation. As such, the Committee reviewed and discussed the wellbeing initiatives, talent development opportunities and learning programmes in place. These ensure that colleagues have the right tools to proactively manage their wellbeing and also develop their skills and career paths as we aim to build a future ready workforce. The Committee also considered various topics in depth further enriching the quality of conversation as shown in the deep dive topics hereinafter.

Several candidates were interviewed by the Committee for senior executive roles in the year and the Committee is satisfied that the Company continues to develop and attract the necessary talent to deliver its strategy. Further, the Committee reviewed and discussed the country senior management succession plans as well as development plans.

In the course of the year, the Committee exercised oversight of the progress of action plans from effectiveness reviews carried out by the Board and the various Board Committees and also spent time discussing the progress of actions plans arising from its own effectiveness review. The Committee agreed the approach for an externally facilitated evaluation in 2023 as well as an external Governance Audit to assess compliance with corporate governance requirements. The Committee also focused on developing Key Performance Indicators for the Board for the year 2023 and further reviewed the Stakeholder Engagement Plan for the Board and Board Chairperson.

The Committee keeps the composition of the Board and its Committees under constant review and continually strives to ensure that the membership, both individually and collectively, has the skills, knowledge and experience necessary to oversee, challenge and support Management in the achievement of strategic and business objectives. During the year, the Committee reviewed the Board succession plan for the years 2022 to 2024. There were no changes to the composition of the Board and Board Committees and the Committee is satisfied that the Board is optimally constituted.

The Committee led the process of reviewing the remuneration of independent non-executive directors which is reviewed every two years. The Committee ensured that the proposed revised fees are competitive and benchmarked against fees for other non-executive directors in peer listed entities in the market; are sufficient to attract and retain non-executive directors of high calibre; and reflect the time commitment expected of non-executive directors. The Committee recommended approval of the revised fees to the Board. Further details are included in the Directors Remuneration Report in pages 95 to 98.

Looking to the year ahead, the Committee will continue to play an important role in overseeing work aimed at improving the standards of corporate governance across the Company and achieving our ambition of world class governance.

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

Role and function

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 non-executive directors. 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; and keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area. The Committee reports to the Board on its key areas of focus following each Committee meeting.

Attendance of the meetings held in 2022	Scheduled	Adhoc
K. Kariuki (Chairperson)	4/4	1/1
D. Ong'olo	4/4	1/1
C. Adeya	4/4	1/1

Highlights for 2022

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

People	The Committee: • Considered and adopted 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. • Considered developments in embedding the right culture and discussed the outcome of the employee engagement survey 'My Voice'. • Provided oversight on the Pay, Performance and Potential 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. • Oversighted the transition to the new cloud based employee management platform, Success Factors. • Reviewed Management succession plans relating to senior executive positions as well as development plans. • Considered and recommended to the Board the hiring of senior executives.
Redefining Performance Management	The Committee oversighted transformation on the way the Company manages and recognises performance in 2022, to help create the culture needed for success. The new approach to performance and talent management hinges upon continuous performance conversations and will further support our principle of clear communication of expectations and regular, real-time feedback. The new approach also shifts the focus on assessment of potential from the traditional 9-box model of past performance to assessment of future potential based on set guidelines.
Governance	The Committee undertook the following governance activities and recommended Board approval: • Considered and discussed material updates to the Board and Board Committee Terms of Reference. • 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 2023. • 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.
Remuneration Review for non-executive directors	The Committee steered the process of reviewing the remuneration of independent non-executive directors which is reviewed every two years. The review considered factors including comparative market data from peer listed entities; time commitment required of non-executive directors; and competitiveness to attract and retain a high calibre of directors. The Committee recommended the revised fees for Board approval.

Board Nomination, Evaluation and Remuneration Committee
continued

Deep dive Topics	The Committee received and considered reports on investments made towards learning which is critical for building a future ready workforce; enabling colleagues explore their full potential; and deliver more value to the organisation. Discussions were centred around enhancing the participation in the learning capabilities and balancing digital self-led learning with coaching and mentorship as well as cross functional experience. The Committee also considered emerging risks in talent pools across the industry. As demand for new skills and capabilities gains momentum with the rapid change in technology and new ways of working, the shortage of key skills is driving a war for talent in the financial services industry and will especially intensify competition for local talent. Discussions noted that a compelling purpose, combined with flexible and agile working models, upskilling and reskilling opportunities, and career mobility options are critical to attract, motivate and retain talent.
Committee Effectiveness Review	During 2022, the Committee undertook an effectiveness review covering the year ended 2021. Overall, the Committee was well constituted and effective in discharging its mandate. In particular, members rated the Board's succession planning process as working well. Further, the director's appointment process was rated effective and objective, and the Committee had done well in providing oversight on development of directors' knowledge. The Committee also rated its oversight over employee pay matters and director remuneration as working well. The Committee identified that there was room to further enhance its oversight of talent management and development plans for successors in key senior management positions. The recommendations were incorporated in the 2022 action plan for implementation.

Kellen Kariuki
Nomination, Evaluation and Remuneration Committee Chair

Board Technology and Innovation Committee

Committee Composition

C. Adeya	Chairperson
N. Sharma	
R. Etemesi	
K. Ngari*	
C. Murgor*	
P. Gitau*	
J. Mwai*	
J. Nyaga *	Secretary
E. Chumba*	
B. Sanghrajka *	
J. Mucheke*	
M. Malumane*	

*By invitation

Report from the Chair of the Technology and Innovation Committee

I am pleased to present the report of the Committee for the year ended 31 December 2022 highlighting the key engagements and activities undertaken.

During the year, the Committee again continued to monitor the technology driven innovations of the Company to support business growth. The Committee reviewed and recommended approval by the Board of the Information and Cyber Security (ICS) strategy and budget as well as the Technology and Innovation strategy and budget.

ICS remained a key and ongoing priority for the Committee, with continued reporting from Management. The ICS key performance indicators and metrics have been pivotal in enabling the Committee to track the progress being made and delve deeper into areas that require continued focus. In view of the elevated Fraud Risk across the industry and globally, the Committee maintained focus on the outcome of phishing simulation exercises and interventions put in place by Management to reduce the click through rates amongst both employees and clients and on building a culture of cyber resilience. The Committee also monitored threat intelligence reports which enhance the organisation's vigilance to evolving cyber threats.

As a digitally led organisation reliant on technology, 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 review of the Business Resilience Strategy, Pandemic Contingency Plan, Crisis Management Plan and outcome of IT resilience testing.

The Committee provided oversight on the shift from the Cloud first strategy to a value based Cloud strategy where it will be necessary to first determine the value that an initiative will provide for the Company before moving to Cloud. Cloud first was an important catalyst to shift mindsets around the possibilities presented by Cloud as part of a broader drive for innovation across the Company. However, the next phase of the evolution requires a shift in our Cloud strategy from technology-led and target-based to one that is closely aligned to business objective and more focused on value. The Committee continues to monitor the status of regulatory approvals for cloud applications.

The Committee received a presentation on the initiatives currently being curated by Standard Chartered Ventures (a separate unit of Standard Chartered Group) that will support the Company's business once implemented. As new technologies grow in sophistication and become further embedded across the banking and financial services industry, the Committee will keep focus on technology-related risks to monitor against business model disruption as new products and technologies continue to emerge and also capitalise on the opportunities.

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

Role and function

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, CBK guidance note on Cyber Risk and other relevant laws and regulations; and
- adequate business resilience arrangements for disaster recovery and business continuity.

Attendance of the scheduled meetings held in 2022

C. Adeya (Chairperson)	4/4
N. Sharma	4/4
R. Etemesi	4/4

Corporate Governance

Board Technology and Innovation Committee
continued

Highlights for 2022

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 reports on the outcome of the groupwide Red Team exercise carried out in the year and designed to support control improvement and risk reduction by emulating cyber-attacks to enhance the cyber defence capabilities.
Co-Creation with SC Ventures	Standard Chartered Group set up the SC Ventures as a unit to spearhead Groupwide digital advancement. The unit promotes innovation, investment in disruptive technologies and focuses on delivery of client digital solutions. The Committee discussed updates provided on various ongoing co-creation initiatives between the Company and SC Ventures.
Deep Dive topics	The Committee reviewed and discussed the data governance framework. In particular, the Committee focused on the controls in place to mitigate risks arising from data processing through the technology systems for business purposes and the security of the said data. The Committee also considered the data governance process vis-a vis external regulatory obligations and laws that cover data including the Kenya Data Protection Act.
Committee Effectiveness Review	During 2022 an internal Board effectiveness review was conducted for the year 2021. The outcome showed that the Committee functioned well with significant improvement in the quality of information provided which enhanced strategic discussions in the Committee. The Committee rated its oversight of T&I and ICS as working well. Further, the Committee found that it does well in thinking through the potential impact of cyber-attacks on the business. The Committee suggested enhancing its understanding of stakeholder response plans in the event of a major breach incident as an area of improvement. In addition, the Committee identified that it would benefit from enhanced monitoring of project execution against milestones and budgets. The recommendations were incorporated in the 2022 action plan and implemented.

Dr. Catherine Adeya
Technology and Innovation Committee Chair

Management Committees

Chief Executive Officer

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 forms the Executive Committee and has the responsibility to execute the strategy, led by the Chief Executive Officer. Details of the Management Team can be found on pages 54 to 56 of this report.

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

Supports 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 third party including 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.

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

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	
R. Kaggwa	
M. Malumane	
J. Mucheke	
D. Mwaisaka	
J. Kibe	
T. Nandhra	

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.

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 Charter further sets out the key values, principles, and mode of operation of the Company, as policies and strategy development are based on these considerations. The Board Charter is available on the Company's website at www.sc.com/global/av/ke-our-board-charter.pdf

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 a legal and compliance audit was undertaken in respect of the year 2021.

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 programme 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.

Conflict of Interest

All directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Company's business. The Company has established a robust process requiring directors to disclose outside business interests before they are entered into. Any potential or actual conflicts of interest are reported to the Company Secretary and a register of directors' interests is maintained.

The provisions on conflict of interest as outlined in the Prudential Guidelines are embodied in the directors' letters of appointment. A copy of the Central Bank of Kenya's Code of Conduct is also provided to the directors. The Company has a comprehensive policy on Conflicts of Interest and staff as well directors are required to comply with it.

Code of Conduct

The Board had adopted a Code of Conduct, 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 programme. 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.

Statement of corporate governance
continued

Corporate Governance Policies continued

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 pandemic 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/global/av/ke-board-charter-scb-kenya-limited.pdf for general information on the Company as well as annual reports.

In upholding and protecting shareholders' rights, the Board recognises that every shareholder has a right to participate and vote at the general shareholders meeting. The Board also invites shareholders to seek clarity on the Group and Company performance in general meetings.

The Board has engaged the services of a professional Registrar to allow for quick resolutions of all shareholder queries and smooth the transfer of shares.

Self-assessment on Corporate Governance

In the course of the year 2022, the Company carried out a self-assessment in order to check the level of compliance with sound governance practices and submitted its self-assessment to CMA and achieved a leadership rating issued by Capital Markets Authority. The Board remains committed to ensuring that its governance practices and structures remain strong.

Legal Compliance Audit Statement

The Code of Corporate Governance for Issuers of Securities to the Public (2015) requires the Boards of listed companies to ensure that a comprehensive independent legal compliance audit is conducted at least once every two years by a legal professional in good standing with the Law Society of Kenya. The findings from the audits must be acted upon and any non-compliance issues closed.

In 2021, the Company undertook an independent comprehensive legal compliance audit for the 2020 Financial Year (2020 FY). The Company continues to implement the recommendations arising from the audit and has made noteworthy progress. In the course of the year 2022, the Company carried out an internal legal compliance audit which confirmed that controls within the legal department were operating at an acceptable level.

Governance Audit

The Capital Markets Authority (CMA) Code provides that issuers of securities to the public are required to undertake governance audits to ensure that the Company is operating on sound governance practices. The audits are conducted by a competent and recognised professional accredited for that purpose by the Institute of Certified Public Secretaries of Kenya (ICPSK).

The Bank appointed Dorion Associates LLP to carry out a Governance Audit for the period ended 31 December 2022 and an opinion issued by the auditor. The Governance Auditor presents the Audit Opinion on page 93.

Governance Auditor's Report

The Governance People

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

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

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

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

Governance Auditor's Responsibility

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

Opinion

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

FCS. Catherine Musakali, ICPSK GA. No 006

Dorion Associates

Green Shades Apartments, Arwings Kodhek Rd., House 1C Nairobi.

Tel No.: +254202353383/+254 722616119

9 March 2023

Governance Auditor's Report

Statement of Directors' Responsibilities

The Kenya Companies Act, 2015 ("the Act") requires directors to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code") requires listed companies to engage the services of an independent and accredited governance auditor to establish the extent to which the Board has applied corporate governance principles. The Code further requires that after undergoing the governance audit, the directors should provide an explicit statement on the level of compliance.

As required by the Code therefore, the directors commissioned a governance audit with the aim of ensuring that the Company has complied with the Act, the Code, and adopted best practices in corporate governance in order to deliver long term value to stakeholders.

The directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practice, the requirements of the Act, the Code and the Governance Audit Tool developed by the Institute of Certified Secretaries (ICS). The responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment.

The directors accept that:

(i) The independent governance audit does not relieve them of their responsibilities.

(ii) They are not aware of any material governance issues that may adversely impact the governance and operations of the Company.

The directors have adopted this Governance Audit report for the year ended 31 December 2022 and which discloses the state of governance within the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on 6 March 2023.

Kellen Kariuki
Chairperson

Kariuki Ngari
Director

Directors' Remuneration Report

The Company presents the Directors' remuneration report for the year ended 31 December 2022. 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 2022. 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. In 2022, the Committee reviewed the remuneration of NEDs in line with the stated principles. The revised remuneration was approved by the Board upon the Committee's recommendation and took effect from 1 January 2022.

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 2022, the Board of Directors consisted of:

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

Name	Appointment Date
Kellen Kariuki (Chairperson)*	31 May 2021
Dr. Catherine Adeya	1 January 2016
Imtiaz Khan	28 August 2018
David Ong'olo	28 January 2020
Nivedita Sharma	22 July 2021
Richard Etemesi**	25 September 2017
Julie Browne***	15 December 2020

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

** Retired from Standard Chartered Group in April 2021 and therefore started earning directors fees in 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.

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.

Directors' Remuneration report
continued

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. NEDs are bound by letters of appointment issued for and on behalf of the Company. 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 Company 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 2022 together with the comparative figures for 2021. The aggregate directors' emoluments are shown in note 12.

Year ended 31 December 2022

KShs'000	Basic pay	Bonus	Deferred cash awards	Share based awards	Non-cash benefits	Pension	Annual 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	-	-	48,992
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	-	-	68,254
	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	-	-	-	-	-	-	1,680	2,365	4,045
I Khan	-	-	-	-	-	-	1,680	1,965	3,645
D Ong'olo	-	-	-	-	-	-	1,680	2,995	4,675
N Sharma	-	-	-	-	-	-	1,680	1,595	3,275
R Etemesi*	-	-	-	-	-	-	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	313,616

J. Browne is employed within the Standard Chartered Group entities and is not remunerated by the Company.

Year ended 31 December 2021

KShs'000	Basic pay	Bonus	Deferred cash awards	Share based awards	Non-cash benefits	Pension	Annual fees (retainer)	Sitting allowance	Total
Executive directors									
K Ngari	45,371	35,938	11,979	11,979	4,195	6,166	-	-	115,628
C Murgor	27,686	13,015	694	694	395	3,354	-	-	45,838
P Gitau	28,838	11,722	262	262	395	3,501	-	-	44,980
B Sanghrajka*	15,082	16,183	1,750	1,750	175	1,844	-	-	36,784
	116,977	76,858	14,685	14,685	5,160	14,865	-	-	243,230
Non-executive directors									
K Kariuki*	-	-	-	-	-	-	2,950	1,940	4,890
P Obath**	-	-	-	-	-	-	1,375	1,190	2,565
C Adeya	-	-	-	-	-	-	2,475	1,055	3,530
I Khan	-	-	-	-	-	-	2,335	1,370	3,705
D Ong'olo	-	-	-	-	-	-	2,670	1,100	3,770
N Sharma	-	-	-	-	-	-	1,224	-	1,224
R Etemesi*	-	-	-	-	-	-	1,670	-	1,670
J. Browne	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	14,699	6,655	21,354
	116,977	76,858	14,685	14,685	5,160	14,865	14,699	6,655	264,584

*Prorated from the period of appointment

** Prorated to the period of retirement.

Directors' Remuneration report
continued

Neither at the end of the financial year 2022, 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 2022	Awarded	Exercised	Lapsed	At 31 December 2022	Vesting date
Kariuki Ngari						
2011 Deferred Restricted Share Award	**29,488**	17,972	(16,091)	-	31,369	14 March 2027
Management Long Term Incentive Plan	**36,008**	-	-	-	36,008	15 March 2024
2013 Share save plan	**1,807**	-	(249)	-	1,558	01 December 2022
Birju Sanghrajka						
2011 Deferred Restricted Share Award	**2,012**	595	-	-	2,607	15 March 2024
2013 Share save plan	**2,389**	2,421	(1,197)	-	3,613	01 February 2026
Peter Gitau						
2011 Deferred Restricted Share Award	**1,737**	-	-	-	1,737	09 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

K. Kariuki
Chairperson

14 March 2023

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 Kenyan 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 14 March 2023.

______________________________	______________________________
Kellen Kariuki	**Kariuki Ngari**
Chairperson	Director

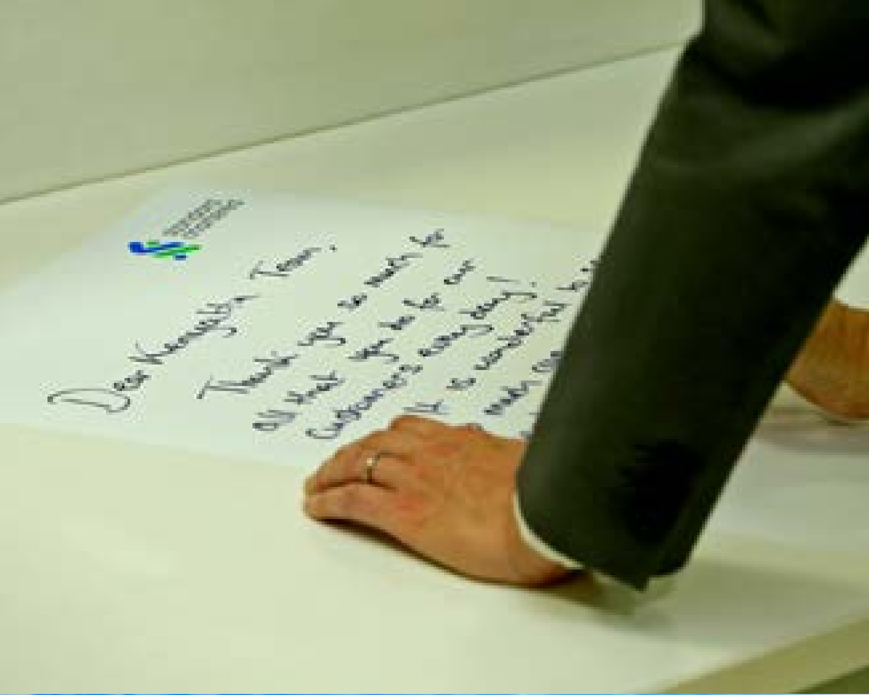
____

Chemutai Murgor

Director

Corporate Governance


CURATED INVESTMENT OPTIONS
TOP PERFORMING GLOBAL FUNDS



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Financial statements

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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 107 to 206 , which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the 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 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. 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

Key audit matters 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 (a) to the financial statements, as at 31 December 2022, the Company reported total impairment losses (expected credit losses) on loans and advances to customers of KShs 9,278 million (2021: KShs 10,207 million).The estimation of expected credit losses ("ECLs") on financial instruments, 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 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. Post Model Adjustments Significant management judgment is applied in determining appropriateness, completeness and valuation of post model adjustments overlays on modelled outputs. 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. Post Model Adjustments We also assessed the material post-model adjustments which were applied as a response to risk event overlays. With our EY specialists, we also considered the completeness and appropriateness of these adjustments by considering the judgments, methodology and governance applied. 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.

Independent Auditor's report
continued

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 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	**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 management's assumptions and estimates related to the recognized provisions for the claims and litigations and evaluated the adequacy of the disclosures related to significant claims and litigations.

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

Other information

The directors are responsible for the other information. The other information comprises Corporate Information, the Report of the Directors as required by the Kenyan Companies Act, 2015 and the Directors' Remuneration Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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, 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 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 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.
- 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.

Independent Auditor's report
continued

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, related 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 59 to 61 is consistent with the consolidated and separate financial statements; and

(ii) In our opinion the auditable part of the Directors' Remuneration Report on pages 95 to 98 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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
Date: 31 March 2023

Consolidated and Company income statements

For the year ended 31 December 2022

	Notes	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
Interest income calculated using the effective interest method	6	**25,473,044**	22,284,551	**25,473,044**	22,284,551
Interest expense calculated using the effective interest method	6	**(3,690,859)**	(3,873,685)	**(3,707,871)**	(3,900,722)
Net interest income		**21,782,185**	18,410,866	**21,765,173**	18,383,829
Fee and commission income	7	**6,437,058**	6,429,720	**4,827,036**	4,773,726
Fee and commission expense	7	**(1,963,195)**	(993,498)	**(1,963,195)**	(993,498)
Net fee and commission income		**4,473,863**	5,436,222	**2,863,841**	3,780,228
Gain on foreign exchange transactions	8	**5,973,243**	3,770,297	**5,973,243**	3,770,297
Net gains on financial assets at fair value through profit or loss	8	**634,073**	532,630	**634,073**	532,630
Net trading income		**6,607,316**	4,302,927	**6,607,316**	4,302,927
Dividend income	9	**-**	-	**1,160,323**	747,137
Other operating income	10	**229,570**	152,487	**229,570**	152,487
Operating income		**33,092,934**	28,302,502	**32,626,223**	27,366,608
Staff costs	11	**(7,041,047)**	(6,537,068)	**(6,940,762)**	(6,434,458)
Premises and equipment expenses	11	**(568,109)**	(425,924)	**(566,410)**	(423,322)
General administrative expenses		**(6,209,273)**	(5,739,818)	**(5,809,331)**	(5,365,685)
Depreciation and amortization	11	**(1,256,490)**	(1,489,973)	**(1,256,490)**	(1,489,973)
Operating expenses		**(15,074,919)**	(14,192,783)	**(14,572,993)**	(13,713,438)
Operating profit before impairment losses and tax		**18,018,015**	14,109,719	**18,053,230**	13,653,170
Impairment losses on financial instruments	19(a)	**(784,623)**	(1,492,838)	**(784,623)**	(1,492,838)
Impairment losses on intangible assets	27	**(130,193)**	(18,828)	**(130,193)**	(18,828)
Profit before tax	12	**17,103,199**	12,598,053	**17,138,414**	12,141,504
Income tax expense	13	**(5,045,264)**	(3,554,214)	**(4,701,490)**	(3,160,968)
Profit for the year		**12,057,935**	9,043,839	**12,436,924**	8,980,536
Earnings per share:		**KShs**	KShs	**KShs**	KShs
Basic and diluted earnings per ordinary share	14	**31.47**	23.49	**32.47**	23.32

The notes set out on pages 114 to 206 form an integral part of these financial statements.

Financial Statements

Consolidated and Company statements of other comprehensive income

For the year ended 31 December 2022

	Notes	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
Profit for the year		**12,057,935**	9,043,839	**12,436,924**	8,980,536
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Actuarial losses on retirement benefit obligations	34	**(57,121)**	(8,014)	**(57,121)**	(8,014)
Related deferred tax	28	**17,136**	2,404	**17,136**	2,404
		(39,985)	(5,610)	**(39,985)**	(5,610)
Items that may be reclassified subsequently to profit or loss:					
Movement in fair value reserves					
Valuation (losses)/gains through OCI	20	**(1,732,592)**	(845,227)	**(1,732,592)**	(845,227)
Related deferred tax		**519,777**	253,568	**519,777**	253,568
Reclassified to income statement	20	**(167,769)**	(45,561)	**(167,769)**	(45,561)
Related deferred tax		**50,330**	13,669	**50,330**	13,669
Movement in expected credit loss on investment securities at FVOCI					
Net remeasurement		**(96,375)**	13,023	**(96,375)**	13,023
Reclassified to income statement		**(195)**	(24,946)	**(195)**	(24,946)
Related deferred tax		**28,972**	3,576	**28,972**	3,576
		(1,397,852)	(631,898)	**(1,397,852)**	(631,898)
Other comprehensive income for the year		**(1,437,837)**	(637,508)	**(1,437,837)**	(637,508)
Total comprehensive income for the year		**10,620,098**	8,406,331	**10,999,087**	8,343,028

The notes set out on pages 114 to 206 form an integral part of these financial statements.

Consolidated and Company statements of financial position

For the year ended 31 December 2022

	Notes	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
ASSETS					
Cash and balances with Central Bank of Kenya	16	**23,257,306**	23,700,451	**23,257,306**	23,700,451
Government and other securities held at FVPTL	17	**986,931**	4,601,367	**986,931**	4,601,367
Derivative financial instruments	18	**400,494**	465,879	**400,494**	465,879
Loans and advances to banks	19	**428,089**	2,429,051	**428,089**	2,429,051
Loans and advances to customers	19	**139,412,560**	125,974,590	**139,412,560**	125,974,590
Government securities held at FVOCI	20	**104,731,162**	91,014,905	**104,731,162**	91,014,905
Current tax assets	13	**1,022,677**	1,007,877	**913,568**	913,568
Other assets	21	**3,495,946**	3,889,531	**3,439,658**	3,828,722
Due from group companies and other related parties	22	**96,121,186**	71,991,928	**96,602,123**	72,303,668
Investment in subsidiary undertakings	23	**-**	-	**145,243**	145,243
Non-current assets held for sale	25	**222,000**	222,000	**222,000**	222,000
Property and equipment	26	**2,960,732**	3,196,034	**2,960,732**	3,196,034
Goodwill and intangible assets	27	**4,103,224**	3,898,841	**4,103,224**	3,898,841
Deferred tax assets	28	**4,117,708**	2,479,484	**4,027,556**	2,417,167
Total assets		**381,260,015**	334,871,938	**381,630,646**	335,111,486
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	29	**13,480,464**	383,214	**13,480,464**	383,214
Deposits from customers	30	**278,879,309**	265,469,114	**278,879,309**	265,469,114
Derivative financial instruments	18	**319,575**	359,808	**319,575**	359,808
Other liabilities	31	**16,975,059**	5,420,352	**16,960,086**	5,398,074
Due to group companies and other related parties	22	**12,717,385**	9,631,154	**13,459,665**	10,714,736
Current tax liabilities	13	**2,655,065**	361,913	**2,654,111**	274,868
Retirement benefit obligations	34	**96,428**	32,277	**96,428**	32,277
Total liabilities		**325,123,285**	281,657,832	**325,849,638**	282,632,091
Shareholders' equity					
Share capital and share premium	35	**9,961,680**	9,961,680	**9,961,680**	9,961,680
Other reserves		**4,201,995**	4,576,794	**4,201,995**	4,576,794
Retained earnings		**35,842,755**	33,301,033	**35,487,033**	32,566,322
Proposed dividends	15	**6,130,300**	5,374,599	**6,130,300**	5,374,599
Total shareholders' equity		**56,136,730**	53,214,106	**55,781,008**	52,479,395
Total liabilities and shareholders' equity		**381,260,015**	334,871,938	**381,630,646**	335,111,486

The financial statements set out on pages 107 to 206 were approved and authorised for issue by the Board of Directors on 14 March 2023.

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

The notes set out on pages 114 to 206 form an integral part of these financial statements.

Financial Statements

Consolidated statement of changes in equity

For the year ended 31 December 2022

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 2021			7,161,680	2,800,000	1,885,264	969,283	1,158,562	899,621	31,880,197	4,135,431	50,890,038
Profit for the year			-	-	-	-	-	-	9,043,839	-	9,043,839
Transfers to statutory credit risk reserve			-	-	-	280,561	-	-	(280,561)	-	-
Excess depreciation transfer net of deferred tax[1]			-	-	-	-	-	(10,331)	10,331	-	-
Other comprehensive income			-	-	-	-	(631,898)	-	(5,610)	-	(637,508)
Total comprehensive income			-	-	-	280,561	(631,898)	(10,331)	8,767,999	-	8,406,331
Share option expense	- 2020 paid		-	-	(61,591)	-	-	-	-	-	(61,591)
	- 2021 accrued		-	-	87,323	-	-	-	-	-	87,323
Dividends paid	- Ordinary shares - Final 2020	15	-	-	-	-	-	-	-	(3,967,431)	(3,967,431)
	- Preference shares - Final 2020	15	-	-	-	-	-	-	-	(168,000)	(168,000)
	- Ordinary shares - Interim 2021	15	-	-	-	-	-	-	(1,889,254)	-	(1,889,254)
	- Preference shares - Interim 2021	15	-	-	-	-	-	-	(83,310)	-	(83,310)
Proposed dividend	- Ordinary shares - Final 2021	15	-	-	-	-	-	-	(5,289,909)	5,289,909	-
	- Preference shares - Final 2021	15	-	-	-	-	-	-	(84,690)	84,690	-
At 31 December 2021			**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**
Transfers to statutory credit risk reserve			**-**	**-**	**-**	**1,005,846**	**-**	**-**	**(1,005,846)**	**-**	**-**
Excess depreciation transfer net of deferred tax[1]			**-**	**-**	**-**	**-**	**-**	**(10,331)**	**10,331**	**-**	**-**
Other comprehensive income			**-**	**-**	**-**	**-**	**(1,397,852)**	**-**	**(39,985)**	**-**	**(1,437,837)**
Total comprehensive income			**-**	**-**	**-**	**1,005,846**	**(1,397,852)**	**(10,331)**	**11,022,435**	**-**	**10,620,098**
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		**-**	**-**	**-**	**-**	**-**	**-**	**(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**

[1] Comprises excess depreciation transfer KShs 14,759,000, net of deferred tax KShs 4,428,000 (KShs 14,759,000 excess depreciation transfer net of deferred tax KShs 4,428,000 for the year ended 31 December 2021).

The notes set out on pages 114 to 206 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2022

KShs'000		Notes	Ordinary share capital and share premium	Preference share capital and share premium	Capital contribution reserve (Other reserves)	Statutory credit risk reserve (Other reserves)	Fair value reserve (Other reserves)	Revaluation reserve (Other reserves)	Retained earnings	Proposed dividends	Total
At 1 January 2021			7,161,680	2,800,000	1,885,264	969,283	1,158,562	899,621	31,208,789	4,135,431	50,218,630
Profit for the year			-	-	-	-	-	-	8,980,536	-	8,980,536
Transfers to statutory credit risk reserve			-	-	-	280,561	-	-	(280,561)	-	-
Excess depreciation transfer net of deferred tax[1]			-	-	-	-	-	(10,331)	10,331	-	-
Other comprehensive income			-	-	-	-	(631,898)	-	(5,610)	-	(637,508)
Total comprehensive income			-	-	-	280,561	(631,898)	(10,331)	8,704,696	-	8,343,028
Share option expense	- 2020 paid		-	-	(61,591)	-	-	-	-	-	(61,591)
	- 2021 accrued		-	-	87,323	-	-	-	-	-	87,323
Dividends paid	- Ordinary shares - Final 2020	15	-	-	-	-	-	-	-	(3,967,431)	(3,967,431)
	- Preference shares - Final 2020	15	-	-	-	-	-	-	-	(168,000)	(168,000)
	- Ordinary shares - Interim 2021	15	-	-	-	-	-	-	(1,889,254)	-	(1,889,254)
	- Preference shares - Interim 2021	15	-	-	-	-	-	-	(83,310)	-	(83,310)
Proposed dividend	- Ordinary shares - Final 2021	15	-	-	-	-	-	-	(5,289,909)	5,289,909	-
	- Preference shares - Final 2021	15	-	-	-	-	-	-	(84,690)	84,690	-
At 31 December 2021			**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**
Transfers to statutory credit risk reserve			**-**	**-**	**-**	**1,005,846**	**-**	**-**	**(1,005,846)**	**-**	**-**
Excess depreciation transfer net of deferred tax[1]			**-**	**-**	**-**	**-**	**-**	**(10,331)**	**10,331**	**-**	**-**
Other comprehensive income			**-**	**-**	**-**	**-**	**(1,397,852)**	**-**	**(39,985)**	**-**	**(1,437,837)**
Total comprehensive income			**-**	**-**	**-**	**1,005,846**	**(1,397,852)**	**(10,331)**	**11,401,424**	**-**	**10,999,087**
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		**-**	**-**	**-**	**-**	**-**	**-**	**(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**

[1] Comprises excess depreciation transfer KShs 14,759,000, net of deferred tax KShs 4,428,000 (KShs 14,759,000 excess depreciation transfer net of deferred tax KShs 4,428,000 for the year ended 31 December 2021).

The notes set out on pages 114 to 206 form an integral part of these financial statements.

Consolidated and Company statements of cash flows

For the year ended 31 December 2022

	Notes	Group 2022 KShs'000	Group 2021 KShs'000	Company 2022 KShs'000	Company 2021 KShs'000
Cash flows from operating activities:					
Profit before tax	12	**17,103,199**	12,598,053	**17,138,414**	12,141,504
Adjustments for non-cash items and other adjustments included within income statement	36	**1,424,216**	1,674,428	**1,424,216**	1,674,428
Change in operating assets	36	**(16,392,751)**	(3,237,853)	**(16,397,272)**	(3,219,090)
Change in operating liabilities	36	**23,241,932**	7,426,099	**22,907,935**	7,548,208
Cash generated from operating activities		**25,376,596**	18,460,727	**25,073,293**	18,145,050
Income taxes paid	13	**(3,788,921)**	(3,429,043)	**(3,316,421)**	(3,146,130)
Net cash generated from operating activities		**21,587,675**	15,031,684	**21,756,872**	14,998,920
Cash flows from investing activities					
Purchase of property and equipment	26	**(211,242)**	(154,903)	**(211,242)**	(154,903)
Proceeds from sale of property and equipment		**5,916**	31,688	**5,916**	31,688
Purchase of intangible assets	27	**(1,137,471)**	(1,830,703)	**(1,137,471)**	(1,830,703)
Investment in subsidiary	22	**-**	-	**-**	(4,000)
Net cash used in investing activities		**(1,342,797)**	(1,953,918)	**(1,342,797)**	(1,957,918)
Cash flows from financing activities					
Lease liability payments	33	**(169,705)**	(143,030)	**(169,705)**	(143,030)
Share based payments:					
– 2021/2020 settled		**(87,323)**	(61,591)	**(87,323)**	(61,591)
Dividends paid on ordinary shares:					
– Final 2021/2020	15	**(5,289,909)**	(3,967,431)	**(5,289,909)**	(3,967,431)
– Interim 2022/2021	15	**(2,267,103)**	(1,889,254)	**(2,267,103)**	(1,889,254)
Dividends paid on preference shares:					
– Final 2021/2020	15	**(84,690)**	(168,000)	**(84,690)**	(168,000)
– Interim 2022/2021	15	**(83,310)**	(83,310)	**(83,310)**	(83,310)
Net cash used in financing activities		**(7,982,040)**	(6,312,616)	**(7,982,040)**	(6,312,616)
Increase in cash and cash equivalents		**12,262,838**	6,765,150	**12,432,035**	6,728,386
Cash and cash equivalents at 1 January	36	**62,312,958**	55,547,808	**62,624,698**	55,896,312
Cash and cash equivalents at 31 December		**74,575,796**	62,312,958	**75,056,733**	62,624,698
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 114 to 206 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

CONTENTS

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. Significant 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 107 to 206 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 periodof 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)
- 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)

2. Significant Accounting Policies continued

(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 2022 . The new and amended standards and interpretations effective as of 1 January 2022 and 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
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.. These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

(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
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2024
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
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Postponed indefinitely

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendents to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability does not impact its classification. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

2. Significant Accounting Policies continued

(d) New standards, amendments, and interpretations continued

(ii) New accounting standards in issue but not yet effective continued

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8, introduce a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

(e) Going concern

The directors have assessed the Group's ability to continue as a going concern and is 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.

3. Financial assets and liabilities continued

Classification and measurement continued

Accounting policy continued

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

Reclassifications 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 2022 and 2021 is summarised in the following tables.

		Assets at fair value					
Group At 31 December 2022 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	-	-	-	-	**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**

Financial Statements

3. Financial assets and liabilities continued

Classification and measurement continued

Group At 31 December 2021 KShs'000	Notes	Assets 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
Cash and balances with Central Bank of Kenya	16	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVPTL	17	4,580,708	20,659	-	4,601,367	-	4,601,367
Government securities		4,580,708	-	-	4,580,708	-	4,580,708
Equity shares		-	20,659	-	20,659	-	20,659
Derivative financial instruments	18	465,879	-	-	465,879	-	465,879
Loans and advances to banks	19	-	-	-	-	2,429,051	2,429,051
Loans and advances to customers	19	-	-	-	-	125,974,590	125,974,590
Government securities held at FVOCI	20	-	-	91,014,905	91,014,905	-	91,014,905
Other assets	21	-	-	-	-	3,602,103	3,602,103
Due from group companies and other related parties	22	-	-	-	-	71,991,928	71,991,928
Total assets		5,046,587	20,659	91,014,905	96,082,151	227,698,123	323,780,274

Company **At 31 December 2022** **KShs'000**	Notes	**Assets 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**
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**

3. Financial assets and liabilities continued

Classification and measurement continued

Company At 31 December 2021 KShs'000	Notes	Assets 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
Cash and balances with Central Bank of Kenya	16	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVPTL	17	4,580,708	20,659	-	4,601,367	-	4,601,367
Government securities		4,580,708	-	-	4,580,708	-	4,580,708
Equity shares		-	20,659	-	20,659	-	20,659
Derivative financial instruments	18	465,879	-	-	465,879	-	465,879
Loans and advances to banks	19	-	-	-	-	2,429,051	2,429,051
Loans and advances to customers	19	-	-	-	-	125,974,590	125,974,590
Government securities held at FVOCI	20	-	-	91,014,905	91,014,905	-	91,014,905
Other assets	21	-	-	-	-	3,541,294	3,541,294
Due from group companies and other related parties	22	-	-	-	-	72,303,668	72,303,668
Total assets		5,046,587	20,659	91,014,905	96,082,151	227,949,054	324,031,205

Group At 31 December 2022 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 liabilities at fair value**	**Amortised cost**	**Total**
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 related parties	22	**-**	**-**	**-**	**-**	**12,717,385**	**12,717,385**
Total liabilities		**319,575**	**-**	**-**	**319,575**	**316,699,375**	**317,018,950**

Group At 31 December 2021 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 liabilities at fair value	Amortised cost	Total
Derivative financial instruments	18	359,808	-	-	359,808	-	359,808
Deposits from banks	29	-	-	-	-	383,214	383,214
Deposits from customers	30	-	-	-	-	265,469,114	265,469,114
Other liabilities - bills payable	31	-	-	-	-	650,718	650,718
Lease liability	31	-	-	-	-	364,068	364,068
Due to group companies and other related parties	22	-	-	-	-	9,631,154	9,631,154
Total liabilities		359,808	-	-	359,808	276,498,268	276,858,076

3. Financial assets and liabilities continued

Classification and measurement continued

Company At 31 December 2022 KShs'000	Notes	Liabilities at fair value: Trading	Liabilities at fair value: Non-trading mandatorily at fair value through profit or loss	Liabilities at fair value: Fair value through other comprehensive income	Liabilities at fair value: Total financial liabilities at fair value	Amortised cost	Total
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 related parties	22	-	-	-	-	13,459,665	13,459,665
Total liabilities		319,575	-	-	319,575	317,441,655	317,761,230

Company At 31 December 2021 KShs'000	Notes	Liabilities at fair value: Trading	Liabilities at fair value: Non-trading mandatorily at fair value through profit or loss	Liabilities at fair value: Fair value through other comprehensive income	Liabilities at fair value: Total financial liabilities at fair value	Amortised cost	Total
Derivative financial instruments	18	359,808	-	-	359,808	-	359,808
Deposits from banks	29	-	-	-	-	383,214	383,214
Deposits from customers	30	-	-	-	-	265,469,114	265,469,114
Other liabilities - bills payable	31	-	-	-	-	650,718	650,718
Lease liability	31	-	-	-	-	364,068	364,068
Due to group companies and other related parties	22	-	-	-	-	10,714,736	10,714,736
Total liabilities		359,808	-	-	359,808	277,581,850	277,941,658

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 nonmarket 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.

3. Financial assets and liabilities continued

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 note 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.

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.

3. Financial assets and liabilities continued

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December 2022 and 2021:

		Group and Company			
At 31 December 2022	Notes	**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**

		Group and Company			
At 31 December 2021	Notes	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets					
Government and other securities held at FVPTL	17	-	4,580,708	20,659	4,601,367
Government securities		-	4,580,708	-	4,580,708
Equity shares		-	-	20,659	20,659
Derivative financial instruments	18		465,879		465,879
Foreign exchange		-	294,335	-	294,335
Interest rate		-	171,544	-	171,544
Government securities held at FVOCI	20	-	91,014,905	-	91,014,905
Total assets		-	96,061,492	20,659	96,082,151
Liabilities					
Derivative financial instruments	18	-	359,808	-	359,808
Foreign exchange		-	178,753	-	178,753
Interest rate		-	181,055	-	181,055
Total liabilities		-	359,808	-	359,808

3. Financial assets and liabilities continued

Valuation hierarchy - financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's Statement of financial position at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

Group At 31 December 2022	Notes	Carrying value KShs'000	Fair value Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets						
Cash and balances with Central Bank of Kenya	16	**23,257,306**	**-**	**23,257,306**	**-**	**23,257,306**
Loans and advances to banks	19	**428,089**	**-**	**428,089**	**-**	**428,089**
Loans and advances to customers	19	**139,412,560**	**-**	**-**	**139,412,560**	**139,412,560**
Due from group companies and other related parties	22	**96,121,186**	**-**	**-**	**96,121,186**	**96,121,186**
Other assets	21	**3,235,568**	**-**	**-**	**3,235,568**	**3,235,568**
Total assets		**262,454,709**	**-**	**23,685,395**	**238,769,314**	**262,454,709**
Liabilities						
Deposits from banks	29	**13,480,464**	**-**	**13,480,464**	**-**	**13,480,464**
Deposits from customers	30	**278,879,309**	**-**	**17,857,765**	**261,021,544**	**278,879,309**
Due to group companies and other related parties	22	**12,717,385**	**-**	**4,961,737**	**7,755,648**	**12,717,385**
Other liabilities - bills payable	31	**11,342,411**	**-**		**11,342,411**	**11,342,411**
Total liabilities		**316,419,569**	**-**	**36,299,966**	**280,119,603**	**316,419,569**

Group At 31 December 2021	Notes	Carrying value KShs'000	Fair value Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets						
Cash and balances with Central Bank of Kenya	16	23,700,451	-	23,700,451	-	23,700,451
Loans and advances to banks	19	2,429,051	-	2,429,051	-	2,429,051
Loans and advances to customers	19	125,974,590	-	-	125,974,590	125,974,590
Due from group companies and other related parties	22	71,991,928	-	-	71,991,928	71,991,928
Other assets	21	3,602,103	-	-	3,602,103	3,602,103
Total assets		227,698,123	-	26,129,502	201,568,621	227,698,123
Liabilities						
Deposits from banks	29	383,214	-	383,214	-	383,214
Deposits from customers	30	265,469,114	-	23,701,885	241,767,229	265,469,114
Due to group companies and other related parties	22	9,631,154	-	4,985,980	4,645,174	9,631,154
Other liabilities - bills payable	31	650,718	-	-	650,718	650,718
Total liabilities		276,134,200	-	29,071,079	247,063,121	276,134,200

3. Financial assets and liabilities continued

Valuation hierarchy - financial instruments measured at amortised cost continued

Company At 31 December 2022	Notes	Carrying value KShs'000	Fair value Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets						
Cash and balances with Central Bank of Kenya	16	**23,257,306**	**-**	**23,257,306**	**-**	**23,257,306**
Loans and advances to banks	19	**428,089**	**-**	**428,089**	**-**	**428,089**
Loans and advances to customers	19	**139,412,560**	**-**	**-**	**139,412,560**	**139,412,560**
Other assets	22	**3,179,280**	**-**	**-**	**3,179,280**	**3,179,280**
Due from group companies and other related parties	21	**96,602,123**	**-**	**-**	**96,602,123**	**96,602,123**
Total assets		**262,879,358**	**-**	**23,685,395**	**239,193,963**	**262,879,358**
Liabilities						
Deposits from banks	29	**13,480,464**	**-**	**13,480,464**	**-**	**13,480,464**
Deposits from customers	30	**278,879,309**	**-**	**17,857,765**	**261,021,544**	**278,879,309**
Due to group companies and other related parties	22	**10,714,736**	**-**	**4,961,737**	**5,752,999**	**10,714,736**
Other liabilities - bills payable	31	**11,342,411**	**-**	**11,342,411**	**-**	**11,342,411**
Total liabilities		**314,416,920**	**-**	**47,642,377**	**266,774,543**	**314,416,920**

Company At 31 December 2021	Notes	Carrying value KShs'000	Fair value Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets						
Cash and balances with Central Bank of Kenya	16	23,700,451	-	23,700,451	-	23,700,451
Loans and advances to banks	19	2,429,051	-	2,429,051	-	2,429,051
Loans and advances to customers	19	125,974,590	-	-	125,974,590	125,974,590
Other assets	22	3,541,294	-	-	3,541,294	3,541,294
Due from group companies and other related parties	21	72,303,668	-	-	72,303,668	72,303,668
Total assets		227,949,054	-	26,129,502	201,819,552	227,949,054
Liabilities						
Deposits from banks	29	383,214	-	383,214	-	383,214
Deposits from customers	30	265,469,114	-	23,701,885	241,767,229	265,469,114
Due to group companies and other related parties	22	10,714,736	-	6,800,706	3,914,030	10,714,736
Other liabilities - bills payable	31	650,718	-	-	650,718	650,718
Total liabilities		277,217,782	-	30,885,805	246,331,977	277,217,782

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.

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)

4. Financial risk and capital management continued

(a) Credit risk continued

(ii) Credit quality analysis

For the Corporate, Commercial & Institutional Banking portfolio, exposures are by analysed 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 100 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	2022						
		Customers					
	Banks	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Customer Total	Undrawn commitments	Financial guarantees and letters of credit
Stage 1	430,551	66,881,168	66,491,485	-	133,372,653	32,196,812	69,437,033
- Strong	-	9,201,222	-	-	9,201,222	17,264,444	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	36,831,030	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%	0.1%
Net carrying value	428,089	71,419,461	67,993,099	-	139,412,560	-	-

4. Financial risk and capital management continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage

	2021						
		Customers					
Group and Company KShs'000	Banks	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Customer Total	Undrawn commitments	Financial guarantees & Letters of credit
Stage 1	2,431,869	50,486,244	66,117,723	-	116,603,967	42,399,527	64,802,756
- Strong	431,588	6,869,036	62,204,441	-	69,073,477	19,392,620	37,175,617
- Satisfactory	2,000,281	43,617,208	3,913,282	-	47,530,490	23,006,907	27,627,139
Stage 2	-	3,640,399	2,191,024	-	5,831,423	5,107,244	2,740,590
- Strong	-	-	471,303	-	471,303	280,351	206,574
- Satisfactory	-	910,100	478,072	-	1,388,172	3,822,067	2,406,386
- Higher risk	-	2,730,299	1,241,649	-	3,971,948	1,004,826	127,630
Of which (stage 2):							
- Less than 30 days past due	-	187,128	72,437	-	259,565	-	-
- More than 30 days past due	-	171,806	1,223,443	-	1,395,249	-	-
Stage 3	-	9,482,372	4,264,178	-	13,746,550	-	161,727
Gross balance	2,431,869	63,609,015	72,572,925	-	136,181,940	47,506,771	67,705,073
Stage 1	(2,818)	(99,307)	(1,043,556)	-	(1,142,863)	(38,407)	(7,424)
- Strong	(11)	(83,654)	(881,201)	-	(964,855)	(22,023)	(1,787)
- Satisfactory	(2,807)	(15,653)	(162,355)	-	(178,008)	(16,384)	(5,637)
Stage 2	-	(874,305)	(407,050)	-	(1,281,355)	(45,460)	(6,314)
- Strong	-	-	-	-	-	(387)	(178)
- Satisfactory	-	(99,927)	(23,480)	-	(123,407)	(34,252)	(4,588)
- Higher risk	-	(774,378)	(383,570)	-	(1,157,948)	(10,821)	(1,548)
Stage 3	-	(6,455,495)	(1,327,637)	-	(7,783,132)	-	(8,985)
Total credit impairment	(2,818)	(7,429,107)	(2,778,243)	-	(10,207,350)	(83,867)	(22,723)
Net carrying value	2,429,051	56,179,908	69,794,682	-	125,974,590		
Stage 1	0.1%	0.2%	1.6%	0.0%	1.0%	0.1%	0.0%
- Strong	0.0%	1.2%	1.4%	0.0%	1.2%	0.1%	0.0%
- Satisfactory	0.1%	0.0%	4.1%	0.0%	0.6%	0.1%	0.0%
Stage 2	0.0%	24.0%	18.6%	0.0%	22.0%	0.9%	0.2%
- Strong	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
- Satisfactory	0.0%	11.0%	4.9%	0.0%	4.9%	0.9%	0.2%
- Higher risk	0.0%	28.4%	30.9%	0.0%	31.1%	1.1%	1.2%
Stage 3	0.0%	68.1%	31.1%	0.0%	56.6%	0.0%	5.6%
Cover ratio	0.1%	11.7%	3.8%	0.0%	7.5%	0.2%	0.0%
Net carrying value	2,429,051	56,179,908	69,794,682	-	125,974,590	-	-

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 96 per cent (2021: 94 per cent). Total stage 1 balances increased by KShs 47.0 billion, of which KShs 16.8 billion in loans and advances to customers, KShs 24.1 billion in group balances, 13.71 billion in government securities.

Stage 2 and 3 financial instruments are stable at 2 per cent (2021: 3 per cent) each 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

	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

	2021											
	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	20,076,482	-	20,076,482	-	-	-	-	-	-	20,076,482	-	20,076,482
Loans and advances to banks (amortised cost)	2,431,869	(2,818)	2,429,051	-	-	-	-	-	-	2,431,869	(2,818)	2,429,051
Loans and advances to customers (amortised cost)	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
Government securities held at FVOCI[1]	91,014,905	(321,799)	91,014,905	-	-		-	-		91,014,905	(321,799)	91,014,905
Due to group companies and other related parties	72,005,545	(13,617)	71,991,928	-	-	-	-	-	-	72,005,545	(13,617)	71,991,928
Other assets	3,602,103	-	3,602,103	-	-	-	-	-	-	3,602,103	-	3,602,103
Undrawn commitments[2]	42,399,527	(38,407)		5,107,244	(45,460)		-	-		47,506,771	(83,867)	
Financial guarantees and letters of credit[2]	64,802,756	(7,424)		2,740,590	(6,314)		161,727	(8,985)		67,705,073	(22,723)	
Total	412,937,154	(1,526,928)		13,679,257	(1,333,129)		13,908,277	(7,792,117)		440,524,688	(10,652,174)	

[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

Company KShs'000	2022 Stage 1 Gross balance	Stage 1 Total credit impairment	Stage 1 Net carrying value	Stage 2 Gross balance	Stage 2 Total credit impairment	Stage 2 Net carrying value	Stage 3 Gross balance	Stage 3 Total credit impairment	Stage 3 Net carrying value	Total Gross balance	Total Total credit impairment	Total 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 financial instruments by stage

Company KShs'000	2021 Stage 1 Gross balance	Stage 1 Total credit impairment	Stage 1 Net carrying value	Stage 2 Gross balance	Stage 2 Total credit impairment	Stage 2 Net carrying value	Stage 3 Gross balance	Stage 3 Total credit impairment	Stage 3 Net carrying value	Total Gross balance	Total Total credit impairment	Total Net carrying value
Balances with Central Bank of Kenya	20,076,482	-	20,076,482	-	-	-	-	-	-	20,076,482	-	20,076,482
Loans and advances to banks (amortised cost)	2,431,869	(2,818)	2,429,051	-	-	-	-	-	-	2,431,869	(2,818)	2,429,051
Loans and advances to customers (amortised cost)	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
Government securities held at FVOCI[1]	91,014,905	(321,799)	91,014,905	-	-		-	-		91,014,905	(321,799)	91,014,905
Due from group companies and other related parties	72,317,285	(13,617)	72,303,668	-	-	-	-	-	-	72,317,285	(13,617)	72,303,668
Other assets	3,541,294	-	3,541,294	-	-	-	-	-	-	3,541,294	-	3,541,294
Undrawn commitments[2]	42,399,527	(38,407)		5,107,244	(45,460)		-	-		47,506,771	(83,867)	
Financial guarantees and letters of credit[2]	64,802,756	(7,424)		2,740,590	(6,314)		161,727	(8,985)		67,705,073	(22,723)	
Total	413,188,085	(1,526,928)		13,679,257	(1,333,129)		13,908,277	(7,792,117)		440,775,619	(10,652,174)	

[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 KShs'000	2022				2021			
On balance sheet	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Business services	**11,087**	**-**	**133**	**11,220**	52,185	2	150	52,337
Manufacturing	**22,080,307**	**52,274**	**2,979,385**	**25,111,966**	21,063,945	690,598	3,497,776	25,252,319
Wholesale and retail	**14,937,956**	**253,857**	**3,173,417**	**18,365,230**	13,531,199	1,281,201	3,604,719	18,417,119
Transport and communication	**24,097,767**	**116,284**	**740,227**	**24,954,278**	9,754,173	1,071,731	244,047	11,069,951
Real estate	**993,003**	**112,843**	**132,708**	**1,238,554**	1,302,218	21,440	170,667	1,494,325
Agriculture	**2,854,795**	**27,753**	**626,392**	**3,508,940**	3,847,139	1,076,379	485,353	5,408,871
Energy and water	**5,721,674**	**5,628**	**2,240,273**	**7,967,575**	5,002,382	8,264	2,358,523	7,369,169
Others	**62,676,064**	**1,710,720**	**3,145,707**	**67,532,491**	62,050,726	1,681,808	3,385,315	67,117,849
Total	**133,372,653**	**2,279,359**	**13,038,242**	**148,690,254**	116,603,967	5,831,423	13,746,550	136,181,940
Expected credit loss	**(1,770,521)**	**(1,281,355)**	**(6,225,818)**	**(9,277,694)**	(1,142,863)	(1,281,355)	(7,783,132)	(10,207,350)
Carrying amount as at 31 December	**131,602,132**	**998,004**	**6,812,424**	**139,412,560**	115,461,104	4,550,068	5,963,418	125,974,590

Group and Company KShs'000	2022				2021			
On balance sheet:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate, Commercial & Institutional Banking	**66,881,168**	**201,239**	**8,774,418**	**75,856,825**	50,486,244	3,640,399	9,482,372	63,609,015
Consumer, Private & Business Banking	**66,491,485**	**2,078,120**	**4,263,824**	**72,833,429**	66,117,723	2,191,024	4,264,178	72,572,925
	133,372,653	**2,279,359**	**13,038,242**	**148,690,254**	116,603,967	5,831,423	13,746,550	136,181,940

4. Financial risk and capital management continued

(a) Credit risk continued

(ii) Credit quality analysis continued

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.

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 Gross balance	Stage 1 Total credit impairment	Total Gross balance	Total Total credit impairment
At 1 January 2021	94,852,653	(333,722)	94,852,653	(333,722)
Additions	60,090,951	61,550	60,090,951	61,550
Disposals and maturities	(66,918,555)	(49,627)	(66,918,555)	(49,627)
Other movements*	2,989,856	-	2,989,856	-
At 31 December 2021	91,014,905	(321,799)	91,014,905	(321,799)
Income statement ECL release	-	11,923	-	11,923
At 1 January 2022	**91,014,905**	**(321,799)**	**91,014,905**	**(321,799)**
Additions	**99,982,330**	**146,618**	**99,982,330**	**146,618**
Disposals and maturities	**(87,032,025)**	**(50,048)**	**(87,032,025)**	**(50,048)**
Other movements*	**765,952**	**-**	**765,952**	**-**
At 31 December 2022	**104,731,162**	**(225,229)**	**104,731,162**	**(225,229)**
Income statement ECL release	**-**	**96,570**	**-**	**96,570**

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.

*Other movements refer to changes in fair value, movement in accrued interest, fair value recycled through profit or loss and armotisation of discount and premium.

Movement of loans to banks

Group and Company KShs'000	Stage 1 Gross balance	Stage 1 Total credit impairment	Stage 1 Net	Total Gross balance	Total Total credit impairment	Total Net
At 1 January 2021	7,536,798	(3,602)	7,533,196	7,536,798	(3,602)	7,533,196
Newly originated	12,856,568	(8,717)	12,847,851	12,856,568	(8,717)	12,847,851
Repayments	(17,964,574)	-	(17,964,574)	(17,964,574)	-	(17,964,574)
Changes in risk parameters	-	9,520	9,520	-	9,520	9,520
Exchange translation differences	3,077	(19)	3,058	3,077	(19)	3,058
At 31 December 2021	2,431,869	(2,818)	2,429,051	2,431,869	(2,818)	2,429,051
Income statement ECL release	-	803	-	-	803	-
At 1 January 2022	**2,431,869**	**(2,818)**	**2,429,051**	**2,431,869**	**(2,818)**	**2,429,051**
Newly originated	**111,775,760**	**(785)**	**111,774,975**	**111,775,760**	**(785)**	**111,774,975**
Repayments	**(113,788,187)**		**(113,788,187)**	**(113,788,187)**		**(113,788,187)**
Changes in risk parameters		**1,182**	**1,182**		**1,182**	**1,182**
Exchange translation differences	**11,109**	**(41)**	**11,068**	**11,109**	**(41)**	**11,068**
At 31 December 2022	**430,551**	**(2,462)**	**428,089**	**430,551**	**(2,462)**	**428,089**
Income statement ECL release	**-**	**397**	**-**	**-**	**397**	**-**

4. Financial risk and capital management continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Movement of 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
At 1 January 2021	111,942,590	(968,547)	110,974,043	5,564,588	(1,504,249)	4,060,339	13,212,270	(6,722,425)	6,489,845	130,719,448	(9,195,221)	121,524,227
Transfers to stage 1	2,342,622	(942,040)	1,400,582	(2,342,622)	942,040	(1,400,582)	-	-	-	-	-	-
Transfers to stage 2	(15,472,191)	236,634	(15,235,557)	15,472,191	(261,427)	15,210,764	-	24,793	24,793	-	-	-
Transfers to stage 3	-	-	-	(3,384,125)	124,452	(3,259,673)	3,384,125	(124,456)	3,259,669	-	(4)	(4)
Newly originated	50,903,587	(768,365)	50,135,222	-	-	-	-	-	-	50,903,587	(768,365)	50,135,222
Repayments	(33,263,725)	385,434	(32,878,291)	(9,697,026)	75,045	(9,621,981)	(1,495,278)	763,912	(731,366)	(44,456,029)	1,224,391	(43,231,638)
Net remeasurement from stage changes	-	787,098	787,098	-	(121,671)	(121,671)	-	(1,226,359)	(1,226,359)	-	(560,932)	(560,932)
Changes in models	-	122,572	122,572	-	(504,524)	(504,524)	-	(1,759,220)	(1,759,220)	-	(2,141,172)	(2,141,172)
Write-offs	-	-	-	-	-	-	(1,602,709)	1,270,646	(332,063)	(1,602,709)	1,270,646	(332,063)
Discount unwind	-	-	-	-	-	-	-	177,024	177,024	-	177,024	177,024
Exchange translation differences	151,084	4,351	155,435	218,417	(31,021)	187,396	248,142	(187,047)	61,095	617,643	(213,717)	403,926
At 31 December 2021	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
Income statement ECL (charge)/release	-	526,739	-	-	(551,150)	-	-	(2,221,667)	-	-	(2,246,078)	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	463,361	-	-	463,361	-
Total credit impairment charge	-	526,739	-	-	(551,150)	-		(1,758,306)	-	-	(1,782,717)	-
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**	**(211,461)**	-	-	-
Transfers to stage 3	-	-	-	**(2,914,607)**	**1,370,311**	**(1,544,295)**	**2,914,607**	**(1,370,311)**	**1,544,295**	-	-	-
Newly originated	**183,152,059**	**(1,964,767)**	**181,187,292**	**(17,882,374)**	-	**(17,882,374)**	-	-	-	**165,269,685**	**(1,964,767)**	**163,304,919**
Repayments	**(149,710,889)**	**570,112**	**(149,140,777)**	-	**42,056**	**42,056**	**(759,140)**	**59,515**	**(699,624)**	**(150,470,028)**	**671,683**	**(149,798,345)**
Net remeasurement from stage changes changes	**2,419,209**	**190,304**	**2,609,512**	**(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**
Write-offs	-	-	-	-	-	-	**(2,398,725)**	**2,321,084**	**(77,642)**	**(2,398,725)**	**2,321,084**	**(77,642)**
Exchange translation differences	**105,102**	**(44,361)**	**60,741**	**200,719**	**(18,212)**	**182,507**	**(198,438)**	-	**(198,438)**	**107,382**	**(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)**	-	-	**551,392**	-	-	**(1,328,855)**	-
Recoveries of amounts previously written off	-	-	-	-		-	-	**443,237**	-	-	**443,237**	-
Total credit impairment (charge)/release	-	**(1,091,986)**	-	-	**(788,260)**	-	-	**994,628**	-	-	**(885,618)**	-

4. Financial risk and capital management continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Movement in balances due from group companies and other related parties

Group 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
At 1 January 2021	62,933,388	(177,264)	62,756,124	-	-	-	-	-	-	62,933,388	(177,264)	62,756,124
Additions	50,688,128	(58,120)	50,630,008							50,688,128	(58,120)	50,630,008
Repayments	(41,615,971)	221,767	(41,394,204)	-	-	-	-	-	-	(41,615,971)	221,767	(41,394,204)
At 31 December 2021	72,005,545	(13,617)	71,991,928	-	-	-	-	-	-	72,005,545	(13,617)	71,991,928
Income statement ECL charge	-	163,647	-	-	-	-	-	-	-	-	163,647	-
At 1 January 2022	**72,005,545**	**(13,617)**	**71,991,928**	-	-	-	-	-	-	**72,005,545**	**(13,617)**	**71,991,928**
Additions	**84,069,239**	**(23,612)**	**84,045,627**							**84,069,239**	**(23,612)**	**84,045,627**
Repayments	**(59,947,183)**	**30,814**	**(59,916,369)**	-	-	-	-	-	-	**(59,947,183)**	**30,814**	**(59,916,369)**
At 31 December 2022	**96,127,601**	**(6,415)**	**96,121,186**	-	-	-	-	-	-	**96,127,601**	**(6,415)**	**96,121,186**
Income statement ECL release	-	**7,202**	-	-	-	-	-	-	-	-	**7,202**	-

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
At 1 January 2021	63,281,892	(177,264)	63,104,628	-	-	-	-	-	-	63,281,892	(177,264)	63,104,628
Additions	50,651,365	(58,120)	50,593,245							50,651,365	(58,120)	50,593,245
Repayments	(41,615,972)	221,767	(41,394,205)	-	-	-	-	-	-	(41,615,972)	221,767	(41,394,205)
At 31 December 2021	72,317,285	(13,617)	72,303,668	-	-	-	-	-	-	72,317,285	(13,617)	72,303,668
Income statement ECL charge	-	163,647	-	-	-	-	-	-	-	-	163,647	-
At 1 January 2022	**72,317,285**	**(13,617)**	**72,303,668**	**-**	**-**	**-**	**-**	**-**	**-**	**72,317,285**	**(13,617)**	**72,303,668**
Additions	**84,238,436**	**(23,612)**	**84,214,824**	**-**	**-**	**-**	**-**	**-**	**-**	**84,238,436**	**(23,612)**	**84,214,824**
Repayments	**(59,947,183)**	**30,814**	**(59,916,369)**							**(59,947,183)**	**30,814**	**(59,916,369)**
At 31 December 2022	**96,608,538**	**(6,415)**	**96,602,123**	**-**	**-**	**-**	**-**	**-**	**-**	**96,608,538**	**(6,415)**	**96,602,123**
Income statement ECL release	**-**	**7,202**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,202**	**-**

4. Financial risk and capital management continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Movement of undrawn commitments, financial guarantees and letters of credit

Group and Company KShs'000	Stage 1 Gross balance	Stage 1 Total credit impairment	Stage 2 Gross balance	Stage 2 Total credit impairment	Stage 3 Gross balance	Stage 3 Total credit impairment	Total Gross balance	Total Total credit impairment
At 1 January 2021	105,122,322	(67,530)	8,885,621	(144,935)	245,492	(12)	114,253,435	(212,477)
Transfers to stage 1	4,208,495	(59,709)	(4,208,495)	59,709	-	-	-	-
Transfers to stage 2	(7,947,009)	26,574	7,947,009	(26,574)	-	-	-	-
Transfers to stage 3	-	-	-	10,310	-	(10,310)	-	-
Newly originated during the period	94,663,081	(9,994)	1,508,620	-	31,500	-	96,203,201	(9,994)
Applied during the period	(88,807,603)	-	(6,272,308)	-	(114,856)	-	(95,194,767)	-
Net remeasurement from stage changes	-	10,330	-	(74,645)	-	-	-	(64,315)
Changes in risk parameters	-	63,746	-	122,725	-	1,344	-	187,815
Exchange translation differences	(37,004)	(9,248)	(12,612)	1,635	(409)	(7)	(50,025)	(7,620)
At 31 December 2021	107,202,282	(45,831)	7,847,835	(51,775)	161,727	(8,985)	115,211,844	(106,591)
Income statement ECL (charge)/release	-	64,082	-	48,080	-	1,344	-	113,506
Recoveries of amounts previously written off	-	-		-	-	-		-
Total credit impairment (charge)/release	-	64,082	-	48,080	-	1,344	-	113,506
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**	**(17,248)**	**-**	**10**	**-**	**-**
Transfers to stage 3	**-**	**50**	**-**	**219**	**-**	**(269)**	**-**	**-**
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)**	**7,234**	**(20,281)**	**(771)**	**(409)**	**(9)**	**(60,036)**	**6,454**
At 31 December 2022	**101,633,844**	**(52,857)**	**6,167,600**	**(41,469)**	**170,184**	**(8,985)**	**107,971,629**	**(103,311)**
Income statement ECL (charge)/release	**-**	**(15,438)**	**-**	**11,996**	**-**	**268**	**-**	**(3,174)**
Recoveries of amounts previously written off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total credit impairment (charge)/release	**-**	**(15,438)**	**-**	**11,996**	**-**	**268**	**-**	**(3,174)**

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.

4. Financial risk and capital management continued

(a) Credit risk continued

(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 2022 and 2021.

The table below details collateral held against exposures, showing separately stage 1, stage 2 and stage 3 exposures and corresponding collateral.

Fair value of collateral held

2022

	Net amount outstanding			Collateral			Net exposure		
Group and Company KShs'000	**Total**	**Stage 2 financial assets**	**Stage 3 financial assets**	**Total**	**Stage 2 financial assets**	**Stage 3 financial assets**	**Total**	**Stage 2 financial assets**	**Stage 3 financial assets**
Corporate, Commercial & Institutional Banking	71,419,461	9,410	4,604,710	34,656,300	7,503,175	2,896,376	36,763,161	(7,493,765)	1,708,334
Consumer, Private & Business Banking	67,993,099	988,594	2,207,714	68,742,585	1,174,062	2,290,334	(749,486)	(185,468)	(82,620)
Total	139,412,560	998,004	6,812,424	103,398,885	8,677,237	5,186,710	36,013,675	(7,679,233)	1,625,714

2021

	Net amount outstanding			Collateral			Net exposure		
Group and Company KShs'000	Total	Stage financial assets	Stage 3 financial assets	Total	Stage 2 financial assets	Stage 3 financial assets	Total	Stage 2 financial assets	Stage 3 financial assets
Corporate, Commercial & Institutional Banking	56,179,908	2,766,094	3,026,877	24,192,964	7,048,559	2,533,362	31,986,944	(4,282,465)	493,515
Consumer, Private & Business Banking	69,794,682	1,783,974	2,936,541	68,574,748	1,501,952	2,361,766	1,219,934	282,023	574,775
Total	125,974,590	4,550,068	5,963,418	92,767,712	8,550,511	4,895,128	33,206,878	(4,000,442)	1,068,290

4. Financial risk and capital management continued

(a) Credit risk continued

(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 Asset 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 regularly reviewed by the Credit Issues Committee with oversight involving the Chief Executive Officer, Chief Risk Officer and Country Credit Head.

(v) Expected credit loss measurement

(a) 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 Performing	Lifetime expected credit loss Performing but significant increase in credit risk (SICR)	Credit impaired 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).

(b) 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.

4. Financial risk and capital management continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

b) Approach to determining ECL - inputs, assumptions and estimation techniques continued

- 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.

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.

(c) 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.

Monte Carlo Simulation generates scenarios of macroeconomic variables relevant for IFRS 9 models

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.

4. Financial risk and capital management continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

(c) Incorporation of forward-looking information continued

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.

	2022			2021		
	Base forecast	Low[5]	High[6]	Base forecast	Low	High
GDP Growth (YoY%)	5.35	4.81	5.88	5.60	5.04	6.16
FX rate (KShs)	127	114	139	109	98	119
Government spending (KShs Billions)	3,307	2,976	3,637	2,916	2,624	3,207
Household income (KShs Billions)	2,675	2,407	2,942	2,383	2,144	2,621
Imports (KShs Billions)	698	628	768	549	494	604
Interest rate - 91 Day TB rate (%)	7.32	6.59	8.05	6.60	5.94	7.26
Consumer price index	243	218	267	219	197	241
Equity index	68	62	75	38	35	42

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.

(d) 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.

(e) 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 Stressed Asset Group(SAG). The only exception to this is for accounts under USD 5m 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 USD 5m. 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.

4. Financial risk and capital management continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

(e) Significant increase in credit risk continued

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.

(f) 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.

g) 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.

4. Financial risk and capital management continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

(h) 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.

(i) 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.

(j) 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.

(k) 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.
- **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%. 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 due to the immaterial risk of impairment and short dated maturity of the balances.

Group and Company	2022 KShs'000	2021 KShs'000
Balances with Central Bank of Kenya	**19,799,461**	20,076,482
Government and other securities held at FVTPL	**986,931**	4,601,367
Derivative financial instruments	**400,494**	465,879

4. Financial risk and capital management continued

(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.

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.

4. Financial risk and capital management continued

(c) Liquidity risk continued

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% 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.

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows:

Company	2022 %	2021 %
At 31 December	**73**	77
Average for the year	**74**	72
Highest for the year	**77**	77
Lowest for the year	**70**	67

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	2022 KShs'000	2021 KShs'000
Total loans and advances to customers	**139,412,560**	125,974,590
Total customer accounts	**278,879,309**	265,469,114
Advances-to-deposits ratio	**50.0%**	47.5%

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
Assets									
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	68,564,274	19,891,662	4,287,214	7,484,414	24,965,334	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
Total liabilities	297,107,221	4,691,900	5,758,203	2,173,463	1,667,208	397,182	6,715,838	34,661	318,545,676
Net liquidity gap	(140,541,144)	63,872,375	14,133,459	2,113,751	5,817,206	24,568,153	58,884,355	93,525,778	122,373,933

*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	2021 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
Assets									
Cash and balances with Central Bank of Kenya	23,700,451	-	-	-	-	-	-	-	23,700,451
Derivative financial instruments	465,879	-	-	-	-	-	-	-	465,879
Loans and advances to banks	2,429,051	-	-	-	-	-	-	-	2,429,051
Loans and advances to customers	35,106,803	6,472,764	10,021,236	861,832	639,911	4,381,836	51,384,972	63,293,979	172,163,333
Investment securities*	3,749,169	14,192,655	16,583,241	5,892,286	5,670,472	17,832,586	22,791,391	24,971,965	111,683,765
Other assets	3,602,103	-	-	-	-	-	-	-	3,602,103
Due from group companies and other related parties	37,442,315	13,360,620	7,383,586	6,231,239	-	-	9,542,483	-	73,960,243
Total assets	106,495,771	34,026,039	33,988,063	12,985,357	6,310,383	22,214,422	83,718,846	88,265,944	388,004,825
Liabilities									
Deposits from banks	383,214	-	-	-	-	-	-	-	383,214
Deposits from customers	247,217,001	6,964,818	4,734,366	3,851,328	2,509,855	559,626	25,031	10,861	265,872,886
Derivative financial instruments	359,808	-	-	-	-	-	-	-	359,808
Due to parent companies and other related parties	-	-	-	-	-	-	6,826,103	2,842,154	9,668,257
Other liabilities									
- bills payable	650,718	-	-	-	-	-	-	-	650,718
- lease liability	3,704	-	-	-	-	60,310	278,652	61,562	404,228
Total liabilities	248,614,445	6,964,818	4,734,366	3,851,328	2,509,855	619,936	7,129,786	2,914,577	277,339,111
Net liquidity gap	(145,135,096)	27,061,221	29,253,697	9,134,029	3,800,528	21,594,486	76,589,060	85,351,367	107,649,292

*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	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
Assets									
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	194,818,357
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	310,449
Total liabilities	297,491,585	4,691,900	5,758,203	2,173,463	1,667,208	397,182	6,715,838	34,662	318,950,003
Net liquidity gap	(140,496,841)	63,872,375	14,133,459	2,113,751	5,817,206	24,626,804	58,988,540	94,325,892	123,381,185

*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	2021 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
Assets									
Cash and balances with Central Bank of Kenya	23,700,451	-	-	-	-	-	-	-	23,700,451
Derivative financial instruments	465,879	-	-	-	-	-	-	-	465,879
Loans and advances to banks	2,429,051	-	-	-	-	-	-	-	2,429,051
Loans and advances to customers	35,106,803	6,472,764	10,021,236	861,832	639,911	4,381,836	51,384,972	63,293,979	172,163,333
Investment securities*	3,749,169	14,192,655	16,583,241	5,892,286	5,670,472	17,832,586	22,791,391	24,971,965	111,683,765
Other assets	3,541,294	-	-	-	-	-	-	-	3,541,294
Due from group companies and other related parties	37,754,055	13,360,620	7,383,586	6,231,239	-	-	9,542,483	-	74,271,983
Total assets	106,746,702	34,026,039	33,988,063	12,985,357	6,310,383	22,214,422	83,718,846	88,265,944	388,255,756
Liabilities									
Deposits from banks	383,214	-	-	-	-	-	-	-	383,214
Deposits from customers	247,217,001	6,964,818	4,734,366	3,851,328	2,509,855	559,626	25,031	10,861	265,872,886
Derivative financial instruments	359,808	-	-	-	-	-	-	-	359,808
Due to parent companies and other related parties	753,319	-	330,263	-	-	-	6,826,103	2,842,154	10,751,839
Other liabilities									
- bills payable	650,718	-	-	-	-	-	-	-	650,718
- lease liability	3,704	-	-	-	-	60,310	278,652	61,562	404,228
Total liabilities	249,367,764	6,964,818	5,064,629	3,851,328	2,509,855	619,936	7,129,786	2,914,577	278,422,693
Net liquidity gap	(142,621,062)	27,061,221	28,923,434	9,134,029	3,800,528	21,594,486	76,589,060	85,351,367	109,833,063

*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.

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 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.

The Group and Company applies two VaR methodologies:

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

Group and Company KShs'000	2022				2021			
	Actual	Average	High	Low	Actual	Average	High	Low
Foreign Exchange Risk	**8,035**	**8,492**	**15,267**	**3,291**	14,437	9,127	23,294	2,337
Interest Rate Risk	**117,809**	**148,316**	**239,466**	**86,792**	81,577	115,152	145,760	67,749
Rates trading	**5,847**	**12,511**	**34,742**	**3,917**	13,938	20,272	44,434	8,173
Total	**131,691**	**169,319**	**289,475**	**94,000**	109,952	144,551	213,488	78,259

IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Group established a Transition Programme that would consider all aspects of the transition. The IBOR Transition working group has representative from all relevant stakeholders within the Group and reports on a monthly basis to the Asset and Liability Committee (ALCO) and quarterly basis to the Board.

The Group successfully completed the transition of a significant portion of its IBOR exposure to RFRs in 2021 and 2022.. In particular, prior to the cessation of all LIBORs other than five USD LIBOR tenors after 31 December 2021, the Group completed the transition of all affected exposures.

The Group is confident that it has the operational capability to process the remaining transitions to RFRs for those interest rate benchmarks, including exposures to USD LIBOR 3 month and 12 month, that will cease to be available after 30 June 2023. IBOR reform exposes the Group to various risks, which the programme is managing and monitoring closely. These risks include but are not limited to the following:

- there are fundamental differences between LIBOR and RFRs and value transfer may arise in transitioning contracts from one to the other;
- clients may not be treated fairly throughout the transition, or may not be aware of the options available to them and the implications of decisions taken, which may result in unfair financial detriment;
- legal Risk in relation to the fall-back risks associated with the transition;
- changes in processes, systems and vendor arrangements associated with the transition may not be within appropriate tolerance levels; and
- accounting and Financial Reporting Risk in that the changes in underlying rates, such as on cashflows and valuations, may not be incorporated correctly.

The tables below show the Bank's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end and the prior year end.

Group and Company	2022 KShs'000	2021 KShs'000
Assets		
Loans and advances to customers	**31,498,998**	36,515,211
Liabilities		
Subordinated debt	**4,934,000**	6,789,000
Off balance sheet	**1,449,482**	1,615,047
Total IBOR exposure	**37,882,480**	44,919,258

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk continued

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.

	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
ASSETS								
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
		78,645,619	4,630,596	9,329,758	5,635,116	2,329	218,495,726	316,739,144
Interest rate sensitivity gap		23,729,128	41,875,285	8,429,532	62,583,459	45,357,432	(130,140,684)	51,834,152

* These financial assets are held at fair value. They are exposed to interest rate risk since the fixed rate will affect the fair values though not the cash flows.

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk continued

Group KShs'000	2021 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
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVTPL*	11.70	-	-	157	660,486	3,920,065	20,659	4,601,367
Derivative financial instruments	-	-	-	-	-	-	465,879	465,879
Loans and advances to banks	4.20	2,197,568	-	-	-	-	231,483	2,429,051
Loans and advances to customers	9.30	34,705,086	6,375,356	11,145,612	42,092,296	31,656,240	-	125,974,590
Government securities held at FVOCI*	10.20	2,493,516	13,844,984	26,680,918	33,709,100	14,286,387	-	91,014,905
Other assets	-	-	-	-	-	-	3,602,103	3,602,103
Due from group companies and other related parties	1.30	23,810,098	13,350,096	13,599,434	7,600,000	-	13,632,300	71,991,928
		63,206,268	33,570,436	51,426,121	84,061,882	49,862,692	41,652,875	323,780,274
LIABILITIES								
Deposits from banks	0.20	383,214	-	-	-	-	-	383,214
Deposits from customers	3.30	61,911,629	6,878,797	10,741,706	539,695	6,129	185,391,158	265,469,114
Derivative financial instruments	-	-	-	-	-	-	359,808	359,808
Other financial liabilities – Bills payable	-	-	-	-	-	-	650,718	650,718
Due to group companies and other related parties	0.20	-	-	-	6,789,000	-	2,842,154	9,631,154
		62,294,843	6,878,797	10,741,706	7,328,695	6,129	189,243,838	276,494,008
Interest rate sensitivity gap		911,425	26,691,639	40,684,415	76,733,187	49,856,563	(147,590,963)	47,286,266

* These financial assets are held at fair value. They are exposed to interest rate risk since the fixed rate will affect the fair values though not the cash flows.

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate 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	2022							
	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
ASSETS								
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
		78,645,619	4,630,596	9,329,758	5,635,116	2,329	219,238,006	317,481,424
Interest rate sensitivity gap		23,729,128	41,875,285	8,429,532	62,583,459	45,357,432	-130,458,315	51,516,521

* These financial assets are held at fair value. They are exposed to interest rate risk since the fixed rate will affect the fair values though not the cash flows.

4. Financial risk and capital management continued

(d) Market risk continued

(i) Interest rate risk continued

Company KShs'000	Weighted average effective interest rate (%)	2021 Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVTPL*	11.70	-	-	157	660,486	3,920,065	20,659	4,601,367
Derivative financial instruments	-	-	-	-	-	-	465,879	465,879
Loans and advances to banks	4.20	2,197,568	-	-	-	-	231,483	2,429,051
Loans and advances to customers	9.30	34,705,086	6,375,356	11,145,612	42,092,296	31,656,240	-	125,974,590
Government securities held at FVOCI*	10.20	2,493,516	13,844,984	26,680,918	33,709,100	14,286,387	-	91,014,905
Other assets	-	-	-	-	-	-	3,541,294	3,541,294
Due from group companies and other related parties	1.30	23,810,098	13,350,096	13,599,434	7,600,000	-	13,944,040	72,303,668
		63,206,268	33,570,436	51,426,121	84,061,882	49,862,692	41,903,806	324,031,205
LIABILITIES								
Deposits from banks	0.20	383,214	-	-	-	-	-	383,214
Deposits from customers	3.30	61,911,629	6,878,797	10,741,706	539,695	6,129	185,391,158	265,469,114
Derivative financial instruments	-	-	-	-	-	-	359,808	359,808
Other financial liabilities – Bills payable	-	-	-	-	-	-	650,718	650,718
Due to group companies and other related parties	0.20	753,319	-	330,263	6,789,000	-	2,842,154	10,714,736
		63,048,162	6,878,797	11,071,969	7,328,695	6,129	189,243,838	277,577,590
Interest rate sensitivity gap		158,106	26,691,639	40,354,152	76,733,187	49,856,563	(147,340,032)	46,453,615

* These financial assets are held at fair value. They are exposed to interest rate risk since the fixed rate will affect the fair values though not the cash flows.

4. Financial risk and capital management continued

(d) Market risk continued

(i) Currency rate risk continued

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	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	**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**	**-**	**44,142**
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	**12,954,558**	**-**	**-**	**777,757**	**13,732,315**
	114,163,048	**10,552,048**	**7,806,898**	**1,830,984**	**134,352,978**
Net statement of financial position exposure	**(1,832,485)**	**(136,259)**	**(1,202,459)**	**(523,635)**	**(3,694,838)**

KShs'000	2021				
	USD	Euro	GBP	Other	Total
ASSETS					
Cash, deposits and advances to banks	2,829,249	841,625	335,731	253,059	4,259,664
Loans and advances to customers	30,415,293	2,716,344	553,549	11,794	33,696,980
Other assets	149,309	42	229	-	149,580
Amounts due from group companies	47,266,008	11,097,121	4,922,947	360,239	63,646,315
	80,659,859	14,655,132	5,812,456	625,092	101,752,539
LIABILITIES					
Deposits from banks	965	8,170	52	1,113	10,300
Deposits from customers	79,767,816	14,712,911	5,898,699	363,737	100,743,163
Other liabilities	1,369,036	76,192	64,356	4,480	1,514,064
Amounts due to group companies	10,050,499	-	-	10,783	10,061,282
	91,188,316	14,797,273	5,963,107	380,113	112,328,809
Net statement of financial position exposure	(10,528,457)	(142,141)	(150,651)	244,979	(10,576,270)

4. Financial risk and capital management continued

(e) Operational risk continued

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 has 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.

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 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.

Distribution of Operational Losses by Basel business line	2022 %	2021 %
Agency services	3.2	0.0
Commercial Banking	31.6	0.4
Corporate Finance	11.8	0.0
Corporate Items	20.0	0.0
Payment and Settlements	8.5	0.0
Consumer, Private & Business Banking	23.2	99.6
Retail Brokerage	0.0	0.0
Trading and Sales	1.7	0.0
	100.0	100.0

The Group's and Company's profile of operational loss events in 2022 and 2021 is also summarised in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

Distribution of Operational Losses by Basel event type	2022 %	2021 %
Business disruption and system failures	0.0	0.0
Clients products and business practices	17.2	0.1
Damage to physical assets	0.0	0.0
Employment practices and workplace safety	0.0	0.3
Execution delivery and process management	52.5	70.9
External fraud	29.1	13.2
Internal fraud	1.2	15.5
	100.0	100.0

4. Financial risk and capital management continued

(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.

4. Financial risk and capital management continued

(e) Operational risk continued

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 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.

(f) Capital risk

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.

4. Financial risk and capital management continued

(f) Capital risk continued

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.

	2022 KShs'000	2021 KShs'000
Core (Tier 1) capital instruments and reserves		
Share capital and share premium	**9,961,680**	9,961,680
Retained earnings	**35,487,033**	32,566,322
Capital contribution reserve	**1,823,673**	1,823,673
	47,272,386	44,351,675
Tier 1 regulatory adjustments		
Goodwill on acquired intangible (note 28)	**(1,112,111)**	(1,112,111)
Acquired intangible (note 28)	**-**	-
Deferred tax asset	**(4,027,556)**	(2,417,167)
Core (Tier 1) capital	**42,132,719**	40,822,397
Supplementary (Tier 2) capital instruments and reserves		
Revaluation reserves (25%)	**219,740**	222,322
Statutory credit risk reserve	**2,255,690**	1,249,844
Subordinated debt	**2,795,933**	4,375,133
Supplementary (Tier 2) capital	**5,271,363**	5,847,299
Total capital	**47,404,082**	46,669,696
Risk weighted assets		
Credit risk	**183,481,160**	166,977,352
Market risk	**22,606,942**	29,103,092
Operational risk	**68,169,220**	66,759,568
Total risk weighted assets	**274,257,322**	262,840,012
Deposits from customers	**278,879,309**	265,469,114

Capital ratios	CBK minimum	2022	2021
	%	**%**	%
Tier 1 capital	10.50	**15.36**	15.53
Total capital	14.50	**17.28**	17.76
Tier 1 to total deposits	8.00	**15.11**	15.37

Financial Statements

4. Financial risk and capital management continued

(f) Capital risk continued

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 Executive Management Committee. The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of the business unitos separatelyy for the purpose of making decisions about resource allocation and performance assessment.

The two client segments are:

- Corporate & Institutional Banking and Commercial Banking have been combined to form Corporate, Commercial & Institutional Banking serving large corporate institutions.
- Retail Banking is now 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.

	2022			
Group KShs'000	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
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

Group KShs'000	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
	2021			
Net interest income	5,094,063	8,639,991	4,676,812	18,410,866
Non funded income	5,502,580	4,288,937	100,119	9,891,636
Operating income	10,596,643	12,928,928	4,776,931	28,302,502
Operating expenses	(6,069,140)	(7,622,735)	(500,908)	(14,192,783)
Operating profit before impairment losses	4,527,503	5,306,193	4,276,023	14,109,719
Impairment losses on financial instruments	(1,008,218)	(693,472)	208,852	(1,492,838)
impairment losses on intangible assets	(2,480)	(16,348)	-	(18,828)
Profit before tax	3,516,805	4,596,373	4,484,875	12,598,053

Company KShs'000	**Corporate, Commercial & Institutional Banking**	**Consumer, Private & Business Banking**	**Central & other items**	**Total**
	2022			
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**

Company KShs'000	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
	2021			
Net interest income	5,094,063	8,639,991	4,649,775	18,383,829
Non funded income	5,502,580	2,632,943	847,256	8,982,779
Operating income	10,596,643	11,272,934	5,497,031	27,366,608
Operating expenses	(6,069,140)	(7,147,225)	(497,073)	(13,713,438)
Operating profit before impairment losses	4,527,503	4,125,709	4,999,958	13,653,170
Impairment losses on financial instruments	(1,008,218)	(693,472)	208,852	(1,492,838)
impairment losses on intangible assets	(2,480)	(16,348)	-	(18,828)
Profit before tax	3,516,805	3,415,889	5,208,810	12,141,504

Group KShs'000	**Corporate, Commercial & Institutional Banking**	**Consumer, Private &Business Banking**	**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**	**573,846**	**300,634**	**1,348,713**

5. Segmental information continued

Group KShs'000	2021 Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
Total assets employed	60,306,394	69,802,389	204,763,155	334,871,938
Of which: loans and advances to customers	56,179,908	69,794,682	-	125,974,590
Total liabilities employed	135,983,150	138,043,303	7,631,379	281,657,832
Of which: customer deposits	130,332,258	135,136,856	-	265,469,114
Other segment items:				
Depreciation and amortization	681,803	754,196	53,974	1,489,973
Capital expenditure	979,689	809,529	305,432	2,094,650

Company KShs'000	2022 Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
Total assets employed	**71,629,176**	**70,037,936**	**239,963,534**	**381,630,646**
Of which: loans and advance 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 amortization	**382,346**	**624,447**	**249,697**	**1,256,490**
Capital expenditure	**474,233**	**573,846**	**300,634**	**1,348,713**

Company KShs'000	2021 Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
Total assets employed	60,306,394	69,794,018	205,011,074	335,111,486
Of which: loans and advances to customers	56,179,908	69,794,682	-	125,974,590
Total liabilities employed	135,983,150	138,043,303	8,605,638	282,632,091
Of which: customer deposits	130,332,258	135,136,856	-	265,469,114
Other segment items:				
Depreciation and amortisation	681,803	754,196	53,974	1,489,973
Capital expenditure	979,689	809,529	305,432	2,094,650

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.

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.

6. Net interest income continued

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Loans and advances to banks	**2,443,570**	1,335,050	**2,443,570**	1,335,050
Loans and advances to customers	**12,395,403**	11,473,585	**12,395,403**	11,473,585
Government securities at FVOCI	**10,298,361**	9,153,619	**10,298,361**	9,153,619
Accrued on impaired assets	**335,710**	322,297	**335,710**	322,297
Interest income	**25,473,044**	22,284,551	**25,473,044**	22,284,551
Deposits from banks	**279,267**	91,949	**279,267**	91,949
Deposits from customers	**3,035,381**	3,520,146	**3,052,393**	3,547,183
Subordinated debt	**341,395**	206,894	**341,395**	206,894
Interest expense on IFRS 16 lease liabilities	**34,816**	54,696	**34,816**	54,696
Interest expense	**3,690,859**	3,873,685	**3,707,871**	3,900,722
Net interest income	**21,782,185**	18,410,866	**21,765,173**	18,383,829

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.

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.

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.

7. Net fee and commission income continued

Accounting policy continued

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 programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

	Group		Company	
	2022 KShs'000	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Fee and commissions income	**6,437,058**	6,429,720	**4,827,036**	4,773,726
Fee and commissions expense	**(1,963,195)**	(993,498)	**(1,963,195)**	(993,498)
Net fee and commission income	**4,473,863**	5,436,222	**2,863,841**	3,780,228

7. **Net fee and commission income** continued

Group KShs'000	2022				2021			
	Corporate, Commercial & Institutional Banking	**Consumer, Private & Business Banking**	**Central & Other Items**	**Total**	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & Other Items	Total
Transaction Banking	**501,025**	**27,903**	**-**	**528,928**	862,964	35,119	-	898,083
Trade	**357,207**	**27,903**	**-**	**385,110**	368,992	35,119	-	404,111
Cash Management	**143,818**	**-**	**-**	**143,818**	493,972	-	-	493,972
Financial Markets	**901,097**	**-**	**-**	**901,097**	1,504,758	-	-	1,504,758
Lending & Portfolio Management	**239,261**	**-**	**-**	**239,261**	108,099	-	-	108,099
Wealth Management	**-**	**1,610,022**	**-**	**1,610,022**	-	1,655,994	-	1,655,994
Retail products	**-**	**1,173,036**	**-**	**1,173,036**	-	1,240,882	-	1,240,882
Treasury	**12,319**	**-**	**-**	**12,319**	20,405	-	-	20,405
Others	**9,200**	**-**	**-**	**9,200**	8,001	-	-	8,001
Net fee and commission income	**1,662,902**	**2,810,961**	**-**	**4,473,863**	2,504,227	2,931,995	-	5,436,222

Company KShs'000	2022				2021			
	Corporate, Commercial & Institutional Banking	**Consumer, Private & Business Banking**	**Central & Other Items**	**Total**	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & Other Items	Total
Transaction Banking	**501,025**	**27,903**	**-**	**528,928**	862,964	35,119	-	898,083
Trade	**357,207**	**27,903**	**-**	**385,110**	368,992	35,119	-	404,111
Cash Management	**143,818**	**-**	**-**	**143,818**	493,972	-	-	493,972
Financial Markets	**901,097**	**-**	**-**	**901,097**	1,504,758	-	-	1,504,758
Lending & Portfolio Management	**239,261**	**-**	**-**	**239,261**	108,099	-	-	108,099
Wealth Management	**-**	**-**	**-**	**-**	-	-	-	-
Retail products	**-**	**1,173,036**	**-**	**1,173,036**	-	1,240,882	-	1,240,882
Treasury	**12,319**	**-**	**-**	**12,319**	20,405	-	-	20,405
Others	**9,200**	**-**	**-**	**9,200**	8,001	-	-	8,001
Net fee and commission income	**1,662,902**	**1,200,939**	**-**	**2,863,841**	2,504,227	1,276,001	-	3,780,228

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	2022 KShs'000	2021 KShs'000
Gains less losses on foreign currency transactions	**5,973,243**	3,770,297
Other trading profits – FVTPL	**634,073**	532,630
Net trading income	**6,607,316**	4,302,927

9. Dividend income

Accounting policy

Dividends from subsidiaries are recognised when the right to receive payment is established.

Company	2022 KShs'000	2021 KShs'000
Standard Chartered Investment Services Limited	**1,116,476**	695,364
Standard Chartered Bancassurance Intermediary Limited	**43,847**	51,773
	1,160,323	747,137

10. Other operating 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	2022 KShs'000	2021 KShs'000
Other operating income includes:		
Rental income from operating lease assets	**61,149**	35,651
Net gains on disposal of FVOCI debt instruments	**167,769**	58,086
Other	**652**	58,750
Other operating income	**229,570**	152,487

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.

11. Operating expenses continued

Accounting policy continued

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 2022 in respect of 2021 performance, which vest in 2023-2025, is recognised as an expense over the period from 1 January 2021 to the vesting dates in 2023-2025. 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.

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	
Staff costs	**2022 KShs'000**	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Salaries and wages	**5,533,754**	5,194,706	**5,447,872**	5,107,679
Contributions to defined contribution plan	**575,048**	563,075	**567,219**	554,024
Increase in retirement benefit obligations (note 34)	**37,030**	39,046	**37,030**	39,046
Redundancy costs	**209,961**	214,071	**209,961**	214,037
Employee share-based payments expenses	**38,107**	24,708	**38,013**	24,656
Deferred cash awards	**33,465**	25,468	**33,465**	25,468
Other staff costs	**613,682**	475,994	**607,202**	469,548
	7,041,047	6,537,068	**6,940,762**	6,434,458

11. Operating expenses continued

Significant accounting estimates and judgments continued

Group and Company	2022 No.	2021 No.
The number of employees at the year-end was:		
Management	**844**	959
Unionisable	**130**	107
Other	**87**	54
	1,061	1,120

	Group		Company	
	2022 KShs'000	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Premises and equipment expenses				
Rental of premises	**127,072**	91,924	127,072	91,924
Rental of computers and equipment	**130,805**	167,917	130,805	167,917
Electricity	**65,518**	72,115	65,518	72,115
Premises restructuring expenses	**-**	42,001	-	42,001
Premises restructuring expenses provision release	**(49,454)**	(225,075)	(49,454)	(225,075)
Other premises and equipment expenses	**294,168**	277,042	292,469	274,440
	568,109	425,924	566,410	423,322

Premises and equipment expenses relate to costs incurred on premises and equipment that do not qualify for capitalisation under the Group policy and are expensed as they are incurred.

General administrative expenses mainly include recharges as disclosed in note 39 on related party transactions, and other miscellenous general and administrative expenses.

Group and Company	2022 KShs'000	2021 KShs'000
Depreciation and amortisation		
Depreciation on property and equipment (note 26)	**435,961**	553,947
Amortisation of intangible assets (note 27)	**820,529**	936,026
	1,256,490	1,489,973

12. Profit before tax

	Group		Company	
	2022 KShs'000	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Profit before tax is arrived at after charging:				
Depreciation on property and equipment (note 26)	**435,961**	553,947	**435,961**	553,947
Amortisation of intangible assets (note 27)	**820,529**	936,026	**820,529**	936,026
Loss on lease modification	**2,364**	-	**2,364**	-
Directors' emoluments - Fees	**24,590**	21,354	**24,030**	21,354
- Other	**289,025**	243,230	**289,025**	243,230
Auditors remuneration	**23,732**	21,390	**22,057**	21,390
And after crediting:				
Gain on lease modification	**-**	51,917	**-**	51,917
Gain on sale of property and equipment	**2,518**	736	**2,518**	736

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.

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	
	2022 KShs'000	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Current year's tax at 30%	**6,175,882**	3,324,417	**5,807,968**	2,975,600
Adjustment in respect of current income tax of prior years	**(108,609)**	(100,142)	**(112,304)**	(128,054)
	6,067,273	3,224,275	**5,695,664**	2,847,546
Deferred tax (credit)/charge at 30% (note 28)	**(1,022,009)**	329,939	**(994,174)**	313,422
Income tax expense	**5,045,264**	3,554,214	**4,701,490**	3,160,968

13. Tax continued

Accounting policy continued

The tax on the accounting profit before tax differs from the theoretical amount using the basic tax rate as follows:

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Accounting profit before tax	**17,103,199**	12,598,053	**17,138,414**	12,141,504
Computed tax using the applicable corporation tax rate at 30%	**5,130,960**	3,779,415	**5,141,524**	3,642,451
Tax exempt income	**(199,348)**	(237,851)	**(547,444)**	(461,992)
Non-deductible expenses	**199,897**	199,527	**196,398**	195,298
Adjustment in respect of				
current income tax of prior years	**(108,609)**	(100,142)	**(112,304)**	(128,054)
deferred tax of prior years	**22,364**	(86,735)	**23,316**	(86,735)
Income tax expense	**5,045,264**	3,554,214	**4,701,490**	3,160,968

The following are the movements in current tax during the year:

	Group		Company	
Current tax	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Current tax assets at 1 January	**1,007,877**	441,196	**913,568**	340,116
Current tax liabilities at 1 January	**(361,913)**	-	**(274,868)**	-
Net current tax at 1 January	**645,964**	441,196	**638,700**	340,116
Current income tax at 30%	**(6,175,882)**	(3,324,417)	**(5,807,968)**	(2,975,600)
Adjustment in respect of prior years current income tax	**108,609**	100,142	**112,304**	128,054
Taxes paid	**3,788,921**	3,429,043	**3,316,421**	3,146,130
Net current tax balance at 31 December	**(1,632,388)**	645,964	**(1,740,543)**	638,700
Current tax assets at 31 December	**1,022,677**	1,007,877	**913,568**	913,568
Current tax liabilities at 31 December	**(2,655,065)**	(361,913)	**(2,654,111)**	(274,868)
Total	**(1,632,388)**	645,964	**(1,740,543)**	638,700

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 2022 and 2021 is based on the profit attributable to ordinary shareholders of KShs 11,889,935,000 (2021: KShs 8,875,839,000) and a weighted average number of ordinary shares outstanding during the year of 377,850,589 (2021: 377,850,589).

The calculation of Company basic earnings per share at 31 December 2022 and 2021 is based on the profit attributable to ordinary shareholders of KShs 12,268,924,000 (2021: KShs 8,812,536,000) and a weighted average number of ordinary shares outstanding during the year of 377,850,589 (2021: 377,850,589).

	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Profit for the year attributable to equity holders	**12,057,935**	9,043,839	**12,436,924**	8,980,536
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	**11,889,935**	8,875,839	**12,268,924**	8,812,536
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)	**31.47**	23.49	**32.47**	23.32

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	2022 KShs'000	2021 KShs'000
Dividends – Ordinary shares	**6,045,610**	5,289,909
Dividends – Preference shares	**84,690**	84,690
	6,130,300	5,374,599
The movement in dividend is as follows:		
At 1 January	**5,374,599**	4,135,431
Dividend proposed		
Ordinary shares - interim 2022/ 2021	**2,267,104**	1,889,254
Preference shares - interim 2022/2021	**83,310**	83,310
Ordinary shares - final 2022/2021	**6,045,610**	5,289,909
Preference shares - final 2022/ 2021	**84,690**	84,690
Dividend paid		
Ordinary shares - final 2021/ 2020	**(5,289,909)**	(3,967,431)
Preference shares - final2021/ 2020	**(84,690)**	(168,000)
Ordinary shares - interim2022/ 2021	**(2,267,104)**	(1,889,254)
Preference shares - interim2022/ 2021	**(83,310)**	(83,310)
At 31 December	**6,130,300**	5,374,599

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 25 May 2023 a final dividend in respect of the year ended 31 December 2022 of KShs 16.00 (2021 – KShs 14.00) per ordinary share of KShs 5.00 is to be proposed. One interim dividend of KShs 6.00 (2021 – KShs 5.00) for every ordinary share of KShs 5.00 was declared on 23 November 2022 and paid on 29 December 2022 This will bring the total dividend for the year to KShs 22.00 (2021 – KShs 19.00) per ordinary share of KShs 5.00.

At the Annual General Meeting to be held on 25 May 2023, a final dividend in respect of the year ended 31 December 2022 of KShs 84,690,411 (2021 – KShs 84,690,411) for the preference shares is to be proposed. An interim dividend of KShs 83,309,589 (2021 – KShs 83,309,589l) was declared on 23 November 2022 and paid on 29 December 2022. This will bring the total dividend for the year to KShs 168,000,000 (2021: 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 comprise cash on demand and unrestricted balances with the Central Bank of Kenya and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills and loans and advances to banks. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

Group and Company	2022 KShs'000	2021 KShs'000
Cash on hand	**3,457,845**	3,623,969
Balances with Central Bank of Kenya		
- Restricted balances (Cash Reserve Ratio)	**12,685,788**	11,383,670
- Unrestricted balances	**7,113,673**	8,692,812
	23,257,306	23,700,451

16. Cash and balances with Central Bank of Kenya continued

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 2022, the Cash Reserve Ratio requirement was 4.25% (2021: 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% (2021: 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 2022	Treasury bonds KShs'000	Equity shares KShs'000	Total KShs'000
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

Group and Company 2021	Treasury bonds KShs'000	Treasury bills KShs'000	Equity shares KShs'000	Total KShs'000
At 1 January	2,946,656	1,979,913	21,606	4,948,175
Additions	22,416,874	-	-	22,416,874
Disposals and maturities	(20,819,287)	(1,959,826)	-	(22,779,113)
Exchange difference	-	-	(947)	(947)
Changes in fair value	36,465	(20,087)	-	16,378
At 31 December	4,580,708	-	20,659	4,601,367

The weighted average effective interest rate on government securities mandatorily held at FVTPL at 31 December 2022 was 12.59% (2021 – 11.25%).

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.

18. Derivative financial instruments continued

Accounting policy continued

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.

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					
	2022			2021		
Derivatives	**Notional principal amounts KShs'000**	**Asset KShs'000**	**Liabilities KShs'000**	Notional principal amounts KShs'000	Assets KShs'000	Liabilities KShs'000
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**19,943,672**	**159,740**	**78,214**	43,319,417	243,610	93,340
Currency swaps and options	**2,916,450**	**149,878**	**150,628**	9,281,047	50,725	85,413
	22,860,122	**309,618**	**228,842**	52,600,464	294,335	178,753
Interest rate derivative contracts: Interest rate swaps, forward agreements and options	**2,898,964**	**90,876**	**90,733**	3,230,094	171,544	181,055
Total derivatives	**25,759,086**	**400,494**	**319,575**	55,830,558	465,879	359,808

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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	2022 KShs'000	2021 KShs'000
Gross loans and advances to banks	**430,551**	2,431,869
Expected credit loss	**(2,462)**	(2,818)
	428,089	2,429,051
Gross loans and advances to customers	**148,690,254**	136,181,940
Expected credit loss	**(9,277,694)**	(10,207,350)
	139,412,560	125,974,590
Total loans and advances to banks and customers	**139,840,649**	128,403,641

The weighted average effective interest rate on loans and advances to banks at 31 December 2022 was 0.01% (2021 – 6.75%).

The weighted average effective interest rate on loans and advances to customers at 31 December 2022 was 10.50% (2021– 8.95%).

(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	2022 KShs'000	2021 KShs'000
Loans and advances to customers	**885,618**	1,782,717
Loans and advances to banks	**(397)**	(803)
Amounts due from group companies	**(7,202)**	(163,647)
FVOCI investment securities	**(96,570)**	(11,923)
Financial guarantees and loan commitments	**3,174**	(113,506)
	784,623	1,492,838

(b) Maturity term classification

Group and Company	2022 KShs'000	2021 KShs'000
Repayable on demand	**35,024,244**	38,243,812
Less than 3 months	**33,806,773**	13,591,220
3 months to 1 year	**12,861,440**	11,145,612
1 to 5 years	**34,393,533**	42,092,296
5 to 10 years	**15,768,992**	14,199,828
Over 10 years	**16,835,272**	16,909,173
Gross loans and advances	**148,690,254**	136,181,941

20. Government securities held at FVOCI

Accounting policy

Refer to note 3 on Financial assets and liabilities for the accounting policy.

Group and Company	2022 KShs'000	2021 KShs'000
Treasury bonds – FVOCI	**59,339,979**	57,733,096
Treasury bills – FVOCI	**45,391,183**	33,281,809
	104,731,162	91,014,905

The change in the carrying amount of Government securities at FVOCI is as shown below:

Group and Company	2022 KShs'000	2021 KShs'000
At 1 January	**91,014,905**	94,852,653
Additions	**99,982,330**	60,090,951
Disposals and maturities	**(85,251,618)**	(66,918,555)
Changes in fair value	**(1,732,592)**	(845,227)
Fair value recycled through income statement	**(167,769)**	(45,561)
Movement in accrued interest	**139,691**	381,700
Amortisation of discounts and premiums	**746,215**	3,498,944
At 31 December	**104,731,162**	91,014,905

The weighted average effective interest rate on treasury bonds at 31 December 2022 was 11.28% (2021 – 11.01%) and on treasury bills was 9.48% (2021 – 8.61%).

There were no treasury bills under repurchase agreements outstanding at 31 December 2022 and 2021. There were no money market bonds as at 31 December 2022 (2021 – nil).

At 31 December 2022, unamortised premiums on investment securities amounted to KShs 518 million (2021 – KShs 304 million) and unamortised discounts amounted to KShs 1,626 million (2021 - KShs 1,184 million).

21. Other assets

Accounting policy

Refer to note 3 financial assets and liabilities for the accounting policy.

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Due from group companies and other related parties				
Amounts due from group companies	**96,127,601**	72,005,545	**96,608,538**	72,317,285
Less loss allowance (note 4(a)(ii))	**(6,415)**	(13,617)	**(6,415)**	(13,617)
	96,121,186	71,991,928	**96,602,123**	72,303,668
Due to group companies and other related parties				
Amounts due to group companies	**12,717,385**	9,631,154	**12,717,385**	9,631,154
Amounts due to subsidiaries	**-**	-	**742,280**	1,083,582
	12,717,385	9,631,154	**13,459,665**	10,714,736

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	
	2022 KShs'000	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Due from group companies and other related parties				
Amounts due from group companies	**96,127,601**	72,005,545	**96,608,538**	72,317,285
Less loss allowance (note 4(a)(ii))	**(6,415)**	(13,617)	**(6,415)**	(13,617)
	96,121,186	71,991,928	**96,602,123**	72,303,668
Due to group companies and other related parties				
Amounts due to group companies	**12,717,385**	9,631,154	**12,717,385**	9,631,154
Amounts due to subsidiaries	**-**	-	**742,280**	1,083,582
	12,717,385	9,631,154	**13,459,665**	10,714,736

Included in amounts due to group companies is an amount of US$ 40 million (KShs 4,962 million) (2021 – US$ 60 million (KShs 6,801 million)) relating to subordinated loan capital debt made up of two amounts of US$ 20 million each advanced on 22 December 2014 and 19 August 2016 respectively (2021: three amounts of US$ 20 million each advanced on 22 December 2014 and 19 August 2016, respectively). The subordinated debts are unsecured, ungauranteed 10-year loan capital issued by Standard Chartered PLC, and are subordinated to the claims of other creditors including without limitation, customer deposits and deposits to banks. The Company has the right to settle these debt instruments in certain circumstances, as set out in the contractual agreements. The issuer also has the right to call the debt instruments.

In 2022, the Company excercised its right to redeem US$ 20million (KShs 2,481 million) of the 2013 subordinated debt that was callable (2021: Nil). In the next 12 months, US$ 40 million (KShs 4,962 million) is callable by the Company, The interest on the subordinated debts are referenced to the LIBOR and will be subject to remediation under interest rate benchmark reform. The weighted average effective interest rate at 31 December 2022 on the subordinated debts was 4.52% (2021 – 3.14%).The weighted average effective interest rate at 31 December 2022 on amounts due from group companies was 1.18% (2021 – 3.66%) and on amounts due to group companies was 1.19% (2021 – 4.92%).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 6.25% (2021 – 7.00%).

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	**2022 KShs'000**	2021 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 (2021 - nil).

23. Investment in subsidiary undertakings continued

In 2021, the Company invested KShs 4 million into Standard Chartered Bancassurance Intermediary Limited (formerly Standard Chartered Insurance Agency Limited) to comply with new regulatory requirements.

Company	2022 KShs'000	2021 KShs'000
Investments in subsidiary undertakings		
At 1 January	**145,243**	141,243
Additions	**-**	4,000
At 31 December	**145,243**	145,243

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 2022 using steady long-term estimated GDP growth rates; and
- the cash flows were discounted using a pre-tax discount rate of 23.85% 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

The intangible asset arising from the acquisition is as follows:

Group and Company	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

Contribution from the acquisition:	2022 KShs'000	2021 KShs'000
Operating income	2,452,094	2,413,738
Profit before tax	2,311,426	2,068,191

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 programme 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.

Non -current assets held for sale are not depreciated or amortised. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. 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	2022 KShs'000	2021 KShs'000
At 1 January and 31 December	222,000	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.

25. Non-current asset held for sale continued

The property has been placed on the market with the sale expected within the 2023 financial year.

The asset of KShs 222 million (2021 – KShs 222 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 2022. 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.

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 transferred from revaluation reserves to retained earnings to recognise the use of the property and equipment. Excess depreciation of KShs 14,759,000(2021: KShs 14,759,00) and related deferred tax of KShs 4,428,000 (2021: 4,428,000) was transeferred to retained earnings.

26. Property and equipment continued

Accounting policy continued

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.

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 2022	Premises KShs'000	Equipment & motor vehicles KShs'000	Right-of-use assets: Leased land KShs'000	Right-of-use assets: 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	4,868,435	2,699,846	277,578	596,536	8,442,395
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

26. Property and equipment continued

Significant accounting estimates and judgments continued

Group and Company 2021	Premises KShs'000	Equipment & motor vehicles KShs'000	Right-of-use assets Leased Land KShs'000	Right-of-use assets Leased premises KShs'000	Total KShs'000
Cost or valuation					
At 1 January	4,840,647	2,990,821	277,578	689,140	8,798,186
Additions	82,266	72,637	-	109,044	263,947
Disposals and fully depreciated assets written off	(139,936)	(431,307)	-	(225,800)	(797,043)
At 31 December	4,782,977	2,632,151	277,578	572,384	8,265,090
Depreciation					
Accumulated at 1 January	2,557,916	2,343,033	45,802	217,493	5,164,244
Charge for the year	210,609	197,909	2,927	142,502	553,947
Attributable to assets sold, transferred, or written off	(112,883)	(427,408)	-	(108,844)	(649,135)
Accumulated at 31 December	2,655,642	2,113,534	48,729	251,151	5,069,056
Net book amount at 31 December	2,127,335	518,617	228,849	321,233	3,196,034

Included in property and equipment at 31 December 2022 are assets with a gross value of KShs 7,880,832,000 (2021– KShs 6,185,319,000) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been KShs 2,811,578,000 (2021 – KShs 1,883,420,000).

There were no idle assets as at 31 December 2022 and 2021.

Freehold land and buildings were revalued on an open market basis by professional valuers, Legend valuers Limited and Joe Musyoki Consultants as at 30 September 2020. The book values of the properties were adjusted to the revaluations, and the resulting surplus, net of deferred tax, was credited 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 2020.

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2022 (2021 – Nil).

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

Group and Company	Freehold land and buildings 2022 KShs'000	Freehold land and buildings 2021 KShs'000
Cost	616,061	616,061
Accumulated depreciation	(187,643)	(171,623)
	428,418	444,438

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.

26. Property and equipment continued

Significant accounting estimates and judgments continued

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/(decreased) in fair value of KShs 24 million.
Standard Chartered@ Chiromo	- Cost approach - Sale comparable approach - Investment approach	estimated market rental value	KShs 196 million per year	5% increase or decrease would result in an increase/(decreased) 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/(decreased) 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/(decreased) in fair value of KShs 1 million.

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.

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.

27. Goodwill and intangible assets continued

Accounting policy continued

Acquired intangibles and computer software continued

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.

	2022				2021			
Group and Company KShs'000	**Goodwill**	**Acquired intangible asset**	**Computer software**	**Total**	Goodwill	Acquired intangible asset	Computer software	Total
Cost								
At 1 January	**1,112,111**	**3,707,038**	**5,189,468**	**10,008,617**	1,112,111	3,707,038	3,413,888	8,233,037
Additions	**-**	**-**	**1,137,471**	**1,137,471**	-	-	1,830,703	1,830,703
Impairment	**-**	**-**	**(150,735)**	**(150,735)**	-	-	(55,123)	(55,123)
Amounts written off	**-**	**-**		**-**	-	-	-	-
At 31 December	**1,112,111**	**3,707,038**	**6,176,204**	**10,995,353**	1,112,111	3,707,038	5,189,468	10,008,617
Amortisation								
At 1 January	**-**	**3,707,038**	**2,402,738**	**6,109,776**	-	3,522,412	1,687,633	5,210,045
Amortisation	**-**		**820,529**	**820,529**	-	184,626	751,400	936,026
Impairment	**-**	**-**	**(38,176)**	**(38,176)**	-	-	(36,295)	(36,295)
Amounts written off	**-**	**-**		**-**	-	-	-	-
At 31 December	**-**	**3,707,038**	**3,185,091**	**6,892,129**	-	3,707,038	2,402,738	6,109,776
Net book value	**1,112,111**	**-**	**2,991,113**	**4,103,224**	1,112,111	-	2,786,730	3,898,841

As at 31 December 2022, assets with a gross value of KShs 1,190,983,000 (2021 – KShs 977,175,000) are fully amortised but still in use. The notional amortisation charge for the year on these assets would have been KShs 217,716,000 (2021 – KShs 325,725,000).

During the year, the Group decommissioned certain computer software. As a result assets with a carrying amount of KShs 112,559,000 (2021 – KShs 18,828,000) were impaired.

There were no idle assets as at 31 December 2022 and 2021.

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 1,603,420,000. It is on this basis that the directors determined that the goodwill was not impaired at the reporting date (2021 - Nil).

27. Goodwill and intangible assets continued

Acquired intangibles and computer software continued

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 2022 was determined similarly as in 2021. 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 2022 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 2022 and 2021 are attributable to the following:

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	**(336,108)**	**4,427**	**-**	**(331,681)**
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				
-current year	**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**

Group 2021	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	189,101	4,449	-	193,550
-adjustment in respect to deferred tax in prior years	-	(5,158)	-	(5,158)
Acquired intangible asset	(55,388)	55,388	-	-
ECL on stage 1 and 2 financial instruments	952,803	(191,588)	-	761,215
ECL on stage 3 financial instruments	392,354	187,714	-	580,068
-adjustment in respect to deferred tax in prior years	-	91,893		91,893
Revaluation surplus	(340,536)	4,428	-	(336,108)
Fair value reserve – FVOCI	(396,409)		267,237	(129,172)
Accrued interest	134,683	(54,951)	-	79,732
Right-of-use-asset	81,273	60,217	-	141,490
Other provisions				
-adjustment in respect to deferred tax in prior years	1,529,211	(445,304)	3,576	1,087,483
Retirement benefit obligations	49,114	(37,027)	2,404	14,491
	2,536,206	(329,939)	273,217	2,479,484

28. **Deferred tax** 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	**(336,108)**	**4,427**	**-**	**(331,681)**
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				
- adjustment in respect to deferred tax in prior years	**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**

Company 2021	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	110,043	23,572	-	133,615
- adjustment in respect to deferred tax in prior years	-	(5,158)	-	(5,158)
Acquired intangible asset	(55,388)	55,388	-	-
ECL on stage 1 and 2 financial instruments	952,803	(191,588)	-	761,215
ECL on stage 3 financial instruments	392,354	187,714	-	580,068
- adjustment in respect to deferred tax in prior years	-	91,893	-	91,893
Revaluation surplus	(340,536)	4,428	-	(336,108)
Fair value reserve	(396,409)	-	267,237	(129,172)
Accrued interest	134,683	(54,951)	-	79,732
Right-of-use-asset	81,273	60,217	-	141,490
Other provisions				
- adjustment in respect to deferred tax in prior years	1,529,435	(447,910)	3,576	1,085,101
Retirement benefit obligations	49,114	(37,027)	2,404	14,491
	2,457,372	(313,422)	273,217	2,417,167

29. Deposits from banks

Accounting policy

Refer to note 3 Financial assets and liabilities for the accounting policy.

Group and Company	2022 KShs'000	2021 KShs'000
Balances from local banks	**13,278,599**	273,644
Balances from foreign banks	**201,865**	109,570
	13,480,464	383,214

The weighted average effective interest rate on deposits from banks at 31 December 2022 was 2.67% (2021 – 3.48%).

30. Deposits from customers

Accounting policy

Refer to note 3 Financial assets and liabilities for the accounting policy.

Group and Company	2022 KShs'000	2021 KShs'000
(a) Maturity profile		
Payable on demand	**259,576,863**	243,239,592
Payable within 3 months or less	**9,303,806**	10,889,490
Payable after 3 months	**9,998,640**	11,340,032
	278,879,309	265,469,114
(b) Product classification		
Current and demand accounts	**223,786,162**	201,189,036
Savings deposits	**27,587,097**	29,322,949
Time deposits	**17,857,765**	23,701,885
Other	**9,648,285**	11,255,244
	278,879,309	265,469,114

The weighted average effective interest rate on interest bearing deposits from customers at 31 December 2022 was 3.00% (2021 – 4.38%).

31. Other liabilities

Accounting policy

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Financial liabilities at amortised cost				
Bills payable	**11,342,411**	650,718	**11,342,411**	650,718
Lease liability	**279,806**	364,068	**279,806**	364,068
Total financial liabilities at amortised cost	**11,622,217**	1,014,786	**11,622,217**	1,014,786
Non – financial liabilities				
Dividends payable	**211,412**	239,936	**211,412**	239,936
ECL on undrawn commitments	**105,310**	108,586	**105,310**	108,586
Other payables	**5,036,120**	4,057,044	**5,021,147**	4,034,766
Total non-financial liabilities	**5,352,842**	4,405,566	**5,337,869**	4,383,288
	16,975,059	5,420,352	**16,960,086**	5,398,074

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.

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 undertaKShs 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	2022 KShs'000	2021 KShs'000
Financial guarantees and trade credits		
Financial guarantees, trade and irrevocable letters of credit	**71,140,599**	67,705,073
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	**34,271,218**	38,981,347
Less than one year	**2,455,826**	8,525,424
Unconditionally cancellable	**103,986**	-
	36,831,030	47,506,771

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.

(b) 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. The effect of this decision is that the Court of Appeal would proceed to hear and determine the appeal afresh.

In December 2022, 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 effect of this decision is that the High Court will now proceed to hear and determine the appeal afresh. The directors, having considered the Court of Appeal judgment and obtained appropriate legal advice, have challenged the said Judgment before the Supreme Court and the matter is pending hearing and determination.

32. Contingent liabilities and commitments continued

(b) Legal and regulatory matters continued

(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 favor 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 on 7 July 2022 issued a stay of execution of the RBAT ruling pending hearing and determination of the judicial review matter.

(iii) A claim by a former client which is made up of two cases. The client defaulted on his borrowings and the Company attempted to realise the securities held for the borrowings. In that regard, the client sued the Company alleging that the Company did not account for some KShs 55 million deposited in the client's account. The effect of this case was to stop the Company from realising the securities. The client further reported the matter to the Anti-Banking Fraud Unit and applied to the High Court in a Constitutional Petition, to compel the Director of Public Prosecutions (DPP) to prosecute the Company. The application was declined but the client subsequently filed Notice of Appeal and the Supreme Court in October 2022 struck out the Petition of Appeal in favour of the Company and hence the matter stands closed.

(iv) 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 2022, 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

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

Significant estimates and judgments 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.

Right-of-use assets

Group and Company KShs'000	2022 Leasehold land	2022 Non-land leases	2022 Total	2021 Leasehold land	2021 Non-land leases	2021 Total
At 1 January	**228,849**	**321,233**	**550,082**	231,776	471,647	703,423
Additions	**-**	**34,460**	**34,460**	-	109,044	109,044
Disposals	**-**	**(10,308)**	**(10,308)**	-	(225,800)	(225,800)
Depreciation charge for the year (note 26)	**(2,927)**	**(111,522)**	**(114,449)**	(2,927)	(142,502)	(145,429)
Depreciation on disposals	**-**	**3,123**	**3,123**	-	108,844	108,844
At 31 December	**225,922**	**236,986**	**462,908**	228,849	321,233	550,082

Lease liability

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	2022 KShs'000	2021 KShs'000
At 1 January	**364,068**	528,992
Additions	**83,079**	101,384
Cancellations	**-**	(142,204)
Modifications	**2,364**	19,126
Interest on lease liabilities (note 6)	**34,816**	54,696
Payment of lease liability interest	**(34,816)**	(54,696)
Payment of lease liability principal	**(169,705)**	(143,030)
At 31 December	**279,806**	364,068

The table below summarises expenses that were recognised in the income statement.

Group and Company	2022 Leasehold land KShs'000	2022 Non-land leases KShs'000	2021 Leasehold land KShs'000	2021 Non-land leases KShs'000
Interest on lease payments (note 6)	**-**	**34,816**	-	54,696
Expenses relating to short-term property leases	**-**	**116,373**	-	98,644
Expenses relating to low value non-property leases	**-**	**129,163**	-	167,441
Amounts recognised in statement of cashflows				
Lease liability payments	**-**	**(169,705)**	-	(143,030)

The table below shows the Group's minimum lease payments in relation to rental income.

Group and Company	2022 KShs'000	2021 KShs'000
Within 1 year		-
After 1 year but less than 5 years	**30,385**	30,385
After 5 years	**18,051**	42,892
Total rent receivable	**48,436**	73,277

33. Leases continued

Maturity analysis

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

Group and Company	2022 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 KSh'000
Other liabilities – lease liabilities	**5,400**	**32,399**	**214,372**	**27,635**	**279,806**

Group and Company	2021 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
Other liabilities – lease liabilities	3,336	54,318	250,967	55,446	364,067

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. An actuarial valuation was carried out in the year ended 31 December 2022.

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.

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.

34. Retirement benefit obligations continued

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	2022 KShs'000	2021 KShs'000
Fair value of plan assets	**687,385**	776,410
Present value of funded obligations	**(783,813)**	(808,687)
Retirement benefit obligations as at 31 December	**(96,428)**	(32,277)
Plan assets consist of the following:		
Government bonds and bills	**634,826**	664,927
Corporate bonds	**3,033**	-
Other assets	**49,526**	111,483
	687,385	776,410
Movement in plan assets		
Fair value of plan assets at 1 January	**776,410**	670,288
Expected return on plan assets	**97,799**	93,944
Benefits paid by the plan	**(145,298)**	(140,127)
Employer contributions	**30,000**	178,500
Recognised actuarial losses	**(66,116)**	(20,940)
Administrative expenses paid	**(5,410)**	(5,255)
Fair value of plan assets at 31 December	**687,385**	776,410
Movement in retirement benefit obligations		
Retirement benefit obligations at 1 January	**808,687**	834,005
Interest cost	**99,419**	97,735
Past service cost	**30,000**	30,000
Benefits paid by the plan	**(145,298)**	(140,127)
Recognised actuarial losses	**(8,995)**	(12,926)
Present value of funded obligations	**783,813**	808,687
The net charge recognised in the income statement is as follows:		
Interest cost	**(99,419)**	(97,735)
Expected return on plan assets	**97,799**	93,944
Past service cost	**(30,000)**	(30,000)
Administrative expenses paid	**(5,410)**	(5,255)
Total charge included in staff costs (note 11)	**(37,030)**	(39,046)

34. Retirement benefit obligations continued

The movement in the retirement benefit obligations in the statement of financial position is as follows

Group and Company	2022 KShs'000	2021 KShs'000
At 1 January	**(32,277)**	(163,717)
Employer contributions	**30,000**	178,500
Charge to the income statement	**(37,030)**	(39,046)
Recognised in other comprehensive income	**(57,121)**	(8,014)
At 31 December	**(96,428)**	(32,277)

Historical information	2022 KShs'000	2021 KShs'000	2020 KShs'000	2019 KShs'000	2018 KShs'000
Fair value of plan assets	**687,385**	776,410	670,288	568,207	603,730
Present value of funded obligations	**(783,813)**	(808,687)	(834,005)	(835,603)	(818,905)
Retirement benefit obligations	**(96,428)**	(32,277)	(163,717)	(267,396)	(215,175)

Key assumptions

The principal actuarial assumptions used at the reporting date were:

	2022 % pa	2021 % pa
Discount rate	**14.50**	13.50
Expected return on plan assets	**14.50**	13.50
Future pension increases	**-**	-

The overall expected long term rate of return on the assets is 14.50% (2021 – 13.50%) 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:

	Increase KShs'000	Decrease KShs'000	Increase KShs'000	Decrease KShs'000
Discount rate (-1% movement)	**31,326**	**-**	34,305	-
Discount rate (+1% movement)	**-**	**29,809**	-	32,554
Future mortality (longevity of member aged 60 increasing by 1 year)	**-**	**18,492**	-	18,868

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 2022 was KShs 2,169 million (2021 – KShs 2,169 million) made up of 377,850,589 (2021 – 377,850,589) ordinary shares of KShs 5.00 each and 56 million (2021 – 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.

	2022			2021		
Authorised, issued and fully paid	**Number of ordinary shares '000**	**Number of preference shares '000**	**Authorised share capital '000**	Number of ordinary shares '000	Number of preference shares '000	Authorised share capital '000
At 1 January and 31 December	**377,851**	**56,000**	**2,169,253**	377,851	56,000	2,169,253

	Ordinary shares			Preference shares			
KShs'000	**Share capital**	**Share premium**	**Total**	**Share capital**	**Share premium**	**Total**	**Total**
At 1 January and 31 December 2022	1,889,253	5,272,427	7,161,680	280,000	2,520,000	2,800,000	9,961,680

The shareholders at 31 December 2022 and 31 December 2021 that had large holdings were as follows:

At 31 December 2022

Name	Number of shares ('000)	%
1. Standard Chartered Holdings (Africa) BV	**279,195,109**	**73.89**
2. Shawmut Limited	**3,884,493**	**1.03**
3. Standard Chartered Nominees RESD A/C KE11443	**3,228,392**	**0.85**
4. Standard Chartered Kenya Nominees – A/C KE004667	**2,506,864**	**0.66**
5. Standard Chartered Nominees – RESD A/C KE11450	**1,882,961**	**0.5**
6. Kenya Commercial Bank Nominees Limited – A/C 915B	**1,630,747**	**0.43**
7. Standard Chartered Africa Limited	**1,597,200**	**0.42**
8. ICEA Lion Life Assurance Company Limited – Pooled	**1,188,968**	**0.31**
9.Jubilee Life Insurance Limited	**868,925**	**0.23**
10. Old Mutual Life Assurance Company Limited	**776,864**	**0.21**
11. Others	**81,090,066**	**21.47**
	377,850,589	**100.00**

At 31 December 2021

1. Standard Chartered Holdings (Africa) BV	279,195	73.89
2. Standard Chartered Kenya Nominees – A/C KE004667	3,884	1.03
3. Shawmut Limited	2,507	0.66
4. Stanbic Nominees Limited A/C NR5551514	1,883	0.50
5. Standard Chartered Nominees – RESD A/C KE11450	1,631	0.43
6. Kenya Commercial Bank Nominees Limited – A/C 915B	1,597	0.42
7. Standard Chartered Africa Limited	1,295	0.34
8. Standard Chartered Nominees – RESD A/C KE11401	1,202	0.32
9. Old Mutual Life Assurance Company Limited	1,189	0.31
10. Standard Chartered Nominees RESD A/C KE11443	1,128	0.30
11. Others	82,340	21.80
	377,851	100.00

35. Share capital and reserves continued

(a) Share capital continued

The distribution of shareholders as at 31 December 2022 and 2021 was as follows:

	2022			2021		
Share range	Number of Shareholders	Shares held ('000)	%	Number of shareholders	Shares held ('000)	%
Less than 500	**10,404**	**1,955**	**0.52**	10,248	1,914	0.51
501 to 5,000	**19,891**	**29,435**	**7.79**	19,960	29,476	7.80
5,001 to 10,000	**541**	**3,843**	**1.02**	525	3,729	0.99
10,001 to 100,000	**653**	**19,968**	**5.29**	620	18,599	4.92
100,001 to 1,000,000	**117**	**27,536**	**7.28**	126	28,621	7.57
Above 1,000,000	**8**	**295,114**	**78.10**	10	295,512	78.21
Total	**31,614**	**377,851**	**100.00**	31,489	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 At 1 January and 31 December	2022 KShs'000	2021 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

(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	2022 KShs'000	2021 KShs'000
At 1 January	**87,323**	61,591
Equity settled awards accrued	**152,968**	112,031
Recognised in income statement (note 11)	**(38,107)**	(24,708)
Payments in the year	**(87,323)**	(61,591)
At 31 December	**114,861**	87,323

(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

	Group		Company	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
Depreciation of property and equipment	**435,961**	553,947	**435,961**	553,947
Amortisation of intangible assets	**820,529**	936,026	**820,529**	936,026
Loss on sale of property and equipment	**(2,518)**	(736)	**(2,518)**	(736)
Lease modification	**2,364**	51,917	**2,364**	51,917
Impairment of intangible assets	**112,559**	18,828	**112,559**	18,828
Retirement benefit obligations	**37,030**	39,046	**37,030**	39,046
Expected credit loss on FVOCI financial instruments	**(96,570)**	(11,923)	**(96,570)**	(11,923)
Share based payments allocated	**114,861**	87,323	**114,861**	87,323
Total	**1,424,216**	1,729,124	**1,424,216**	1,729,124

(b) Change in operating assets

Balances with Central Bank of Kenya				
– Cash Reserve Ratio	**(1,302,118)**	(199,709)	**(1,302,118)**	(199,709)
Government and other securities held at FVTPL	**3,614,436**	346,808	**3,614,436**	346,808
Derivative financial instruments	**65,385**	272,647	**65,385**	272,647
Loans and advances to customers	**(13,437,970)**	(4,450,363)	**(13,437,970)**	(4,450,363)
Investment securities	**(15,616,618)**	2,946,960	**(15,616,618)**	2,946,960
Amounts due from group companies	**9,890,549**	(1,041,434)	**9,890,549**	(1,041,434)
Other assets	**393,585**	(1,112,762)	**389,064**	(1,093,999)
Total	**(16,392,751)**	(3,237,853)	**(16,397,272)**	(3,219,090)

(c) Change in operating liabilities

Deposits from customers	**13,410,195**	8,971,584	**13,410,195**	8,971,584
Derivative financial instruments	**(40,233)**	(288,031)	**(40,233)**	(288,031)
Amounts due to group subsidiaries	**-**	-	**(341,302)**	125,765
Amounts due to group companies	**(1,827,263)**	(855,000)	**(1,827,263)**	(855,000)
Defined benefit obligations	**(30,000)**	(178,500)	**(30,000)**	(178,500)
Other liabilities	**11,729,233**	(223,954)	**11,736,538**	(227,611)
Total	**23,241,932**	7,426,099	**22,907,935**	7,548,207

(d) Analysis of the balance of cash and cash equivalents

Cash on hand	**3,457,845**	3,623,969	**3,457,845**	3,623,969
Unrestricted cash balances with Central Bank of Kenya	**7,113,673**	8,692,812	**7,113,673**	8,692,812
Loans and advances to banks	**428,089**	2,429,051	**428,089**	2,429,051
Deposits from banks	**(13,480,464)**	(383,214)	**(13,480,464)**	(383,214)
Amounts due from group companies	**84,812,301**	50,792,494	**85,293,238**	51,104,234
Amounts due to group companies	**(7,755,648)**	(2,842,154)	**(7,755,648)**	(2,842,154)
Total	**74,575,796**	62,312,958	**75,056,733**	62,624,698

37. Assets pledged as security

As at 31 December 2022, 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	
	2022 KShs'000	2021 KShs'000	**2022 KShs'000**	2021 KShs'000
Value of asset security documents held on behalf of customers	**988,088,447**	1,093,673,488	**655,160,790**	678,249,035

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.

	Group					Company				
2022	**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	**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**
2021										
Standard Chartered PLC	783,200	247,397	237,694	1,360,970	6,789,930	783,200	247,397	237,694	1,360,970	6,789,930
Other group companies	22,545	18,366	3,765	2,804,853	24,793,120	22,545	45,442	3,765	2,500,050	24,793,120
	805,745	265,763	241,459	4,165,823	31,583,050	805,745	292,839	241,459	3,861,020	31,583,050

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 transactions are at transfer pricing agreements.

The related party balances at 31 December 2022 and 2021 are shown in note 23. Trade contingent liabilities with group companies at 31 December 2022 was KShs 39,502 million (2021: KShs 31,583 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	2022 KShs'000	2021 KShs'000
Salaries and other employee benefits	**492,435**	498,622

Transactions with directors and others

During the year, the number of key management staff was 13 (2021: 15).

At 31 December 2022, balances relating to deposits from directors, employees and associates amounted to

KShs 705,929,000 (2021 – KShs 669,418,000). The interest expense paid during the year on deposits from directors, employees and associates amounted to KShs 3,267,000 (2021 – KShs 4,836,000).

Included in loans and advances to customers are the following amounts:

Group and Company	2022 KShs'000	2021 KShs'000
Loans and advances to directors, employees and their associates		
At start of the year	**6,582,373**	6,730,924
Amounts advanced during the year	**3,111,298**	1,378,660
Amounts repaid during the year	**(3,239,183)**	(1,527,211)
At end of the year	**6,454,488**	6,582,373
Loans and advances to directors or companies controlled by directors or their families	**55,704**	76,112
Loans and advances to employees	**6,398,784**	6,506,261
	6,454,488	6,582,373
Collateral	**5,974,082**	6,501,610

The interest income earned during the year on loans and advances to directors, employees and associates amounted to KShs 434,935,000 (2021 – 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 2022 (2021:Nil).

The Company has also entered into transactions at with Standard Chartered Kenya Pension Fund (SCKPF) and Standard Chartered Staff Retirement Benefits Scheme 2006 (SCKSRBS 2006). At 31 December 2022, deposits from SCKPF and SCKSRBS 2006 amounted to KShs 63,849,419 (2021 – KShs78,085,000).

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		
2022 **Assets**	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	76,182,011	19,939,175	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, plant 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	242,922,773	138,337,242	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	16,975,060	-	16,975,060	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	319,485,842	5,637,444	325,123,286	320,212,194	5,637,444	325,849,638

Financial Statements

41. Maturity analysis of assets and liabilities continued

	Group			Company		
2021 **Assets**	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	23,700,451	-	23,700,451	23,700,451	-	23,700,451
Government and other securities held at FVPTL	157	4,601,210	4,601,367	157	4,601,210	4,601,367
Derivative financial instruments	465,879	-	465,879	465,879	-	465,879
Loans and advances to banks	2,429,051	-	2,429,051	2,429,051	-	2,429,051
Loans and advances to customers	52,224,628	73,749,962	125,974,590	52,224,628	73,749,962	125,974,590
Government securities held at FVOCI	43,019,418	47,995,487	91,014,905	43,019,418	47,995,487	91,014,905
Current tax assets	1,007,877	-	1,007,877	913,568	-	913,568
Other assets	3,889,531	-	3,889,531	3,828,722	-	3,828,722
Due from subsidiaries and other related parties	50,759,628	21,232,300	71,991,928	50,759,628	21,544,040	72,303,668
Investment in subsidiary undertakings	-	-	-	-	145,243	145,243
Assets classified as held for sale	222,000	-	222,000	222,000	-	222,000
Property, plant and equipment	-	3,196,034	3,196,034	-	3,196,034	3,196,034
Goodwill and intangible assets	-	3,898,841	3,898,841	-	3,898,841	3,898,841
Deferred tax assets	-	2,479,484	2,479,484	-	2,417,167	2,417,167
Total Assets	177,718,620	157,153,318	334,871,938	177,563,502	157,547,984	335,111,486
Liabilities and Shareholders' equity						
Liabilities						
Deposits from banks	383,214	-	383,214	383,214	-	383,214
Deposits from customers	79,532,132	185,936,982	265,469,114	79,532,132	185,936,982	265,469,114
Derivative financial instruments	359,808	-	359,808	359,808	-	359,808
Other liabilities	5,420,352	-	5,420,352	5,398,074	-	5,398,074
Due to parent companies & other related parties	2,842,154	6,789,000	9,631,154	3,925,736	6,789,000	10,714,736
Current tax liabilities	361,913	-	361,913	274,868	-	274,868
Retirement benefit obligations	32,277	-	32,277	32,277	-	32,277
Total liabilities	88,931,850	192,725,982	281,657,832	89,906,109	192,725,982	282,632,091

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.